



Republic of Bulgaria

NATIONAL REFORM PROGRAMME

(2007 – 2009)

**SUMMARY OF CHALLENGES, POLICIES
AND GOVERNANCE**

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(Summary of challenges, policies and governance)

1. Introduction

This paper summarises the 2007-2009 Bulgarian National Reform Programme (NRP) drawn up in the context of the European Strategy for Growth and Jobs. The paper highlights which challenges the Bulgarian Government intends to address as a matter of priority during the period of the NRP; it also seeks to integrate different policy strands (macro, micro and employment) into a coherent programme for reform with a view to exploiting synergies and addressing any trade-offs.

Under each of the priority challenges, the paper sets out the measures and instruments to address them accompanied by time-lines and necessary budget allocations. It clarifies how implementation will be monitored. It also sets out the framework for governance to ensure the broadest possible support for its implementation.

2. Key challenges for 2007-2009

Improving administrative capacity is considered an overarching horizontal priority. In this context, Bulgaria outlines the specific measures/policies to be undertaken with a view to: 1) further improving the institutional capacity at all levels for effective policy formulation and public service delivery, as well as strengthening further the transparency of administration contributing to better governance and an increasingly dynamic business environment; and 2) strengthening the capacity for management of substantial funding (particularly relevant to the preparation and implementation of Structural funds).

In order to achieve the overarching, medium-term targets of achieving sustainable growth of GDP at a rate of 6% per year; an employment level of 61%; and narrowing the income gap with the rest of the European Union, Bulgaria focuses on the following five challenges as a matter of priority:

- Maintaining macroeconomic stability (containing the external deficit and further reducing inflationary pressures based on a prudent policy mix which combines structural reforms, a strong fiscal position and further measures to improve the quality and efficiency of public spending);
- Modernisation and development of infrastructure, in particular transport and energy networks, as well as ICT infrastructure;

- Improving the business environment (incl. better regulation, implementation of internal market legislation, competition and key priority actions identified by the 2006 Spring European Council);
- Improving the quality of human capital through improved access of all to quality education and training (incl. life-long learning) with a view to increase productivity and better match skills with labour market needs;
- Activating labour supply through introducing a flexicurity approach notably through active labour market policies (focusing on efficient employment services, job assistance and upgrading of skills).

Reforms addressing the main challenges

Overarching priority: improving administrative capacity

The following major measures will be implemented to improve the performance with regard to administrative capacity:

- A) Improving the institutional capacity at all levels in order to efficiently formulate policies and to provide better administrative services
- B) Increasing the transparency in the work of administration
- C) Facilitating and accelerating the company registration procedure
- D) Strengthening the capacity for management of funds (especially in relation to the preparation and implementation of Structural funds).

Description of measure A: Improving the institutional capacity at all levels in order to efficiently formulate policies and to provide better administrative services

- **Description of problem:** The state administration has insufficient capacity for strategic planning. There is no efficient system for monitoring the implementation of strategies and legislation in order to undertake timely measures concerning the updating of legal acts. The legislative framework is not optimized and allows for duplicating functions within the administration. The outsourcing of activities outside the direct budget financing to the private sector and the various forms of public-private partnerships are not sufficiently common practices.

The dialogue and the coordination with the socio-economic partners and the non-government sector are not sufficiently developed and efficient. Despite the introduction of the one-stop-shop service principle, the lack of standardization of administrative services hampers the provision of services to citizens and businesses.

Although the development of electronic services continues, their provision is still not efficiently oriented to the clients' needs due to the incomplete legal framework.

- **Target:** To improve the provision of administrative services to businesses and citizens through the development of partnerships with outsourcers and upgrading the competences of civil servants in order to better implement the policies and the legal framework.
- **Type of action:** Amendments to the legal framework.

- **Status:** In progress. Improvement and wide implementation of strategic planning in administration as a principle in policy design.
- **Direct budgetary costs:** EUR 2.3 million national co-financing.
- **Ministry in charge:** Ministry of State Administration and Administrative Reform, Administration of the Council of Ministers
- **Timeline:** 2007-2009
- **Impact expected on other main challenges (synergies):** Improving the business environment, increasing the efficiency of implemented policies and optimizing the public expenditure.
- **Coordination between national, regional and local levels:** Consultations with a wide range of interested institutions at national and regional level on the design, implementation and monitoring of implementation of policies.
- **Interaction with the judicial power:** not applicable.

Description of measure B: Increasing the transparency in the work of administration

- **Description of problem:** There are no clear and efficient rules concerning the interaction between citizens and the personnel employed in administration. The measures undertaken to increase transparency are not sufficiently popular. The citizens' control as a mechanism of efficient monitoring of administration's activities is not well developed.
- **Target:** To decrease corruption and to increase transparency and accountability in the work of administration.
- **Type of action:** Effective implementation of the Strategy for Transparent Governance, Prevention and Counteraction of Corruption, the Programme for Transparency of the Activities of State Administration and Higher Government Officials, and Law on Civil Servants. Elaboration of proposals for legislation directed towards effective signalling in order to fight corruption and irregularities.
- **Status:** In progress. The scope is being expanded and the mechanisms for monitoring the implementation of the Strategy and the Programme are being improved.
- **Direct budgetary costs:** EUR 1.53 million national co-financing.
- **Ministry in charge:** Ministry of State Administration and Administrative Reform
- **Timeline:** 2007-2009
- **Impact expected on other main challenges (synergies):** A stable and predictable business environment. Diminishing transaction costs in the economy, increasing foreign direct investment.
- **Coordination between national, regional and local levels:** Consultations with a wide range of interested institutions at national and regional level on the elaboration of policies to combat corruption.
- **Interaction with the judicial power:** Collaboration with the prosecutors' offices in cases of signalled irregularities.

Description of measure C: Facilitating and accelerating the company registration procedure

- **Description of problem:** The registration of companies takes a month and requires the payment of four fees which is a barrier for business start-ups.

- **Quantitative target:** Implementation of a single procedure, shortening of the period for registration of companies to one day and decreasing the registration costs by paying only one fee.
- **Type of action:** Launch of a company register.
- **Status:** Forthcoming.
- **Direct budgetary costs:** EUR 2.5 million
- **Ministry in charge:** Ministry of Justice.
- **Timeline:** 2007
- **Impact expected on other main challenges (synergies):** The alleviation of the registration regimes will lead to:
 - Decreasing the costs for businesses;
 - Decreasing the public expenditures;
 - Containing the ‘gray’ economy.
- **Coordination between national, regional and local levels:** Structures at the local level are being established.
- **Interaction with the judicial power:** Facilitation of the work of the judiciary.

Description of measure D: Strengthening the capacity for management of funds (especially in relation to the preparation and implementation of Structural Funds).

- **Description of problem:** The state administration has insufficient capacity to manage funds. There is no integrated system for monitoring the implementation of policies and programmes.
- **Target:** Efficient management, evaluation and control over the utilization of substantial funds for the implementation of policies and programmes. Increasing the rate of absorption and the efficiency of utilization of EU funds.
- **Type of action:** Training of the employees responsible for the management of funds, in particular the structures responsible for the management, control and evaluation of implementation of programmes and policies co-financed by the EU. Improvement of the functioning of the integrated Information System for Monitoring and Management of EU Funds.
- **Status:** Forthcoming.
- **Direct budgetary costs:** EUR 6.1 million
- **Ministry in charge:** Ministry of Finance
- **Timeline:** 2007-2013
- **Impact expected on other main challenges (synergies):** Increasing the efficiency of the implemented policies and optimization of public expenditures.
- **Other information:** The planned activities are included in Operational Programme “Technical Assistance”
- **Coordination between national, regional and local levels:** The coordination will be carried out at national level.
- **Interaction with the judicial power:** not applicable.

Challenge 1: Maintaining macroeconomic stability

The following major measures will be implemented to maintain macroeconomic stability:

1A) Maintaining a budgetary surplus while taking account of the cyclical development of the economy

1B) Maintaining long-term sustainability of public finances

Description of measure 1A: Maintaining a budgetary surplus while taking account of the cyclical development of the economy

- **Description of problem:** A high deficit of the current account of the balance of payments is present. It is necessary to contain the growth of domestic demand in order to reduce the risk of economy overheating.
- **Quantitative target:** To maintain a budgetary surplus in the range of 1.5-2.0% of GDP over the period 2007-2009.
- **Type of action:** Implementation of monitoring of the policies envisaged in the laws on the state budget for 2007-2009 and in the Convergence Programme of the Republic of Bulgaria (2006-2009);
- **Status:** In progress.
- **Direct budgetary costs:** none
- **Ministry in charge:** Council of Ministers, Ministry of Finance
- **Timeline:** 2007-2009
- **Impact expected on other main challenges (synergies):** Containing the growth of domestic demand and consequently the current account deficit; containing the inflationary pressures.
- **Coordination between national, regional and local levels:** not applicable.
- **Interaction with the judicial power:** not applicable.

Description of measure 1B: Maintaining long-term sustainability of public finances

- **Description of problem:** The pension system is characterized by a deficit, which threatens the long-term sustainability of public finances in view of the ageing population.
- **Quantitative target:** Containing the deficit of the pension system
- **Type of action:** 1. Increasing the retirement age to 60 for women and to 63 for men; 2. Stimulating older workers to stay longer on the labour market (Art. 70 of the Social Security Code); 3. Establishment of a State Fund for Guaranteeing the Sustainability of the Public Pension System (Fund for Demographic Reserve in support of the financing of the Public Social Security – Section 7, Paragraph 2 of the Transitional and concluding provisions of the Law on the State Budget of the Republic of Bulgaria for 2007).
- **Status:** Adopted
- **Ministries in charge:** Ministry of Labour and Social Policy, Ministry of Finance, National Social Security Institute
- **Timeline:** 2007-2009

- **Impact expected on other main challenges (synergies):** The deficit is expected to decrease, and the direct budgetary costs (difference in % of GDP compared to previous year) are expected to be the following:
 - 2006: -0.04%
 - 2007: -0.43%
 - 2008: -0.05%
 - 2009: -0.22%

Increasing the number of active population, containing the ‘gray’ economy.
- **Coordination between national, regional and local levels:** not applicable.
- **Interaction with the judicial power:** not applicable.

Challenge 2: Modernization and development of infrastructure, in particular transport and energy networks, as well as ICT infrastructure

The following major measures will be implemented to upgrade basic infrastructure:

- 2A) Setting up the integrated communication infrastructure for the needs of government, citizens and businesses;
- 2B) Upgrading the regional and local road infrastructure;
- 2C) Upgrading the infrastructure in rural areas;
- 2D) Modernization of the Bulgarian transport infrastructure along the main axes of European and national significance;
- 2E) Setting up and developing energy infrastructure.

Description of measure 2A: Setting up the unified communication infrastructure for the needs of government, citizens and businesses;

- **Description of problem:** Currently, the existing telecommunication networks of the Council of Ministers and the line ministries are not fully interoperable, reliable and secure as a whole, and are underdeveloped at regional and local level which hampers the wide penetration of e-government services.
- **Target:** Ensuring national and regional ICT connectedness between state institutions.
- **Type of action:** Setting up a high-speed fibre-optic ring with an initial transmission capacity of about 2.5 Gbps and with an option for further increase up to 10 Gbps; Connecting 27 regional centres and the capital within the fibre-optic ring by the end of 2007.
- **Status:** Forthcoming
- **Direct budgetary costs:** EUR 3 million
- **Ministry in charge:** Council of Ministers - State Agency for Information Technology and Communications
- **Timeline:** 2008
- **Impact expected on other main challenges (synergies):** Creation of preconditions for accelerated economic growth through transaction costs reduction and reallocation of resources towards alternative investment, decreasing inter-regional and intra-

regional disparities, ensuring access to e-services, new investment opportunities and job creation.

- **Coordination between national, regional and local levels:** The coordination between national, regional and local levels will be carried out by the State Agency for Information Technology and Communications.
- **Interaction with the judicial power:** not applicable

Description of measure 2B: Upgrading the regional and local road infrastructure

- **Description of problem:** The poor condition of the road network is one of the most significant limiting factors impeding the inter-regional integration and integration within the EU, constraining labour force mobility, reducing the access to various types of services and deepening the disparities between the separate regions which results in the current backwardness in the development of the peripheral regions of the country. There is an urgent need of road modernization in order to improve their safety, as well as to support tourism development and to facilitate the access to administrative, healthcare, educational and cultural institutions.
- **Target:** Promotion of investment, increasing accessibility, connectedness and economic cohesion of regions through rehabilitation of regional and local roads.
- **Type of action:**
 - Construction, repair, reconstruction and rehabilitation of second-class roads outside the Trans-European Networks (TENs), as well as of third-class roads;
 - Improvement of transport connections to certain destinations and infrastructure outside the populated areas – access to ports, air-ports, landfills, etc.
- **Status (developing policy, implementation, other):** In progress.
- **Direct budgetary costs:** EUR 48.6 million
- **Ministry in charge:** Ministry of Regional Development and Public Works
- **Timeline:** 2007-2013
- **Impact expected on other main challenges (synergies):** Increasing economic activity in the separate regions through investment attraction. Increasing mobility of labour force and improving access to the various types of services. Enhancing access to the most distant areas, their connection with the country interior and overcoming intra-regional disparities.
- **Other information:** This measure is proposed for implementation under Operational Programme “Regional Development” 2007-2013.
- **Coordination between national, regional and local levels:** The “Republican Road Infrastructure” Fund which operates under the control of the Minister of Finance, the Minister of Transport and the Minister of Regional Development and Public Works will carry out the general administration of road projects in the country in fulfilment of the common transport policy. The coordination at the regional level will be carried out through the territorial units of the Fund.

Description of measure 2C: Upgrading the infrastructure in rural areas;

- **Description of problem:** Highly depreciated or missing basic infrastructure – water supply and sewage systems, road infrastructure in and between the populated areas, infrastructure for the collection, transportation and treatment of waste.

- **Targets:**
 - To improve the living conditions in rural areas;
 - To enhance labour force mobility and to create opportunities for business development in rural areas;
- **Type of action:**
 - Construction, reconstruction and rehabilitation of municipal roads and bridges;
 - Construction, reconstruction and rehabilitation of the street network, sidewalks, squares, street lighting;
 - Construction and rehabilitation of water supply systems and facilities;
 - Construction and rehabilitation of sewage systems and facilities;
 - Recovery of “green” areas for public needs – parks and gardens.
- **Status:** Forthcoming. The activities under this measure are included in the Programme for the Development of Rural Areas (PDRA) for the period 2007-2013.
- **Direct budgetary costs:** Indicative national co-financing (national budget resources) for 2007-2013 – EUR 76 million at current prices, out of which projected funds for 2007-2009: EUR 32.6 million at current prices.
- **Ministry in charge:** Ministry of Agriculture and Forestry
- **Timeline:** 2007-2013
- **Impact expected on other main challenges (synergies):** Improvement of competitiveness.
- **Other information:** Beneficiaries under this measure will be: municipalities, non-profit organizations (including community centres); legal and natural persons – registered under the Commercial Law and the Law on Cooperatives; the amount of aid under this measure is up to 100% of the eligible investment costs.
- **Coordination between national, regional and local levels:** On the one hand local authorities (the municipalities) will be beneficiaries under the measure, and on the other, through the National Association of the Municipalities in the Republic of Bulgaria, they will participate in the Monitoring Committee for the implementation of the PDRA 2007-2013 and in working groups to this committee.
- **Interaction with the judicial power:** Court appeals against the contracts for implementation of the projects and against the expropriation procedures.

Description of measure 2D: Modernization of the Bulgarian transport infrastructure along the main axes of European and national significance

- **Description of problem:** Although Bulgaria has well developed railway and road networks, ports and airports, they do not meet the international requirements and standards.
- **Target:** To increase the capacity of the Bulgarian transport network, to achieve higher operational compatibility with the Trans-European Transport Networks, and to remove the bottlenecks along the main transport axes. To increase the projected speed both for the road and railway networks and to reduce the time for servicing at the river and maritime ports and at the airports.

- **Type of action:** Construction and modernization of road and railway infrastructure along the transport axes of national and European importance; concession of port and airport infrastructure.
- **Status:** Forthcoming
- **Direct budgetary costs:** For 2007: EUR 22.7 million
- **Ministry in charge:** Ministry of Transport
- **Timeline:** 2007-2015
- **Impact expected on other main challenges (synergies):**
 - Enhancing the economic efficiency;
 - Improving the competitiveness of the Bulgarian transport system;
 - Creating suitable conditions for sustainable growth of the internal and international transport;
 - Integrating the Bulgarian transport system into the European Transport System and strengthening its priority role in the region;
 - Improving the conditions for fair competition between and within the different modes of transport;
 - Provision of transport services to the population at affordable prices.
- **Other information:** This measure is included for implementation under the National Strategy for Integrated Development of the Infrastructure of the Republic of Bulgaria for the Period 2006 – 2015 and in Operational Programme “Transport” 2007-2013.
- **Coordination between national, regional and local levels:** Coordination is carried out by the Ministry of Transport in collaboration with the Ministry of Finance, the Ministry of Economy and Energy, the Ministry of Regional Development and Public Works, the Ministry of Environment and Waters, the Executive Agencies, the National companies and the local self-government bodies.
- **Interaction with the judicial power:** Court appeals against the contracts for implementation of the projects and against the expropriation procedures.

Description of measure 2E: Setting up and developing energy infrastructure

- **Description of problem:** Bulgaria faces the following main challenges: to guarantee the security of energy supply; to diversify energy sources, to protect the environment, and to reduce the high dependency on imported energy resources.
- **Targets:**
 - Security of energy supply;
 - Reduction of the external dependency;
 - Provision of physical conditions for cross-border exchange of energy resources;
 - Effective functioning of the regional energy market in South-East Europe.
- **Type of action:**
 - Creation of conditions for the realization of infrastructure projects necessary for the functioning of the energy market within the Energy Community and ensuring the diversification of the sources and the supply routes of energy

resources for the region and the EU, as well as for the sustainable use of the local energy resources:

- Establishment of an electric energy inter-connectivity with Macedonia: sub-station Chervena Mogila (Bulgaria) – sub-station Stip (Macedonia), which continues with the establishment of an electric energy inter-system connection between Macedonia and Albania and the establishment of an electric energy inter-system connection between Albania and Italy through the Adriatic Sea;
 - Rehabilitation and modernization of the electricity transmission network in the Republic of Bulgaria – Energy 2;
 - “Nabucco” gas pipeline project;
 - Construction of a regional re-gasification terminal for liquefied natural gas (LNG) along the Bulgarian Black Sea coast;
 - Construction of Dupnitsa – Dimitrovgrad – Niš gas pipeline;
 - Construction of inter-system gas connection with Romania in order to establish connection with the gas market of the EU;
 - Construction of a trans-Adriatic gas pipeline from Bulgaria via the Republic of Macedonia and Albania along the bottom of the Adriatic Sea to Italy;
 - Construction of the Bourgas – Republic of Macedonia – Vliora (AMBO) oil pipeline;
 - Construction of the Bourgas–Alexandroupolis oil pipeline;
 - Construction of a second electric energy inter-system connection between Bulgaria and Greece.
- Elaboration of policy, legislative and regulatory actions;
 - Rehabilitation and modernization of existing electricity production capacities in order to extend their operational period;
 - Construction of new electricity production capacities, using local lignite coal and nuclear fuel;
 - Update of the Energy Strategy;
 - Elaboration of a National Strategy for Sustainable Development.
- **Status:** In progress; forthcoming
 - **Direct budgetary costs:** EUR 3.3 million in 2007.
 - **Ministry in charge:** Ministry of Economy and Energy, Ministry of Regional Development and Public Works.
 - **Timeline:** 2007-2010
 - **Impact expected on other main challenges (synergies):** ensuring macroeconomic stability, enhancing competitiveness; increasing employment, improving the quality of the environment.
 - **Coordination between national, regional and local levels:** Coordination between the Ministry of Economy and Energy (MEE), the Ministry of Regional Development and Public Works (MRDPW) and local authorities in the implementation of the relevant investment projects.
 - **Interaction with the judicial power:** not applicable

Challenge 3: Improving the business environment (incl. better regulation, implementation of Internal Market legislation, competition and key priority actions, identified in the Spring European Council of March 2006)

The following major measures will be implemented in order to improve the business environment:

3A) Better regulation and a more dynamic business environment;

3B) Introducing the ‘one-fiche payment’ at the border check-points (BCPs)

Description of measure 3A: Better regulation and a more dynamic business environment

- **Description of problem:** The requirement of the Law on Restriction of Administrative Regulation and Administrative Control (LRARAC) to prepare ex-ante regulatory impact assessments (RIA) of the proposed regimes over the business environment and entrepreneurs’ behaviour is not applied. Constant monitoring, a uniform methodology, and an organisational system for the LRARAC overall implementation as well as at the individual ministries level are missing. The businesses’ representatives are not sufficiently actively involved in the process of preparing impact assessments of the introduced regimes.
- **Target:** To simplify the regulatory regimes; To reduce the time needed to obtain licences and permits
- **Type of action:** Elaboration and implementation of a methodology for impact assessment. Preparation of ex-ante regulatory impact assessments of 4 draft laws in 2007. Participation of businesses in the process of preparation and adoption of the impact assessments.
- **Status:** Forthcoming. Until present an analysis of the existing regulatory regimes, as well as a Programme for Better Regulation have been drafted.
- **Direct budgetary costs:** EUR 0.56 million national co-financing (Ministry of State Administration and Administrative Reform, MSAAR)
- **Ministry in charge:** MSAAR, Ministry of Economy and Energy (MEE)
- **Timeline:** 2007-2009
- **Impact expected on other main challenges (synergies):** The simplification of the registration regime will lead to:
 - Reducing the transaction costs for businesses;
 - Reducing the public expenditures;
 - Containing the ‘gray’ economy;
 - Higher transparency and fewer opportunities for corruption practices.
- **Coordination between national, regional and local levels:** The National Association of the Municipalities in the Republic of Bulgaria (NAMRB) participates in the elaboration of a mechanism for control over the fulfilment of the commitments of the central and local administrations for introducing the better regulation principles.
- **Interaction with the judicial power:** not applicable.

Description of measure 3B: Introducing the ‘one-fiche payment’ at the border check-points (BCPs)

- **Description of problem:** The administrative services at the border check-points (BCPs) are at an unsatisfactory level. Several fees are paid on several counters.
- **Target:** To improve the quality of the provided services at the BCPs; to reduce the time for service, to reduce the number of payments to one fee at bank counters situated on the BCPs' territory.
- **Type of action:** Development and introduction of a local information system for execution of payments.
- **Status:** In progress.
- **Direct budgetary costs:** EUR 0.51 million national co-financing
- **Ministry in charge:** Ministry of State Administration and Administrative Reform
- **Timeline:** 2007-2009
- **Impact expected on other main challenges (synergies):** Facilitating trade and tourism; reducing the corruption practices, increasing the use of the national transport system by the transit-travelling foreign citizens.
- **Coordination between national, regional and local levels:** Interaction with the local authorities in the border regions.
- **Interaction with the judicial power:** Cooperation with the prosecutor's office when signals for irregularities are received.

Challenge 4: Improving the quality of human capital through improved access of all to quality education and training (incl. life-long learning) with a view to increase productivity and better match skills with labour market needs;

The following major measures will be implemented to upgrade skills levels through improved access of all to quality education and training:

- 4A) Reducing the number of drop-outs and integrating the early school leavers into the educational system
- 4B) Building a modern and efficient system for standardised external evaluation in secondary education
- 4C) Development of vocational education and training in compliance with the labour market needs
- 4D) Developing lifelong learning forms
- 4E) Improving the quality and efficiency of higher education
- 4F) Establishment and development of a National System for Regular Monitoring of the Labour Market

Description of measure 4A: Reducing the number of drop-outs and integrating early school leavers into the educational system

- **Description of problem:** The share of children in mandatory school age, which are not covered by the educational system or have dropped out of it, is high. The relative share of the children from risk groups, in particular those from the Roma minority, is the highest. This leads to disproportions in the educational attainment, resulting in the fact that relatively compact groups are marginalised from the social life and are additionally impeded in their integration.

- **Quantitative target:** Reducing the share of drop-outs to 15% by 2009
- **Type of action:** Elaboration and adoption of a programme containing specific measures for preventing the drop-outs in the mandatory school age.
- **Status:** In progress.
- **Ministry in charge:** Ministry of Education and Science (MES)
- **Timeline:** 2008
- **Impact expected on other main challenges (synergies):** Increasing the number of active population, better matching of skills and labour market needs.
- **Coordination between national, regional and local levels:** Coordination of the efforts of MES, the Employment Agency, MEE, the Ministry of Labour and Social Policy (MLSP) and municipal authorities.
- **Interaction with the judicial power:** not applicable

Description of measure 4B: Building a modern and efficient system for standardised external evaluation in secondary education

- **Description of problem:** The declining quality and efficiency of the educational system in the secondary education are also linked with the lack of a system for national external evaluation and of an efficient system for internal evaluation of the educational quality. This does not allow comparing the achievements of the graduates from the different schools.
- **Target:** To establish a modern and efficient system for standardised external evaluation in secondary education
- **Type of action:** Mandatory evaluation of the knowledge and skills of the students in each educational stage and degree by means of national standardised exams (incl. introducing the state matriculation)
- **Status:** In progress.
- **Ministry in charge:** Ministry of Education and Science
- **Timeline:** 2009
- **Impact expected on other main challenges (synergies):** Increasing the quality of educational services, improving the qualification of teachers.
- **Coordination between national, regional and local levels:** - Coordination of the efforts of the Ministry of Education and Science, the Employment Agency, the Ministry of Economy and Energy, the Ministry of Labour and Social Policy and municipal authorities.
- **Interaction with the judicial power:** not applicable.

Description of measure 4C: Development of vocational education and training in compliance with the labour market needs

- **Description of problem:** About 20% of the population (aged 18-24) has lower than secondary education and does not plan to continue its education or to raise its qualification. The measures for their reintegration in the educational system, as well as for their inclusion in different qualification programmes and courses, are not sufficient.

- **Target:** To increase the educational level and the acquisition of professional qualification by the concerned population groups.
- **Type of action:** Establishment of a system for professional orientation and consultations, development of short-term modules for acquisition of professional qualification for the students leaving the education system after graduating from the 10th grade; creating legislative and other supportive conditions for carrying out school practices and internships in companies.
- **Status:** Forthcoming
- **Ministry in charge:** Ministry of Education and Science together with the Ministry of Labour and Social Policy in cooperation with the organisations of employers and businesses.
- **Timeline:** 2008
- **Impact expected on other main challenges (synergies):** Increasing the economic activity and the labour productivity of the population, stimulating the competitive pressures on the labour market. Reducing the crime level. Social inclusion of the marginalised groups.
- **Coordination between national, regional and local levels:** - Coordination of the efforts of the Ministry of Education and Science, the Employment Agency, the Ministry of Economy and Energy, the Ministry of Labour and Social Policy and municipal authorities.
- **Interaction with the judicial power:** Facilitating the work of the judicial system.

Description of measure 4D: Developing lifelong learning forms

- **Description of problem:** According to the 2003 Lifelong Learning Survey results, the total share of people aged 25-64 participating at least in one form of training (formal, informal or self-study) is only 16%, which is about 2.5 times lower than the EU-25 average.
- **Quantitative target:** To increase the share of people participating in various forms of lifelong learning
- **Type of action:** Elaboration of a National Strategy for Lifelong Learning
- **Status:** In progress.
- **Ministry in charge:** Ministry of Education and Science together with the Ministry of Labour and Social Policy
- **Timeline:** 2007
- **Impact expected on other main challenges (synergies):** Acquisition of key skills, ensuring greater flexibility and adaptability of the labour force; reduction of illiteracy and increase of employability of the labour force with low educational attainment level or without qualification; promotion of on-the-job training. Increasing the revenues from social security contributions.
- **Coordination between national, regional and local levels:** It will be ensured through cooperation between the Ministry of Labour and Social Policy and the local structures.
- **Interaction with the judicial power:** not applicable

Description of measure 4E: Improving the quality and efficiency of higher education

- **Description of problem:** The Bulgarian higher education does not correspond to the contemporary requirements and standards. Despite the fact that its quantitative dimensions are comparable with the EU averages, a significant share of the higher education graduates do not have the knowledge and skills required by the labour market. The large number of higher schools creates conditions for insufficient financing of the higher education system, while at the same time reducing the efficiency per unit of budgetary expenditure.
- **Target:** To optimise the network of higher schools; to meet labour market requirements;
- **Type of action:** Elaboration, broad-based discussion and adoption of a strategy for the development of higher education, as well as an annual update of a programme containing specific measures for its realization, the implementation of which will be reported also to the National Assembly; Completion of the establishment and development of the career centres in the higher schools; Increasing the share of students in natural sciences, mathematics, engineering and informatics.
- **Status:** In the process of elaboration.
- **Ministry in charge:** Ministry of Education and Science
- **Timeline:** 2007-2009
- **Impact expected on other main challenges (synergies):** Increasing the efficiency of the management of higher schools; optimisation of the public expenditures; increasing the share of R&D expenditures in the overall education expenditures; better matching of demand and supply of highly-qualified labour force.
- **Coordination between national, regional and local levels:** Coordination between the Ministry of Education and Science, the management of higher schools and the business' representatives.
- **Interaction with the judicial power:** not applicable

Description of measure 4F: Establishment and development of a National System for Regular Monitoring of the Labour Market

- **Description of problem:** Sufficiently reliable information on the characteristics of labour demand and supply is missing. This creates hindrances for planning of the academic process, as well as for the business and the government sector in hiring specialists with suitable qualification.
- **Target:** Availability of reliable information concerning the characteristics of labour demand and supply on the national and regional markets.
- **Type of action:** Elaboration and introduction of a mechanism for regular nation-wide monitoring and analysis of the labour market with space and time dimensions.
- **Status:** Forthcoming
- **Ministry in charge:** Ministry of Education and Science together with the Ministry of Labour and Social Policy
- **Timeline:** 2008
- **Impact expected on other main challenges (synergies):** Increasing employment by means of facilitating the link between businesses and educational institutions.

- **Coordination between national, regional and local levels:** Among the Ministry of Education and Science, the Ministry of Labour and Social Policy, representatives of business and higher schools for the regular conduct of the monitoring.
- **Interaction with the judicial power:** not applicable

Challenge 5: Activating labour supply

The following major measures will be implemented to activate labour supply:

5A) Continuing the implementation of the National Programme “From Unemployment Benefits to Employment”

5B) Implementation of the measures envisaged in the Law on Employment Promotion

5C) National Programme „Assistants to Disabled People”

Description of measure 5A: Continuing the implementation of the National Programme “From unemployment benefits to employment”

- **Description of problem:** Since 2003 there has been a sustainable trend of decreasing the number of long-term unemployed¹ but they are still more than a half of all registered unemployed. According to National Employment Agency data, the average number of long-term unemployed in 2006 was 203 812 or 57.2% of the total number of registered unemployed. 71.7% of the long-term unemployed had primary or lower education and 73.6% had no qualification and trade.
- **Quantitative target:** To provide employment to 33 000 unemployed persons in 2007
- **Type of action:** Active labour market programme
- **Status:** In progress.
- **Direct budgetary costs:** EUR 41 million (source of financing – the state budget)
- **Ministry in charge:** Ministry of Labour and Social Policy
- **Timeline:** by end of 2007
- **Impact expected on other main challenges (synergies):** Increased revenues of the social security system.
- **Coordination between national, regional and local levels:** The Programme is coordinated at the national level. Employers take part in its implementation as well.
- **Interaction with the judicial power:** not applicable.

Description of measure 5B: Implementation of the measures envisaged in the Law on Employment Promotion

- **Description of problem:** Although the number of unemployed has been decreasing in the last few years, the share of unemployed among certain groups remains high: young persons, disabled persons, persons in pre-retirement age and persons with low educational attainment.
- **Quantitative target:** To provide employment to 24 061 persons and training to 23 200 persons in 2007.
- **Type of action:** Active labour market measures

¹ Persons with a regularly updated registration of over 1 year in the Labour Office Directorates.

- **Status:** In progress
- **Direct budgetary costs:** EUR 17.08 million (source of financing – the state budget).
- **Ministry in charge:** Ministry of Labour and Social Policy
- **Timeline:** 2007-2009
- **Impact expected on other main challenges (synergies):** Increased revenues of the social security system.
- **Coordination between national, regional and local levels:** The Programme is coordinated at the national level. Employers take part in its implementation as well.
- **Interaction with the judicial power:** not applicable.

Description of measure 5C: National Programme „Assistants to Disabled People”

- **Description of problem:** The registered unemployed on social benefits are among the most vulnerable groups on the labour market.
- **Quantitative target:** The Programme envisages to provide employment to 12 400 unemployed persons in 2007.
- **Type of action:** Active labour market programme
- **Status:** In progress.
- **Direct budgetary costs:** EUR 18.8 million (source of financing – the state budget).
- **Ministry in charge:** Ministry of Labour and Social Policy
- **Timeline:** until the end of 2007
- **Impact expected on other main challenges (synergies):** Increased revenues of the social security system.
- **Coordination between national, regional and local levels:** The Programme is coordinated at the national level.
- **Interaction with the judicial power:** not applicable.

2006 Spring European Council Priority Actions

Description of policy measures aiming at the four 2006 SEC priority actions:

First Priority action: Investments in knowledge and innovation

- **Description of problem:** Currently the innovation system in Bulgaria is underdeveloped and faces considerable challenges. The technological level of enterprises is relatively low; the link between business and science is missing or considerably weakened. The innovations-promoting infrastructure – technological incubators, centres or parks – is either missing or in its gestation stage. The research units are primarily state-owned, because the number of researchers in enterprises is very small. R&D expenditures as a percentage of GDP remained at around 0.5% for the last five years, while a mere 20% were spent by the business, and the bulk of the remaining share was spent on wages and social security contributions for the R&D staff, employed by the state. A mere 10% of R&D expenditures were spent on research equipment.
- **Target:** To improve the overall framework for R&D and innovative activities development; to improve intellectual property protection.
- **Type of action:** Elaborating an overall policy framework; Financing investment in R&D (the Scientific Research Fund; the National Innovation Fund; the Pre-Accession and Structural Funds); improving entrepreneurship culture concerning intellectual property; promoting innovation creation and commercialization, incl. through assisting innovative start-ups, improving pro-innovative infrastructure – investment assistance of research institutions, technological business incubators and centres establishment, etc.; establishment of a network among the key players in the Bulgarian innovative system, etc.; establishment of specialized consulting units assisting Bulgarian companies to prepare their documentation to apply for participation in the 7th Framework Programme.
- **Status:** In progress.
- **Direct budgetary costs:** Financing from the National Innovation Fund:
 - 2007: EUR 6.7 million.
 - 2008: EUR 10.7 million.
 - 2009: EUR 19.4 million.

The MEE budget for knowledge creation, dissemination and application is allocated, as follows:

- 2007: EUR 113 777 for the establishment and functioning of 4 technological centres;
- 2008: EUR 113 777 for the establishment and functioning of 4 technological centres;

Financing from the Scientific Research Fund:

- 2007: EUR 8 million.
- 2008: EUR 9 million.
- 2009: EUR 11 million.

- **Ministry in charge:** Ministry of Economy and Energy; Ministry of Education and Science
- **Other information:** Intellectual property rights protection is also envisaged in the Competitiveness Operational Programme, financed by the ERDF.
- **Coordination between national, regional and local levels:** A national information system for intellectual property and an Interinstitutional Council for its administration were established. Intellectual property protection measures will be elaborated in close cooperation with the Bulgarian Association of Musical Producers (BAMP), the Bulgarian League against Copyright Theft – “BulAct” and the Business Software Alliance.

Establishment of a Knowledge-based Economy (KBE)

The effective integration of the national economy into the EU economy requires the establishment of modern and competitive knowledge-based structures. A crucial prerequisite is high-level education, modern research and high technologies. Significant applicable results necessitate research and financial resources concentration in those fields of knowledge, which are best suited to the economy development and the business, in particular. The country has relatively stable, preserved and internationally acknowledged research institutions with a potential to turn into integral units of a new innovative infrastructure. With appropriate financing from public and private funds, they can actively contribute to improving production competitiveness and export orientation.

The country has the greatest potential in developing the following fields of knowledge:

- Information and communication technologies (ICT);
- Genetics, proteomics and medicine;
- Plant and animal genetics and biotechnologies;
- Fine machine building;
- Modern technologies in classical and atomic power engineering;
- Nanotechnologies and microelectronics.

Considering the importance of these strategic fields, projects to establish national innovation centres, specializing in these fields, will be elaborated. The establishment of these centres is expected to contribute to: improving the economy’s competitiveness; developing sectors with high value added; improving the quality of economic growth; improving the educational system efficiency; improving the quality of human capital; strengthening the education-science-business link.

Second Priority action: Promoting SMEs and entrepreneurship

- **Description of problem:** There are barriers to Bulgarian SMEs development, related to the access to financing for production equipment upgrading, innovations use and compliance with the *acquis* requirements.
- **Target:** To reduce barriers to SMEs development
- **Type of action:** Elaborating policies to promote entrepreneurial spirit and skills to start up new business through entrepreneurship culture improvement, incl. through

introduction of economics subjects in some secondary schools; start-ups support (Competitive Start-ups Project – Project 100); support to already existing or incipient clusters through investment, consulting services and training.

- **Status:** In progress.
- **Direct budgetary costs:**
 - For the period 2006-2007: EUR 32 166 for a vocational school entrepreneurship centre development and support;
 - For the period 2007-2009 from the budget of the Ministry of Economy and Energy:
 - 2007: EUR 127 823 for the establishment of 5 school companies;
 - 2008: EUR 153 388 for the establishment of 7 school companies;
 - 2009: EUR 148 275 for the establishment of 9 school companies;
 - For start-ups support from the MEE budget:
 - 2007: EUR 766 938
 - 2008: EUR 1.02 million
 - 2009: EUR 1.28 million
- **Ministry in charge:** Ministry of Economy and Energy
- **Other information:** Start-ups support is also envisaged in the Competitiveness Operational Programme through actions to establish innovative start-ups; the same Operational Programme also envisages existing and incipient clusters support.

Third priority action: **Improving the employment opportunities for the priority categories (target groups)**

Increasing employment and labour market participation is one of the main priorities in the National Reform Programme. The main goal in this direction is to increase employment as a source of higher incomes and effective integration on the labour market of persons from disadvantaged groups, incl. unemployed young people, women and persons over 50 years of age; disabled persons and persons from the minority groups.

The main policies in this area include the promotion of the life cycle approach to work to stimulate the activity and the adaptability of the labour force through the different stages of work life. The better balance between the private and professional life could prolong the work life and increase the level of employment, especially among women and older people. The support to the smooth transition between the different stages of the work life will be realized through measures, targeted to increasing labour market participation and labour force supply, especially for women, young people and older workers.

Specific measures concerning the flexicurity: In the beginning of the year the Council of Ministries adopted the Ordinance on the Structure and the Organization of Wages, which will enter into force on 01.07.2007. The application of this Ordinance, drawn up with the participation of the social partners, will regulate the elements of wages, incl. the types of extra labour remunerations. The Ordinance is seen as a tool to optimize the industrial relations concerning labour remunerations, as far as special mechanisms are provided for its application in collective bargaining. With the adopted Ordinance a step forward is made towards

strengthening the link between labour productivity, the economic results from labour and the wages, on the one hand, and between labour income and the parameters of the workplace, on the other. Also, new regulators in the area of labour, social security and tax legislation were elaborated and introduced to stimulate job creation and to increase labour market flexibility. Flexible forms of labour compensation will be elaborated taking into account the parameters of the workplace, the professional skills and the labour results. In 2007 the legislative framework regulating the activity of the Agencies for temporary employment will be elaborated and adopted. Measures to encourage employers to employ unemployed persons with permanent disabilities for fixed-term, seasonal or hourly work will be taken.

Youth employment:

- **Description of problem:** The level of employment among young persons aged 15-24 in 2005 was on average 21.6% compared to the EU-25 average of 36.8%.
- **Quantitative target:** To ensure employment opportunities to 1 163 unemployed young persons in 2007 under the “Start of Career” Programme; To ensure employment opportunities to 2 740 unemployed young persons as a result of the enforcement of the provision “Stimulating employers to employ jobless persons aged up to 29” (Article 36, Paragraph 1 of the Law on Employment Promotion) in 2007.
- **Type of action:**
 - “Start of Career” Programme: its main objective is to ensure opportunities for acquisition of job experience of jobless young person having higher education.
 - Enforcement of the provision “Stimulating employers to employ jobless persons aged up to 29” (Article 36, Paragraph 1 of the Law on Employment Promotion) through granting funds to cover the social security contributions for a period up to one year.
- **Status:** In progress.
- **Direct budgetary costs:**
 - “Start of Career” Programme: EUR 0.87 million (source of financing – the state budget)
 - To enforce the provision “Stimulating employers to employ jobless persons aged up to 29” (Article 36, Paragraph 1 of the Law on Employment Promotion): EUR 0.56 million (source of financing – the state budget)
- **Ministry in charge:** Ministry of Labour and Social Policy
- **Timeline:** until the end of 2007.
- **Impact expected on other main challenges (synergies):** Increasing the administrative capacity at the national and local levels by hiring young unemployed in the administrative structures
- **Coordination between national, regional and local levels:** The coordination of the Programme is carried out at the national level.
- **Interaction with the judicial power:** not applicable.

Employment of older workers:

- **Description of problem:** In Bulgaria the rate of employment in the age group 55-64 was relatively low in 2005 - 34.7% compared to the EU-25 average of 42.5%.

- **Quantitative target:** To reach an employment rate of 37% in the age group 55-64 until 2009; To ensure employment opportunities to 5 088 persons under the National Programme “Assistance for Retirement” in 2007; To ensure employment opportunities to 2 158 persons as a result of the enforcement of the provision „Stimulating the employers to hire jobless women older than 50 years and jobless men older than 55 years” (Article 55a of the Law on Employment Promotion) in 2007.
- **Type of action:**
 - National Programme “Assistance for Retirement”. By means of this programme the government will support employers who hire people at pre-retirement age.
 - Enforcement of the provision „Stimulating the employers to hire jobless women older than 50 years and jobless men older than 55 years” (Article 55a of the Law on Employment Promotion). Under this measure the employers will be stimulated to hire older registered unemployed persons.
- **Status:** In progress.
- **Direct budgetary costs:**
 - National Programme “Assistance for Retirement”: EUR 7.31 million (source of financing – the state budget)
 - To enforce the provision „Stimulating the employers to hire jobless women older than 50 years and jobless men older than 55 years” (Article 55a of the Law on Employment Promotion): EUR 2.25 million (source of financing – the state budget)
- **Ministry in charge:** Ministry of Labour and Social Policy
- **Timeline:** until the end of 2007.
- **Impact expected on other main challenges (synergies):** Facilitating the implementation of the pension reform; Increasing labour force participation; Increasing the revenues of the social security system.
- **Coordination between national, regional and local levels:** The implementation of the measures will be coordinated at the national level.
- **Interaction with the judicial power:** not applicable.

Female employment:

- **Description of problem:** The difference between the male and female employment still remains relatively high in Bulgaria (8.4 percentage points in 2005). In addition, the female employment rate is lower than the average for the EU-25 (51.7% compared to 56.3% in 2005).
- **Quantitative target:** To reach a female employment rate of 54% until 2009; To ensure employment opportunities to 2 000 people under the “In Support of Maternity” Programme; To ensure employment opportunities to 807 people as a result of the enforcement of the provision “Encouraging employers to hire jobless people – single parents (adopters) and/or mothers (adopters) with children younger than 3 years” (Article 53 of the Law on Employment Encouragement) in 2007.
- **Type of action:**

- Programme “In Support of Maternity”. The Programme will facilitate better professional development and return to employment of mothers through hiring unemployed persons to take care of their young children. On the one hand, a better reconciliation of family and professional life of mothers and a smooth transition between the periods of giving birth and work will be achieved, and on the other, new jobs for unemployed persons will be created.
- Enforcement of the provision “Encouraging employers to hire jobless people – single parents (adopters) and/or mothers (adopters) with children younger than 3 years” (Article 53 of the Law on Employment Encouragement) in 2007.
- **Status:** In progress
- **Direct budgetary costs:**
 - For Programme “In support of maternity” – EUR 3.07 million (source of financing – state budget)
 - For implementation of the provision “Encouraging employers to hire jobless people – single parents (adopters) and/or mothers (adopters) with children younger than 3 years” (Article 53 of the Law on Employment Encouragement) in 2007: EUR 0.72 million (source of financing – state budget)
- **Ministry in charge:** Ministry of Labour and Social Policy
- **Timetable:** until the end of 2007
- **Impact expected on other main challenges (synergies):** Facilitating the solution of the problem related to the shortage of institutions for raising young children; Reconciliation of family and professional life.
- **Coordination between national, regional and local levels:** The Programme is coordinated at the national level.
- **Interaction with the judicial power:** not applicable.

Employment for persons with permanent disabilities:

- **Description of problem:** The unemployment rate of the persons with permanent disabilities is relatively high (13.5% in 2005).
- **Quantitative target:** To ensure employment opportunities to 545 persons and training for professional qualification acquisition to 40 people in 2007.
- **Type of action:** Implementation of the National Programme for Employment and Vocational Training of Persons with Permanent Disabilities. The Programme envisages the provision of employment to working-age people with permanent disabilities through employment in integrated work environments.
- **Status:** In progress.
- **Direct budgetary costs:** EUR 0.77 million (source of financing – state budget)
- **Ministry in charge:** Ministry of Labour and Social Policy
- **Timetable:** until the end of 2007
- **Impact expected on other main challenges (synergies):** Increasing the incomes of disabled people and social integration.
- **Coordination between national, regional and local levels:** The Programme is coordinated at the national level.

- **Interaction with the judicial power:** not applicable.

Employment of persons from the Roma community:

- **Description of problem:** The low level of educational attainment as well as the lack of qualification and acquired trade is among the main factors for the unequal position of the Roma community persons on the labour market.
- **Quantitative target:** To provide literacy and vocational training for 1 500 people under the National Programme for Liquidation of Illiteracy and Qualification Improvement of Roma Persons in 2007.
- **Type of action:** Implementation of the National Programme for Liquidation of Illiteracy and Qualification Improvement of Roma Persons. The Programme implementation aims to effectively integrate illiterate unemployed persons or unemployed persons with low literacy. The Programme envisages the provision of literacy training under a new syllabus to the persons from the Roma community.
- **Status:** In progress.
- **Direct budgetary costs:** EUR 0.56 million (source of financing – state budget)
- **Ministry in charge:** Ministry of Labour and Social Policy
- **Timetable:** until the end of 2007
- **Impact expected on other main challenges (synergies):** Social integration.
- **Coordination between national, regional and local levels:** The Programme is coordinated at the national level.
- **Interaction with the judicial power:** not applicable.

Stimulation of the reintegration in the working force: A number of measures are applied to attract the inactive persons on the labour market and to stimulate active job seeking. For the promotion of employment among the unemployed and inactive persons initiatives, offering “outsourced” and non-traditional services (labour offices for direct contact between employers and job seekers at local level), will have a share. The access to the labour market will be improved through the implementation of modern forms of organization of customer service – one-stop shops (opportunities for access to equipment, self-service in the front desks of the labour offices when looking for jobs) and e-services for employment. The one-stop-shop model is envisaged to be introduced in additional seven “Labour Office” directorates in 2007. In 2007 the stimulating measure for unemployed persons, receiving monthly social benefits, individually looking for or starting a job will continue. To registered unemployed persons on social benefits, who have started a job without the assistance of the Employment Agency, assistance will be granted for the time of employment, but for no longer than 12 months.

Fourth priority action: Reform of the energy market

1. Decreasing of the energy intensity of GDP
 - **Description of problem:** The Bulgarian economy consumes twice as much energy resources as the European average, which is an obstacle to raising the competitiveness.
 - **Quantitative target:** Realization of energy savings amounting to 1% of the final energy consumption within the range specified by Directive 2006/32/EC concerning the efficiency of final consumption of energy and the implementation of energy

services, as well as determination of a indicative target for consumption of biofuels in the transport sector in the country, according to Directive 2003/30/EC for promoting the consumption of biofuels.

- **Type of action:** Stimulation of the implementation of the final consumption energy efficiency measures, the introduction of energy saving and environment-friendly technologies and accelerated absorption of the potential of renewable energy sources (RES); accelerated introduction of Directive 2006/32/EC concerning the efficiency of final consumption of energy and the provision of energy services, and elaboration of analysis to determine indicative targets for consumption of biofuels in the transport sector in the country, according to Directive 2003/30/EC for promoting the consumption of biofuels; elaboration and implementation of market mechanisms to finance projects on energy efficiency, incl. public-private partnerships, specialized credit lines, Energy Efficiency Fund, financing of measures from OP “Competitiveness” and “Regional Development” on the utilization of RES in enterprises and of gas transmission infrastructure construction.
- **Status:** In progress
- **Direct budgetary costs:** EUR 2.4 million.
- **Ministry in charge:** Ministry of Economy and Energy
- **Timeline:** 2007-2010.
- **Impact expected on other main challenges (synergies):** Attracting additional investments through stimulating of ESCO companies and contracts with guaranteed result, and decreasing the relative consumption of oil products in the transport sector by using ecological fuel.
- **Coordination between the national, regional and local levels:** The initial stage of the introduction of the measure requires coordination only with representatives of the executive power at the national level.
- **Interaction with the judicial power:** not applicable.
- 2. Decreasing of the external dependence and ensuring of the security of energy supplies through sustainable use of the local energy resources.
 - **Description of problem:** The share of gross domestic consumption of electricity produced by RES is insufficient. There is a relatively high dependence on the deposits of local low-calorific lignite coal. There are outdated and inefficient production capacities. The security of electrical supplies is not guaranteed and there are risks concerning the continuity of electricity supply.
 - **Quantitative goals:**
 - Extension of the operational life of the existing electricity production capacities, increasing their service power and efficiency and fulfilment of the requirements of the environmental legislation;
 - Increasing of the security of electricity supplies and the continuity of the electricity supply.
 - Reaching the 11% target share of the electricity produced by RES in the gross domestic electricity consumption, if climate conditions are favourable;
 - Construction of new electricity producing capacities using the local lignite coal and nuclear fuel

- Decreasing the external dependence.
- **Type of action:**
 - Promotion of the production of electricity from RES;
 - Setting into exploitation of 660 MW new electricity producing capacity from lignite coal in the Maritza basin;
 - Rehabilitation and modernization of existing electricity producing capacities, building of sulphur-purifying installations;
 - Construction of a new nuclear capacity on the site of the Nuclear Power Plant “Belene”;
 - Adoption of a Law on the Promotion of RES, Alternative Energy Sources and Biofuel Utilization.
 - Update of the Energy strategy;
 - Elaboration and adoption of a National Strategy for Sustainable Development;
 - Implementation of specialized credit lines to finance projects for RES electricity production.
- **Status:** In progress.
- **Direct budgetary costs:** for 2007 – EUR 4.6 million.
- **Ministry in charge:** Ministry of Economy and Energy
- **Deadline:** 2007-2010
- **Impact expected on other main challenges (synergies):** Guaranteeing macroeconomic stability, enhancing competitiveness, improving employment, improving the quality of the environment, guaranteeing of the continuity of electricity supply not only for Bulgaria but also for the Energy community.
- **Interaction with the judicial power:** not applicable.

Exchange of good policies

Examples of policies which Bulgaria considers could be of interest to other Member States

First example: Maintenance of strict fiscal policy i.e. a policy of a structurally balanced budget taking account of the economic cycle, as well as maintaining low government debt levels.

Second example: Introduction of a three-pillar pension system aiming at ensuring additional funding of pension related expenditures in the context of ageing population, lowering the burden on the state budget.

Examples of policies undertaken by other Member States which Bulgaria considers for national implementation:

First example: Increase in the effective retirement age for leaving the labour market (the Netherlands).

Second example: Measurement of transaction costs in order to formulate optimal policies aimed at reducing the administrative burden (the Netherlands).

Governance

Elaboration of NRP

- The elaboration of the Bulgarian NRP has been coordinated by the national Lisbon coordinator Mr. Lubomir Datzov, Deputy Minister of Finance.
- Mechanisms for inter-institutional cooperation:
 - Working group 32 “Lisbon Strategy” at the deputy ministerial level has been established, including representatives of the institutions involved;
 - A working group at expert level including representatives of all involved governmental institutions was formed; the members of the working group submit an input to the coordinating institution (the Agency for Economic Analysis and Forecasting) according to their competences and take part in the coordination of the interim and final drafts of the NRP. A number of bilateral meetings were held with the ministries in charge in the presence of representatives of the Ministry of Finance and the Council of Ministers administration in their capacity of coordinating institutions.
 - The final draft of the Programme was coordinated under the official written procedure at intra- and inter-ministerial levels.
 - The comments of non-governmental organizations (NGOs) and social partners for the improvement of the preliminary draft of the Programme, the formulation and determination of policies and measures, and the focusing on priority fields were also taken into account.
- Broad-based public discussions of the NRP with all interested parties were held:
 - With non-governmental economic think-tanks (26 January 2007): the Institute for Market Economy, the Centre for Economic Development, the New Bulgarian University, the Economics and International Relations Institute, the Centre for Liberal Strategies;
 - With social partners acknowledged at the national level (6 February 2007): the Economic and Social Council (ESC), the Confederation of Employers and Industrialists in Bulgaria (CEIBG), the Confederation of Independent Trade Unions in Bulgaria (CITUB), the Bulgarian Union of Private Entrepreneurs „Vuzrazhdane” (BUPE), the Bulgarian Industrial Capital Association (BICA), the Bulgarian Industrial Association (BIA), the Bulgarian Chamber of Commerce and Industry (BCCI); other non-governmental organizations: the Bulgarian Agricultural Chamber (BAC), “Against Poverty” Information Centre (APIC), the National Association of Municipalities in the Republic of Bulgaria (NAMRB), the Bulgarian Teachers Trade Union (BTTU), the Foundation for Entrepreneurship Development (FED), the National Social Rehabilitation Centre (NSRC); chairmen and deputy-chairmen of committees in the National Assembly: Economic Policy Committee, Labour and Social Policy Committee, Budget and Finance Committee.
 - Discussions within the Economic and Social Council of the Republic of Bulgaria (12 February 2007).

- Discussions within the National Council for Tripartite Cooperation (13 February 2007)
- After its adoption by the Council of Ministers the NRP will be submitted to the Parliament.
- Involvement of regional authorities – the Programme has been discussed with representatives of the NAMRB (see above);

Implementation and monitoring

- The implementation of the NRP will be coordinated by „CEUIIFI” Directorate, Administration of Council of Ministers.
- The progress in the implementation will be monitored by the Executive Agency for Economic Analysis and Forecasting.
- Planned awareness-raising activities regarding the Programme with relation to the Communication Strategy. To this aim, discussion forums, seminars, round tables, etc. are envisaged to be organized and held by the Ministry of Finance.

Link with the National Strategic Reference Framework (NSRF)

To ensure coherence between the implementation of the NRP and the investment of Structural Funds the following measures have been or will be taken:

- The same institutions which participated in the drafting of the NSRF were involved in the elaboration of the National Reform Programme (NRP) in order to provide consistency and coherence.
- When the assistance of the European Union SFs has been programmed, the main factors of economic growth – infrastructure, human capital, entrepreneurship, business environment and administrative capacity were defined as priorities of the NSRF. The SF will substantially contribute to the following areas of the NRP: construction of the transport infrastructure and increasing the connectedness of the country; labour market inclusion and improving the quality of the human capital through enhancing the quality of the education system; reinforcing the competitiveness of the Bulgarian producers and improving the business environment; administrative capacity building
- The financing from the Structural and the Cohesion Fund of the EU to the country will amount on average to 2.7% of GDP during the period 2007-2013.
- Although at the moment of NSRF elaboration it was not required from Bulgaria to take any actions for achieving the Lisbon objectives, the country decided to facilitate the assessment of progress towards Lisbon goals by quantitative definition of the activities linked to the Lisbon Strategy according to the allocated amounts for the operational programmes (OPs) priorities. The priorities of the OPs to the NSRF linked with Lisbon represent more than 60% of the financing of the Structural and Cohesion Funds of the EU.
- Consultations with the regional and local authorities: during the process of elaboration of the NRP, the regional authorities were represented by their principal – the Ministry of Regional Development and Public Works. The Ministry of Finance plans to carry out a broad media campaign on local level in order to increase the awareness of the measures and activities, included in the NRP, their link to the municipal and regional plans for development, summarized in Operational Programme “Regional Development” and the NSRF.

Link with the monitoring exercise in the framework of the Accession Protocol

- **Administrative capacity:** During the last years the Bulgarian government adopted and improved the basic legislative acts and the necessary secondary legislation on their enforcement linked to the establishment and the functioning of the administration and the realisation of administrative activity. In 2006 the two main laws in this regard were amended – the Law on Administration (LA) and the Law on Civil Servants (LCS). The amendments on LA are related to the process of the administrative reform: separation of political and administrative level of the public administration; regulation of the process for developing policies; establishment of effective internal control.

In 2006 a Law on e-Governance was drafted. The draft law lays down the basis for substantial reform in the administration's work linked to the use of the new information technologies and the parallel usage of paper and electronic documents. The draft law envisages automation of the administrative procedures, ensuring transparency of the processes in public administration, limiting the possibilities for corruption practices, as well as reducing the administration maintenance expenses.

The government policy in the area of public administration is defined in several major strategic documents. During the recent years it has been based on:

- The Strategy for Modernization of the Public Administration – from Accession to Integration, 2003-2006;
- The Strategy for e-Governance, 2002;
- The Strategy for Training the Employees in Administration, 2002;
- The Concept and the Basic Model for Improving Administrative Service in the Context of the One-stop shop Principle, 2002.

In 2006 other important strategic documents were also adopted, which reflect the main principles in the administration development as the Strategy for Human Resources Management in Administration and the Strategy for Decentralisation. The serious challenges, which the administration faces, are presented in the Strategy for Transparent Governance and for Prevention and Counteraction to Corruption 2006-2008, as well as in the Programme for Transparency of the Activities of Public Administration and of Senior Officials.

The improvement of the legislation allows for increasing the efficiency of central and territorial administrations, improvement of the administrative services, reducing the costs of businesses and population in their interaction with administration, and improving the means for receiving feedback.

- **Judicial reform:** In October 2001 the Council of Ministers (CoM) adopted a Strategy for Reforming the Bulgarian Judicial System, while in the beginning of 2002 a Programme for the implementation of the Strategy was adopted. Taking account of the recommendations of the European Commission in its recent reports on Bulgaria, on January 26, 2006, the CoM adopted an updated Programme for the implementation of the Strategy for 2006-2007.

The new programme focuses mainly on the guidelines for developing the Bulgarian judicial system immediately before and after the country's accession to the European Union, as well as on the definition of concrete measures and legislation amendments, to be implemented in the short- and medium-term. The programme also emphasizes the strengthening of the law enforcement capacity of the judicial institutions to meet the challenges related to European Union legislation, and the successful participation

of Bulgaria in the work of the EU institutions. On the other hand, the programme aims to improve the judicial system functioning towards increasing its accessibility, transparency and ability to fully protect the individual rights and freedoms of citizens, which is to the advantage of the Bulgarian society.

With regard to the fulfilment of the main recommendations of the Comprehensive Monitoring Report of the European Commission of May 2006, the CoM adopted an Action Plan.

To fulfil of the Programme for Reform of the Bulgarian Judicial System and the Action Plan, the following measures have been taken:

- The Administrative Procedure Code (APC) was adopted by the National Assembly on 29.03.2006 and entered into force on 12.07.2006 with the exception of §3 of Transitional and Final Provisions of the Code, pursuant to which the administrative courts start to constitute cases as of March 1, 2007. The Code envisages the establishment of 28 administrative courts as the establishment of an entire system of administrative courts will reinforce the role, prestige and interest in the administrative jurisdiction, will guarantee a more efficient legal defence of the rights and the legal interests of the citizens against illegal acts and activities of public administration. A legislative and institutional framework has been established as the basis for the functioning of modern administration and efficient justice.
- APC enforcement: With a CoM Decree of June 22, 2006, additional funds amounting to EUR 6.6 million from the central budget were provided to the budget of the judiciary for structuring the regional administrative courts until the end of 2006. In September and October 2006 the competitions for appointing new judges in the administrative courts took place. After the completion of the competitions on November 28, 2006 the selected 268 judges were appointed as of February 15, 2007. The training of the newly-appointed judges is carried out in compliance with the approved plan, elaborated together with the National Institute of Justice and the Ministry of Justice. Until the end of 2006 the total number of the magistrates trained for enforcing the APC reached 280. It is envisaged that about 400 magistrates and court employees will be trained by March 1, 2007, when the administrative courts start functioning.

On July 12, 2006 the Supreme Judicial Council adopted Criteria for the Evaluation of the APC Enforcement. The monitoring mechanism over the APC enforcement will be started as of March 1, 2007, when the administrative courts start functioning. Until then, the pending administrative cases prior to the entry into force of the APC, as well as those started after that but before March 1, 2007, will be considered by the district and regional courts, as well as by the Supreme Administrative Court.

- In pursuance of the Action Plan of 8 June 2006, the Ministry of Justice took steps for speeding up the adoption of a new Civil Procedural Code (CPC). The draft law was elaborated in view of achieving fast and economical civil proceedings, which is to improve the business environment for both local and foreign natural persons and legal entities. The draft CPC was approved on first reading at the National Assembly on August 31, 2006. In the beginning of March 2007 the second reading of the CPC will start in the Legal Affairs Committee of the National Assembly.

- On March 24, 2006 the National Assembly approved the Law on the Company Register.² Pursuant to the new law, the registration for the legal entities was transformed from a court procedure into an administrative one. Moreover, the law envisages that the registration is made not only for registering new companies, but also for re-registration of already existent companies. The Minister of Justice issued Ordinance No 1 of February 14, 2007, for the keeping, saving and access to the company register.

The implementation of the National Reform Programme of Bulgaria is the main instrument of the Government for achieving the Renewed Lisbon Agenda objectives. Regular control and monitoring will be the key tool for streamlining national efforts and reconsidering future policy measures and actions.

² Promulgated SG Issue 34 of April 25, 2006, last amendment SG Issue 105 of December 22, 2006, in force from July 1, 2007.