



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

OPINION

on:

**PROPOSALS OF THE ECONOMIC AND SOCIAL COUNCIL
REGARDING THE PREPARATION OF
THE "RECOVERY AND RESILIENCE PLAN OF THE REPUBLIC OF BULGARIA"**

Sofia, 2020

The Economic and Social Council (ESC) included in its Action Plan the development of an opinion on the topic: Proposals of the Economic and Social Council Regarding the Preparation of the “Recovery and Resilience Plan of the Republic of Bulgaria”.

The elaboration of opinion was assigned to the Economic Policy Commission and the Labour, Income, Living Standards and Industrial Relations Commission.

Radosvet Radev, a member of ESC from Group I - employers, and Plamen Dimitrov, a member of ESC from Group II - trade unions, were appointed rapporteurs for the opinion.

At its plenary session, held on 1 December 2020, ESC discussed and adopted this opinion.

List of abbreviations used

NDP 2030 - National Development Programme "Bulgaria 2030"

BAS - Bulgarian Academy of Sciences

GDP - Gross Domestic Product

HEI - Higher Education Institution

EU - European Union

EC - European Commission

ESF+ - European Social Fund +

RES - Renewable Energy Sources

EPSR - European Pillar of Social Rights

ESC - Economic and Social Council

INCEP - Integrated National Climate and Energy Plan of the Republic of Bulgaria

SMEs - Small and Medium-Sized Enterprises

NRRP - National Recovery and Resilience Plan of the Republic of Bulgaria

PPP - Public-Private Partnership

JTF - Just Transition Fund

UN-SDGs - United Nations Sustainable Development Goals

VTC - Vocational Training Centres

1. Conclusions and recommendations

1.1. ESC insists on ensuring full transparency of the process of preparation, updating and implementation of the National Recovery and Resilience Plan (NRRP), incl. publication of detailed information on all project proposals included in the plan, clear demarcation between public investment projects, PPP, specific information on the opportunities for participation (priorities and projects) of economic sectors and enterprises in the plan, including disclosure of clear rules regarding procedures and application documents, defining specific, clear and measurable parameters for monitoring the funds used and the results achieved.

1.2. ESC perceives this first version of the NRRP as an initial framework to which proposals for specific reforms and investment projects with performance indicators should be added. More specific dimensions of the ultimate goals and objectives for the implementation of the four main pillars are needed, as well as ongoing monitoring to be carried out either within the Monitoring Committee of the Partnership Agreement or to be set up by analogy a Monitoring Committee for the implementation of the Plan. In this regard, ESC insists and expresses readiness to participate in as an effective body for civic monitoring. In addition, additional quantitative argumentation is needed, as there is currently a lack of statistical information such as objectives, tasks, impact assessment, etc., in the text itself with regard to the proposed reforms.

1.3. ESC notes with disappointment that despite the fact that during the consultations the members of ESC expressed a number of criticisms regarding the targets set in the NDP Bulgaria 2030, they are now identified as target indicators in the annex to the Recovery and Resilience Plan. Adopting a formal attitude towards stakeholder consultations makes the dialogue meaningless.

1.4. According to ESC, the main assumptions and models used to quantify the impact of the proposed set of measures should be indicated. At the moment, there are stated intentions, without quantitatively substantiating them with specific macroeconomic parameters. There are already initial empirical estimates in this direction, according to which with proper investment the GDP of the EU Member States could increase by up to 2% on an annual basis. We insist on more information on the multiplier effect on the real economy of the financial resources provided under the four pillars.

1.5. ESC insists on the inclusion of a summative indicator, reflecting the real degree of convergence of the country relative to the average European levels of income and GDP. The very

idea of real convergence should be perceived as a leading element in the whole programme, and all pillars, priorities and goals should be interconnected.

1.6. According to ESC, the reforms should be presented in detail in a way that allows to assess what problem they intend to solve and how they propose to do it. Therefore, more concrete steps are needed in terms of growth and job creation potential, tackling the demographic crisis and reducing inequalities. The NRRP must devote a specific policy area to tackling the demographic crisis, in line with the measures agreed in the National Tripartite Agreement. The executive power must quantify the expected economic and social impact.

1.7. In its current form, the NRRP provides an analogue response to inherently digital challenges in the age of digital transformations, as the bulk of investment is focused on building or improving buildings, infrastructure, etc., instead of innovation, technological modernisation, digitisation and robotics and improving the energy efficiency of industry and building systems of smart grids and connections. To support investments of this nature, ESC insists that a resource of at least BGN 1.3 billion should be allocated in the NRRP. These funds should be provided by transforming a similar resource for energy efficiency of buildings and street lighting from grants into long-term low-interest loans. ESC believes that it is necessary to prioritise investment projects with higher readiness for implementation in view of the time horizons of the Mechanism, on the one hand, but also to create jobs and strengthen the economic and social resilience of Bulgaria, on the other. It is necessary to present in a clear and easy-to-read summarised information on the connections and complementarity of the interventions envisaged in the Partnership Agreement and its programmes and within the framework of the Just Transition Fund (JTF) and ReactEU.

1.8. ESC believes that the method of distribution of funds should reflect the scale of the challenge in economic and social terms. Clear criteria are needed for the distribution of funds by the individual pillars and the adoption of a hierarchical model of ranking the problems according to their importance, significance and necessity for society.

1.9. ESC wants to clearly indicate that according to the requirements of the EC, Bulgaria's plan must address the country-specific recommendations of the European Semester for 2019 and 2020, it must contain elements of reform and lead to economic growth. It is not clear from the NRRP which of the specific recommendations made are being implemented, as well as through which reforms and/or investments such recommendations are being implemented. Therefore, ESC recommends paying more attention to linking policy areas with the reforms to which they contribute, including by updating and refining the system of indicators.

1.10. ESC considers that it is necessary to restructure parts of the plan internally in order to thematically link the envisaged policies. ESC proposes:

1.10.1. the third priority area in the pillar "Innovative Bulgaria", namely: "Programme to support the process of transition to a circular economy in enterprises" to be included in the second pillar - "Green Bulgaria";

1.10.2. to create a separate policy area - "Labour Market", which should include the National Adult Education Programme - in the pillar "Just Bulgaria" or in "Innovative Bulgaria", with the appropriate adequate funding of no less than BGN 500 million;

1.10.3. policy area "Business Environment" in the pillar "Just Bulgaria" to move to the first pillar - "Innovative Bulgaria", or alternatively - in to third pillar - "Connected Bulgaria".

1.11. ESC recommends emphasizing the link between business, higher education and science. To this end, efforts need to focus on technology transfer centres, promoting research in response to business and labour market needs, competency-building networks and training, as well as personal development programmes.

1.12. According to ESC, measures should be taken in favour of the industry and mechanisms for financing and first commercialisation of innovative products and low-carbon technologies. ESC insists that a resource of at least BGN 0.7 billion should be allocated to promote the production and storage of electricity from renewable energy sources for the needs of domestic enterprises and households. These funds should be provided by transforming a similar resource for energy efficiency from grants to long-term low-interest loans.

1.13. According to ESC, an important and fundamental principle in the future formulation of the specific provisions of the Programme is to observe the competitive and market principle in the transparent spending of funds and project financing, including equal treatment of industrial parks regardless of ownership.

1.14. ESC notes that the plan has addressed insufficiently the topic of circular economy and proposes no possible solutions for the decarbonisation of the industry through technological and product restructuring of the production of high value-added goods into end product groups. There are no initiatives for waste management and incentives for municipalities to move to setting a municipal waste fee based on quantity. ESC recommends considering the possibility of providing funds for municipalities for this purpose.

1.15. According to ESC, the idea of establishing an Institute for Sustainable Development with the participation of universities, local authorities and social partners is worthwhile. Such an institute would support the transition to a low-carbon economy and play a key role in formulating a national position with specific development plans to be defended actively via participation in working groups at the European level.

1.16. ESC proposes as key reforms in the third pillar - "Connected Bulgaria", to provide for the development of a Concept for cyber resilience of the Bulgarian economy, as well as a reform regulating the possibility of notifying private electronic identification schemes.

1.17. ESC recommends to prepare an analysis of the readiness for digital transformation of individual economic activities (according to the Classification of Economic Activities), on the basis of which to assess the readiness for digitisation in all spheres of socio-economic life.

1.18. Of particular interest to ESC is the second policy area in the fourth pillar ("Just Bulgaria"), namely: social inclusion. Unfortunately, although this component focuses on "improving the qualifications and skills of the workforce, in order to achieve better compliance with the development of the labour market, promoting social inclusion, improving the quality and scope of social services provided", in our opinion the focus is shifting to social inclusion and social services.

1.19. According to ESC, the problems of the labour market, qualification and retraining of the workforce are only partially affected. ESC understands that the distribution of priorities and emphases between different instruments is logical, as long as the necessary synergy is achieved, but at the same time we expect clearly stated intentions for projects, funding and deadlines, i.e. a comprehensive view of the labour market is needed, including all its related elements (active policies, institutions, human capital), incl. through what sources and instruments it will be financed in order to achieve this overall effect of the outcome as a qualitatively new, higher level of functioning.

1.20. The social assistance system and its reforms need special focus. It is undoubtedly directly or indirectly related to the improvement of social services and the envisaged reform in the Plan. The social assistance system needs to be reformed, and this is a comprehensive reform - institutional, methodological, logistical and in terms of resources.

1.21. According to ESC, given the current crisis caused by COVID-19, the digitisation of health care should become a strategic priority in the activities of all parts of the health system.

1.22. ESC believes that the plan should be implemented as soon as possible, because the mechanism is aimed at overcoming the effects of the crisis through accelerated transformation in the economy. This means that the proposed initiatives must be ready to start before they are approved, as we risk entering a deep spiral of implementation lag.

1.23. According to ESC, it is necessary to manage investments in accordance with the principles of partnership, and to award public procurement with strict compliance by the contractors and subcontractors with the adopted national and international labour and social standards, as well as the right of the workers to association and collective bargaining.

1.24. The process of finalising the NRRP should follow a comprehensive vision for compliance with the EPSR and the Specific Recommendations for Bulgaria, for integration with the National Strategic Framework (developed in item 3 of this opinion), for interdependence of indicators from the UN-SDCs, NDP Bulgaria 2030 and other strategic documents. In this way, and as part of the National Reform Programme, progress will be monitored in the implementation of the Plan within the European Semester.

2. Introduction

2.1. On 12 March 2020 the World Health Organisation has announced a global COVID-19 pandemic. A number of countries declared state of emergency. In order to control the spread of the virus worldwide, unprecedented restrictive measures were imposed, which in practice led to the physical closure of a number of commercial premises, suspension or severe disruption of most economic activities, disruption of supply chains, mass layoffs.

2.2. Given that the entire EU economy is experiencing serious difficulties, on 19 March 2020 the European Commission adopted a Temporary Framework to support the economy in the context of the coronavirus outbreak. This allowed Member States to undertake various measures, generally aimed at maintaining employment and providing financial and liquidity support for businesses.

2.3. On 27 May 2020 the European Commission presented a large-scale recovery plan to lead the European Union out of the crisis caused by the coronavirus - Next Generation EU. After several months of negotiations, on 10 November 2020 an agreement was reached between the European Parliament and the Council on the final parameters of the Mechanism.

2.4. Next Generation EU is a new recovery instrument for the period 2021-2027 amounting to EUR 750 billion, which will increase the EU budget with new funding raised on the financial markets. It will be deployed under three pillars - "Support to Member States with investments and reforms"; "Kick-starting the EU economy by incentivising private investments"; "Addressing the lessons of the crisis".

2.5. The largest share of funds in this instrument – EUR 672.5 billion are allocated under the first pillar - "Recovery and Resilience Facility". Thus, Member States get access to a grant facility of EUR 312.5 billion and EUR 360 billion in loans. Through the Recovery and Resilience Facility it is possible to finance long-term reforms and investments in EU-wide priorities - green, digital and social resilience - creating jobs and sustainable growth, while modernising economies and rebuilding the EU in a balanced and sustainable fashion.

2.6. In order to receive support under the Recovery and Resilience Facility, Member States should develop national recovery and resilience plans, which should be evaluated and approved by the EC. The maximum amount of grants for each Member State will be linked to population, GDP per capita and unemployment rate. The maximum amount of loans for each Member State will be up to 4.7% of the gross national income. Loans can be requested with the national plans or at another time when the plan is revised. Grants and loans will be disbursed in instalments based on the implementation of key indicators and targets. For Bulgaria, the amount set amounts to EUR 6 billion of grant facilities and an opportunity to use loans up of EUR 4.5 billion.

2.7. On 17 September 2020 with the 2021 Annual Sustainable Growth Strategy¹, which marks the beginning of the annual cycle of the European Semester, the European Commission set out strategic guidelines for the functioning of the "Recovery and Resilience Facility". The document outlines the basic principles to be enshrined in the national recovery and resilience plans, as well

¹ <https://eur-lex.europa.eu/legal-content/bg/TXT/?qid=1600708827568&uri=CELEX:52020DC0575>

as seven flagship areas which the Commission "strongly encourages Member States to include in their plans for investment and reforms": Power up, Renovate, Recharge and Refuel, Connect, Modernise, Scale-up, Reskill and upskill .

2.8. The reforms and investments set out in the National Recovery and Resilience Plan must comply with the Country-Specific Council Recommendations, the National Reform Programme, the Integrated Energy and Climate Plan, the National Just Transition Plan, the Partnership Agreement and the Operational Programmes.

2.9. Each plan should contain:

- justification for the relationship between the objectives set and the Council Specific Recommendations to the country concerned;
- justification of how the plan strengthens the potential for growth and job creation;
- justification of how the measures set out in the plan will contribute to the green (37%) and digital (20%) transition;
- the envisaged stages, objectives and indicative timetable for the implementation of the reforms (maximum duration 4 years) and investments (maximum duration 7 years);
- the envisaged investment projects and the respective investment period;
- total estimated costs required for the reforms and investments covered by the plan;
- if applicable, a request for additional financing in the form of loans.

2.10. National recovery and resilience plans should be submitted for approval by the European Commission no later than 30 April 2021 together with the National Reform Programme. The Bulgarian government stated its intention to send for approval the first version of the National Plan of Bulgaria by the end of December 2020. A draft of this first plan was presented on 30.10.2020, which marked the beginning of the public consultations on the reforms and investments proposed in it.

3. National strategic framework

3.1. National Development Programme of Bulgaria 2030

3.1.1. ESC points out that as of the date of adoption of this opinion, the NDP 2030 has not yet been adopted. We express our disappointment that despite the criticisms expressed by the social partners during the consultations on the Vision, Goals and Priorities of the National Development Programme Bulgaria 2030, they are not complied with and identified as target indicators in the NRRP. ESC expects that when the National Reform Program 2030 is finalized, the dialogue with the social partners will be real and not, as until now - only formal. NDP 2030 is the macroeconomic framework of specific goals and direction of economic development, which our country will follow during the next ten years. That is why it is an important guideline

to follow when defining specific economic policies in the framework of the Recovery and Resilience Plan;

3.1.2. According to ESC, the NDP Bulgaria 2030 should become a key document in terms of overcoming a number of chronic problems in our society, such as: income inequality, poverty and social exclusion, real convergence, demographic crisis and technological development of the economy. The document emphasizes in several places that special attention is paid to the Sustainable Development Agenda 2030 of the United Nations and the 17 global goals for sustainable development included in it.

3.2. Integrated Climate and Energy Plan of the Republic of Bulgaria 2021-2030

3.2.1. The Integrated National Climate and Energy Plan of the Republic of Bulgaria 2021-2030 (INCEP) is an element of ensuring a coordinated and coherent approach to the implementation of the EU strategy. This defines the structure and main areas of application of the plan. This plan provides for the objectives, policies and instruments in the field of energy and climate related to the five dimensions of the Energy Union: decarbonisation including renewable energy, energy efficiency, energy security, the internal energy market; and research, innovation and competitiveness.

3.2.2. Both versions of the plan (from 2019 and 2020) were prepared and presented without a developed and adopted long-term national energy strategy corresponding or covering the time horizon of the plan. The same is true for other national strategic documents, which served as a basis for its development.

3.2.3. EC's opinion on the final version of INCEP² contains a number of criticisms regarding the ambition of the goals and the feasibility of the plan. The draft NRRP takes into account the three main recommendations of the EC on INCEP: 1) integration of the markets through digitisation of the network and continuation of the liberalization processes; 2) energy efficiency in combination with renewable energy sources in the most energy inefficient buildings; 3) opportunity for integrating more RES in the system by creating energy communities and prerequisites for a digitised system.

3.3. The specific recommendations of the council addressed to Bulgaria in the period 2019-2020 - main areas concerning civil society³

ESC considers that among the recommendations of the council to Bulgaria for 2019 and 2020, relevant to the implementation of the NRRP, are the following:

- measures to deal effectively with the pandemic, sustain the economy and support subsequent recovery;

² https://ec.europa.eu/energy/sites/ener/files/documents/staff_working_document_assessment_necp_bulgaria.pdf

³ <https://eur-lex.europa.eu/legal-content/BG/TXT/HTML/?uri=CELEX:52020DC0502&from=EN>, [https://eur-lex.europa.eu/legal-content/BG/TXT/HTML/?uri=CELEX:32019H0905\(02\)&from=EN](https://eur-lex.europa.eu/legal-content/BG/TXT/HTML/?uri=CELEX:32019H0905(02)&from=EN)

- mobilizing sufficient financial resources to strengthen the resilience, accessibility and capacity of the health system and to ensure a balanced geographical distribution of health workers;
- providing adequate social protection and basic services for all and strengthening active labour market policies. Improving access to teleworking and promoting digital skills and equal access to education;
- streamlining and speeding up procedures to provide effective support for small and medium-sized enterprises and the self-employed, while also ensuring that they have continuous access to finance and flexible payment terms. Prioritizing ready-to-implement public investment projects and stimulating private investment to accelerate economic recovery. Concentration of investments in the field of green and digital transition, in particular in the field of clean and efficient production and use of energy and resources, ecological infrastructure and sustainable transport, contributing to the gradual decarbonisation of the economy, including in the coal regions;
- minimizing the administrative burden for businesses by improving the efficiency of public administration and strengthening e-government;
- directing economic policy related to investment to research and innovation, transport, in particular its sustainability, water, waste and energy infrastructure and energy efficiency, taking into account regional disparities and improving the business environment;
- improving employability by strengthening skills, including digital skills. Improving the quality, relevance of the labour market and the inclusive nature of education and training, in particular for Roma and other disadvantaged groups;
- social inclusion measures by improving access to integrated social and employment services and more effective support for minimum incomes;
- improving access to health care services, including by reducing direct payments by patients, and tackling the shortage of health professionals.

3.4. Partnership agreement and operational programmes (in preparation and coordination with the EC). Demarcation and complementarity

3.4.1. Through the Partnership Agreement for the programming period 2021-2027⁴. Bulgaria's strategy and its priorities for the implementation of the EU Cohesion Policy and the Common Fisheries Policy are determined. Based on the analysis of the socio-economic development of Bulgaria in the period 2007-2017 the main directions of investments with European financing are outlined.

3.4.2. The indicative amount of EU funds (ERDF, CF, ESF + and EMFAF) is EUR 9.7 billion and national co-financing of EUR 1.7 billion. They are distributed among the projects of operational programmes as follows (in million Euros):

⁴<https://www.eufunds.bg/sites/default/files/uploads/cip/docs/2020-10/%D0%A1%D0%9F%20%D0%BE%D0%BA%D1%82%D0%BE%D0%BC%D0%B2%D1%80%D0%B8%202020.pdf>

Programme	Fund	EU contribution	National contribution	Total	NRRP indicators***	NRRP policy area
Regional Development Programme	ERDF*	1558.87	275.09	1833.96	1795.15	Circular and low carbon economy
Innovation and Competitiveness Programme	ERDF*	1322.55	233.39	1555.94	301.66	Smart industry
Environment Programme	ERDF*	919.68	162.30	1081.98	19.43	Biodiversity
	CF	637.82	112.56	750.38	452.08	Regional development
Transport Connectivity Programme	ERDF*	988.43	174.43	1162.86	412.05	Digital connectivity
	CF	628.18	110.86	739.04	503.57	Transport connectivity
Research, Innovation and Digitisation for Intelligent Transformation Programmes	ERDF*	885.51	156.27	1041.78	209.63	Research, innovation
Education Programme	ESF+*	769.03	135.71	904.74	732.12	Education and skills
OP Human Resources Development	ESF+*	1630.99	287.82	1918.81	606.65 398.09	Social inclusion Health care**
Food and Basic Material Assistance Programme	ESF+*	187.50	33.09	220.59		
Technical Assistance Programme	ERDF*	65.97	11.64	77.61	300.84	Business environment
	ESF+*	37.48	6.61	44.09		
Total:	ERDF, CF, ESF+	9609.72	1695.84	11305.56		
Maritime, fisheries and aquaculture programme	EMFA F	84.94	21.24	106.18		
					485.73	Sustainable agriculture
TOTAL:		9694.66	1721.00	11437.94	6217.00	

* Category of regions - least developed regions. As the clarification in the draft Agreement is that the distribution of regions in transition - underdeveloped regions will be made at a later stage, and the corresponding national co-financing will be recalculated accordingly.

** The funds for the individual policy areas are presented indicatively to the respective lines of the operational programs due to the lack of sufficient information in the NRRP, as well as due to the fact that the measures under some of the policies are related to different operational programs.

*** In the last two columns of the table are indicated indicatively the currently planned funds in the respective policy areas of the NRRP. The total available resource under the considered OPs and policies is EUR 17.66 billion, of which 90% are EU funds. It should be noted that these funds do not include the resource of EUR 6.9 billion under the Strategic Plan for development of agriculture and rural areas, as well as cross-border cooperation programmes.

3.5. Just Transition Fund (JTF)

3.5.1. ESC is deeply convinced that in order to achieve an optimal result in the process of just transition, not only the availability of sufficient financial resources, but also the flexible interpretation of the state aid rules are of great importance.

3.5.2. ESC believes that the JTF will help workers to develop skills and competencies for the labour market of the future, as well as SMEs to create new economic opportunities in the regions. The JTF will also support investments in the transition to clean energy, for example in the field of energy efficiency. It will therefore be an important component of the whole Recovery and Resilience Plan;

3.5.3. ESC believes that the method of allocating money will reflect the scale of the challenge of the transition for the regions with the highest intensity of greenhouse gas emissions and social challenges given the potential loss of jobs in industry.

3.5.4. ESC reminds that each region has specific challenges. When comparing the role of fair transition and the preservation of public welfare in specific regions, the EC gives an example with the region of Stara Zagora in Bulgaria⁵.

3.5.5. ESC recommends that the JTF should focus on creating sustainable jobs in structural enterprises in the areas most affected by the climate transition. The economic activity of enterprises should be among the priorities for development in the country, the manufactured products should have high added value in order to provide income from labour, similar to those that will be lost.

3.5.6. ESC considers that the JTF and the Recovery and Resilience Plan should be considered in an interconnected manner. That is why it is necessary to address structural change through a comprehensive approach covering the economic, industrial, technological and social dimensions of the transformation process involving the social partners, industry and non-governmental organisations. We remind that the JTF Regulation itself presupposes the active participation of the social partners by default.

⁵ "One particularly striking case is that of the region of Stara Zagora in Bulgaria, which is far from all major tourist areas in Bulgaria and has only industry: a very large open lignite mining field with 3 coal-fired power plants. The region is also characterised by a negative demographic picture. Mines are one of the few assets available in the region, creating job opportunities as well as providing the rest of the country with cheap electricity.

4. Proposals for reforms and investments in the draft National Recovery and Resilience Plan

4.1. General remarks

4.1.1. ESC draws attention to the fact that the only quantitative indicators in the whole plan are the indicators and target values proposed in the draft NDP 2030 from the autumn of 2019. This calls into question the possibility for empirical verification of the NRRP, as in the opinion of ESC it is based on unrealistic expectations. Already during the discussion of the draft NDP 2030, the social partners opposed the way of presenting and formulating the main problems, as well as their implementation. We remind you that the main strategic goals in the NDP 2030 were: accelerated economic development, demographic growth and reduction of inequalities.

4.1.2. According to ESC, the four main pillars of the NRRP, as currently defined, do not cover the three main strategic goals of the NDP 2030 to the same extent. We remind that the strategic goal is the most summative indicator in the NDP 2030, which must correspond to the most summative one in the Recovery and Resilience Plan. At the moment, we do not see continuity in policies to combat inequality and the demographic crisis.

4.1.3. The draft plan contains investment intentions that are a continuation of priorities, measures and schemes that have been fully or partially funded under the operational programmes of the last two programming periods. This calls into question the effectiveness of the funds already invested in the operational programmes.

4.1.4. The NRRP should add value to other financial instruments and accelerate reforms and processes that will have a rapid effect on the economy. In particular, it should provide for the possibility of a positive evaluation of all projects that relate mainly to public assets (infrastructure, education and training, research and innovation, health, environment, social and territorial cohesion), which are characterised by (1) rapid feasibility/construction, especially in the first phase of the plan, (2) monitoring of the intermediate and final objectives, as well as the relationship between the mentioned achievements and the strategic objectives of the plan, (3) rapid positive effects on many beneficiaries, (4) providing forms of public-private partnership for implementation and financing, (5) providing employment, as well as a reliable assessment of the benefits of employment, creating new sustainable and green jobs and increasing economic production, (6) low consumption of resources and efficient and sustainable use of natural resources.

4.1.5. Although the draft NRRP states that it has reflected a number of reforms, in practice they are not visible. Such are, for example, the administrative reform, related to the deregulation and reduction of the administrative burden on businesses and the promotion of the development of innovative business models and technologies, health reform, reforms and measures for creating sustainable and quality jobs, etc.

4.1.6. ESC finds that the degree of connection between the five sections of the National Tripartite Agreement and the current draft Recovery and Resilience Plan is too weak - only 13 of the 46 measures set out in the agreement are to some extent implemented in the relevant pillars of the plan. In our opinion, a closer link between the projects and reforms set out in the Plan and the measures in the National Tripartite Agreement signed in June would contribute to a significant improvement in policy coherence and coherence.

4.2. First pillar "Innovative Bulgaria"

4.2.1. The first pillar of the plan, for which 20% of the funds under the NRRP, or BGN 2.43 billion, aims to increase competitiveness and transformation into an economy based on knowledge and smart growth with a focus on education and skills, research and innovation and smart industry.

4.2.2. ESC supports the three main policy areas, namely: 1) Education and skills, 2) Research and innovation and 3) Smart industry, but insists on more specific dimensions of the set ultimate goals and objectives for implementation. Additional quantitative argumentation is needed, as there is currently no detailed statistical information such as objectives, tasks, impact assessment, etc.

4.2.3. We consider especially promising opportunities for the creation of interdisciplinary plans and programmes, as well as for the inclusion of humanities in the curricula of natural sciences and introductory disciplines of the exact sciences in the teaching of humanities and social sciences. Such examples already exist and are gradually finding their way into the field of the Digital Humanities and its associated disciplines. These attempts should be specifically supported, encouraged and advertised, even in purely financial terms.

4.2.4. We welcome the dissemination of innovation, which is in line with the quality of education, through the development of progressive professional fields in which the relevant higher education institutions (HEIs) are traditionally good and have capacity, including research. We are aware of and support the need for greater integration between the individual HEIs, HEIs and the institutes of Bulgarian Academy of Sciences (BAS), HEIs and the real economy, but the draft Plan does not offer specific mechanisms for this.

4.2.5. ESC recommends in the project of NRRP to emphasise not only the modernisation of HEIs and the conditions for scientific activity, but also the connection between business, higher education and science, etc. It is the commitment of the institutions to ensure the conditions for an effective connection between science and businesses. To this end, efforts need to be focused on technology transfer centres, promoting research in response to business and labour market needs, competency-building networks, training and personal development programmes, accelerators and publicly accessible prototyping centres. Digital innovation centres to develop as networks of knowledge, not just as physical infrastructure.

4.2.6. ESC is of the opinion that the Adult Education Programme, covered by the "Just Bulgaria" pillar, should find its systematic place in the "Innovative Bulgaria" pillar.

4.2.7. ESC proposes to include in the first pillar another key reform for the Bulgarian economy - that in the field of lifelong learning (or adult education), which will cover the already planned reform for validation of acquired skills.

4.2.8. Training and qualification measures should be at the heart of the recovery and resilience plan also in the area of agriculture. It is necessary to strengthen the importance of the dual formal education system with an emphasis on the green transformation of the sector, to expand vocational training and qualification schemes with a set of measures - from digital skills to targeted vocational training and retraining, which is possible through the active involvement of social partners and development of sectoral funds for qualification, validation of informal knowledge and experience, etc.

4.2.9. ESC supports the third priority area in this pillar - Programme to support the process of transition to a circular economy in enterprises, but finds that its systematic place is in the second pillar - "Green Bulgaria". A resource of BGN 100 million is provided as compared to BGN 490 million for industrial parks. According to ESC, these funds are utterly insufficient to support producers in their transition from a linear to a circular economy. The circular economy for Bulgaria is an important reserve for increasing resource and energy efficiency, for the production of new products along the value chains, for reducing greenhouse gases, creating new jobs and protecting nature.

4.2.10. In order to ensure sustainability and the ability to adapt to new realities, we propose to expand the scope and specify the measures relating to:

- supporting the continuing professional development of teachers in a flexible and digital-based way;
- encouraging the creation of innovative solutions, ideas, concepts and tools for an adequate response to the challenges of education in the digital age.

4.2.11. According to ESC, in order to use the potential for growth and increased added value, the plan should take measures in favour of industry, including:

- development of a guarantee mechanism, project development capital and early-stage equity for the first commercialization of innovative low-carbon technologies in support of the introduction of new technologies;
- supporting the development of the circular economy and green projects by investing grants or instruments to cover the risk of innovative technologies.
- project funding should go hand in hand with the establishment of a regulatory framework that creates zero carbon markets (e.g. product standards, contracts for differences, public procurement rules), while ensuring the competitiveness of investing industrial actors.

4.2.12. ESC supports the construction of industrial parks, but if they are created on a commercial basis in conditions of normal market competition, and not with incentives that ministries and institutions will apply at their own discretion. In this area we see the role of the state in facilitating and accelerating the administrative procedures for the creation of parks and for the construction of the necessary infrastructure, whereby the zones themselves are created on the basis of a private initiative and public-private partnerships with the local government.

4.3. Second pillar "Green Bulgaria"

4.3.1. The second pillar of the plan aims to achieve sustainable management of natural resources with a focus on the circular and low-carbon economy, biodiversity and sustainable agriculture. For this purpose, the most funds are provided by the Plan, namely - 37% of all resources (BGN 4.5 billion).

4.3.2. According to ESC, investments under this pillar should have mandatory parameters and conditions for generating green jobs and a higher return compared to the amount of investment invested in them. Thus, in reality, the plan will be a plan for recovery and development, not a plan for absorption of funds.

4.3.3. ESC notes that although the first policy area is entitled "Circular and Low-Carbon Economy", the proposals for reforms and investments are insufficiently addressed in the topic of the circular economy. Just like in the first pillar, apart from the title, nothing is envisaged for the transition to a circular and low-carbon economy, with the exception of the envisaged National Decarbonisation Fund. No possible solutions have been proposed on the topic of decarbonisation of industry through technological and product restructuring and the production of high value-added goods of final product groups, which can significantly reduce the energy and resource intensity per unit of GDP.

4.3.4. ESC notes that the draft plan lacks initiatives for waste management and incentives for municipalities to move to setting a municipal waste fee based on quantity. In this regard, ESC recommends considering the possibility of providing funds for municipalities for this purpose.

4.3.5. ESC recognizes the need for energy efficiency measures in the building stock. It is noteworthy that a significant amount of funds is envisaged (BGN 2.9 billion) in case of disputable effect, quality and price levels in the implementation, lack of equal access of households and enterprises, etc. Therefore, ESC recommends that investments in the field be accompanied by reforms in legislation (taxes, condominiums, etc.), which provide the necessary regulatory and financial framework for accelerated rehabilitation of housing and equal conditions and access for households.

4.3.6. ESC proposes to consider modification of energy efficiency measures for buildings, as they are implemented through the model of contracts with a guaranteed result, in which projects are paid for by the realised savings. From this point of view, it is appropriate to finance them by

providing low-interest, long-term loans with no or minimal share of grant funding. According to ESC, it is appropriate to direct part of the financial resources to financial mechanisms, thus ensuring the sustainability of funding.

4.3.7. ESC is of the opinion that it is appropriate to direct part of the currently planned resource for energy efficiency to investments and promotion of the circular economy, including green technologies and support for enterprises.

4.3.8. ESC notes that there are no measures to encourage the creation of local energy communities as a key element in promoting public support for the energy transition. We insist that the vision of a just transition be shared with the public and the groups of people who will be affected. Energy cooperatives, which are one of the central themes of the Green Deal, can provide guarantees for long-term support to employees in enterprises that are in transition to closure, and the conditions imposed on them for change will be significantly eased.

4.3.9. The establishment of a national decarbonisation fund should be reconsidered as a practical implementation and efficiency, regulating clear rules and providing access to grant funding or co-financing of infrastructure related to the hydrogen economy, electromobility and other leading areas of the carbon-free economy. Currently, the fund has an unclear status and beneficiaries. To achieve these goals, significant reforms are needed, incl. administrative and legislative.

4.3.10. ESC recommends the policy area Sustainable Agriculture, measure Improvement of the Condition and Modernisation of the Hydro-Ameliorative Infrastructure to be supplemented with reforms aimed at studying the ownership and condition of the hydro-ameliorative infrastructure (state and municipal property) in the Republic of Bulgaria, as well as opportunities and readiness for the use of urban waste water for irrigation in agriculture (reuse of recycled water).

4.3.11. ESC welcomes the possibility of reviving irrigation agriculture and expanding irrigated areas in our country. On the other hand, the hydro-ameliorative facilities are managed by several different institutions, which requires general coordination, constant public monitoring, simple and transparent rules for the management of the envisaged monetary resource.

4.3.12. ESC insists on financing the Bulgarian genetic fund of plant varieties and animal breeds, including by encouraging farmers to grow plants and animals with guaranteed purity for the needs of such a genetic fund. Bulgaria has had very good traditions in this area, which is as important as innovations, but unfortunately they are almost completely lost and urgent work is needed to restore them - including through specific projects with beneficiary companies and/or research units, aimed at establishing certified nurseries and breeding farms for valuable local varieties of plants and animal breeds.

4.3.13. According to ESC, the idea of establishing an Institute for Sustainable Development with the participation of universities, local authorities and social partners is worthwhile. Such an institute could support the transition to a low-carbon economy and play a key role in formulating a national position with specific development plans. The main objectives of the institute should

be to: (a) develop analyses, plans and scenarios for the development of the region, (b) study, test and develop new industrial technologies and (c) contribute to attracting investment in new industries with high added value in the sector. This institute should focus on economic and energy analysis, new energy technologies, agriculture and the digitalisation of industry. In addition to the direct contribution to the development of the Maritza East region and Stara Zagora district, the institute will have a significant contribution to the national economic transition through analyses and pilot projects that will allow for adequate development of new technologies.

4.4. Third pillar "Connected Bulgaria"

4.4.1. The third pillar of the plan, for which 22% of the financial resource is allocated, or BGN 2.7 billion, aims to increase the competitiveness of regional economies and improve transport and digital connectivity with a focus on digital and transport connectivity and local development.

4.4.2. ESC is concerned that among the challenges identified in terms of digital connectivity, the topic of cybersecurity is missing. ESC proposes that the development of a Concept for Cyber Resilience of the Bulgarian economy should be included as one of the key reforms related to the digital transformation. The need for reforms to overcome the slow penetration of 5G technologies (complicated administrative procedures, high fees for telecommunications companies, etc.) should also be considered.

4.4.3. ESC welcomes the funds provided in the railway transport sector in the field of transport connectivity policy in this pillar. ESC also recommends the preparation of a national strategy for the development of electric mobility and alternative fuels.

4.4.4. ESC also notes that there are no measures for reform and investment in Bulgarian ports, which are the entry and exit point of most of the cargo flows. Envisaging such measures would make the plan more effective, taking into account the planned objectives, reforms and investments in the first pillar, targeting the programme of public support for the development of industrial parks, as well as those in the second pillar for sustainable agriculture, aimed at improving of productivity and yields of small and medium-sized farms.

4.4.5. ESC proposes in the development and renewal of railway infrastructure to provide investments to improve the connectivity of small towns with large urban centres and facilitate daily work travel by renovating railway stations, providing access roads from surrounding villages and car parks, changes in traffic schedules, etc.

4.5. Fourth pillar "Just Bulgaria"

4.5.1. The fourth pillar aims at social inclusion of disadvantaged groups and changing the work of public institutions with a focus on the business environment, social inclusion and healthcare.

The pillar accumulates 21% (BGN 2.55 billion) of the total financial resources under the Plan, divided into three policy areas: 1) business environment, 2) social inclusion and 3) healthcare.

4.5.2. ESC disagrees with the wording in the section "Main Challenges" in the policy area "Social Inclusion", which states that the unsatisfactory level of education and skills of the workforce hinders the adaptation of the economy to the new conditions caused by the crisis. The crisis is the result of a global pandemic that has left millions of people unemployed who, until nine months ago, were qualified enough to be employed. With the restoration of the currently limited productions, the laid-off staff will again be in demand.

4.5.3. According to ESC, the policy area "Business Environment" is not functionally related to the other two areas - "Social Inclusion" and "Health Care". That is why we believe that it should be considered for it to be moved to the first pillar - "Innovative Bulgaria", or alternatively to the third pillar - "Connected Bulgaria".

4.5.4. ESC proposes to include as a reform an analysis of the readiness for digital transformation of individual economic activities, on the basis of which to assess the readiness to ensure digitisation in all spheres of socio-economic life. The state is committed to creating the infrastructure and regulatory environment, including architecture, protocols for connecting large databases, regulating access to them, etc., as well as the top-down cybersecurity base without the level of the end-user.

4.5.5. ESC points out that despite the provided legal basis for a national electronic identification scheme, such has not yet been approved. ESC insists on a reform regulating the possibility of notifying private electronic identification schemes.

4.5.6. Of particular interest to ESC is the second policy area - social inclusion. Unfortunately, although this component aims at objectives related to “improving the qualifications and skills of the workforce, to achieve better compliance with the development of the labour market, promoting social inclusion, improving the quality and scope of social services provided“, the focus here has shifted entirely to social inclusion and social services.

4.5.7. ESC insists on a separate policy area "Labour Market". In the draft NRRP, the problems of the labour market, qualification and retraining of the labour force are partially addressed - such as mobilising additional potential for inclusion and improving the capacity of the labour force. As can be seen from the complementarity and demarcation with the Cohesion Policy instruments, key components, such as active labour market policies and human capital development, are directed toward ESF+ funding. ESC understands the logic of distribution of priorities and emphases between the different instruments, in order to achieve the necessary synergy, but at the same time we expect clearly stated intentions for projects, funding and deadlines. We want to see the whole labour market, with its accompanying elements (active policies, institutions, relations, logistics, human capital) - through what sources and instruments will be financed to achieve this cumulative effect of the outcome as a qualitatively new, higher level of functioning.

4.5.8. ESC notes that in its series of Reports on Bulgaria, the EC has made justified criticism regarding the large share of young people leaving the education system between the age of 15 and 24 before graduating from secondary education. The EPSR sets out the key role of "guaranteed access to education, training, education and LLL", where measures should be advocated for investment and development of the workforce in professions and specialties in high demand through measures for vulnerable groups and the long-term unemployed persons, unemployed youth, as well as to set aside targeted financial and time resources, incl. innovative tools such as: individual accounts, credit cards, specialised funds for training and qualification, etc.

4.5.9. ESC reminds that at its session held in February 2020, it adopted an analysis entitled "New Financial instruments for Developing Lifelong Learning in Bulgaria"⁶, describing a number of innovative tools related to the promotion of qualifications and retraining, including sectoral and regional qualification funds, individual training accounts, etc. ESC believes that the creation and initial funding should find a place in the NRRP. A detailed analysis of the existing vocational training system and refinement of the existing licensing regime for vocational training centres (VTCs) is needed to allow only providers of quality educational services to enter the market.

4.5.10. Regarding the methodological optimisation of the system of social transfers and social assistance, ESC proposes the inclusion of two important reforms that would significantly contribute to the higher effectiveness of anti-poverty policies at this level:

- (1) Radical reorganisation of the social assistance system, linking it to the official poverty line and its orientation towards supplementing the household income.
- (2) Consolidation of various programmes, better and higher quality administration, increased control and optimisation of the system.

According to ESC, this is a way to respond to some of the Specific Recommendations to Bulgaria in the last few years and to use the opportunities for financing reforms and investments through various instruments, both the Cohesion Policy and the Mechanism for Recovery and Resilience⁷.

4.5.11. In terms of health care policy, ESC proposes as a new investment to be envisaged the development of a comprehensive project for the digitisation of the health care system and its implementation to the "turnkey" phase to be assigned to a company with experience in building such systems. Now the approach is departmental, work is done on a piecemeal basis, without

⁶ Analysis of the topic "New financial instruments for the development of lifelong learning in Bulgaria", ESC / 3/063/2020.

⁷ 1) Providing adequate social protection and basic services for all and strengthen active labour market policies. Improving access to teleworking and promote digital skills and equal access to education. 2) Improving employability by strengthening skills, including digital skills. Improving the quality, relevance of the labour market and the inclusive nature of education and training, in particular for Roma and other disadvantaged groups, and 3) Measures for social inclusion by improving access to integrated and employment services and more effectively support for minimum incomes.

coherence and visible results. To ensure public monitoring of the project implementation by presenting periodical information on the results of its implementation to the National Council for Tripartite Cooperation, ESC and other bodies with public participation and representation.

4.5.12. According to ESC, given the current crisis caused by COVID-19, the digitisation of health care should become a strategic priority in the activities of all units of the health system, to cover in a common system all activities in health care independently from their departmental subordination and principles of work. Introduction of electronic services in the field of healthcare: electronic health card, e-prescription, e-referral, electronic file, which so far have been postponed several times.

4.5.13. ESC insists that a serious resource be directed to health prevention and systems for early diagnosis and prevention of chronic diseases. In Bulgaria, the resource allocated for prevention is twice less than the European average, and for hospital care and medicines - twice as much as a share of health expenditures. Priority funding for health prevention would increase the efficiency of the entire health care system.

4.6. List of indicators for Bulgaria 2030

4.6.1. ESC notes with concern that the indicators and objectives provided in the annex to the Plan do not correspond to the policies set out in it. Moreover, the target values for NDP Bulgaria 2030 were discussed and strongly criticised at a plenary session of the ESC with representatives of the state administration, none of the recommendations of the council members were taken into account, which shows the formal attitude to stakeholder consultation.

4.6.2. ESC emphasises that the problem with the demographic crisis in Bulgaria is obvious, as it is correctly presented in the NDP 2030. For example, the natural growth rate in the Annex is set to decrease from -6.6 percentage points in 2019 to -5 percentage points in 2030 at EU average of -0.7 percentage points. We believe that this reduction is difficult to achieve without measures to limit negative net emigration and measures to stimulate immigration. At present, taking into account the values that the National Statistical Institute (NSI) registers for the indicator "fertility rate", as well as the values of "birth rate", "mortality rate" and the level of net emigration, it is statistically impossible to reduce this negative growth rate by - 1.6 percentage points within 10 years. Our recommendation is to make a detailed calculation of the statistically possible development scenarios and to present three feasible scenarios - optimistic, realistic and pessimistic.

4.6.3. ESC also draws attention to the fact that the net migration rate is projected to be zero by 2030. At the moment it is -0.5 percentage points. This means that the government envisages the number of emigrants to be equal to the number of immigrants. If this is the target value for net emigration, which will stimulate the achievement of the target value for the natural growth rate, then there is no way to meet the set target value of -5 percentage points natural increase by 2030.

This would mean that the forecasts in the Plan exclude the outside world and the attraction of Bulgarians from abroad and rely entirely on reversing the birth/death rate within the country (decrease in mortality or increase in birth rate).

4.6.4. ESC agrees on the third indicator in the Annex, which is relevant to the demographic picture in Bulgaria, namely the "age dependency ratio". It is projected to become 36.5% in 2030 at a value of 32.5% at present. We remind you that the average age of the population of Bulgaria increases in each cycle of 10 years by an average of 3 years and 2 months, taking into account the trend after 1960 until now. The average age in 1972 of the Bulgarian was 30.3 years, while the average age in 2016 is already 43.4 years. This means that if this trend continues, the average age of the population by 2030 will be a little over 46 year. This process cannot but have a negative impact on the age dependency ratio, which in turn will further burden the social system in the country.

4.6.5. Regarding the indicators for reducing inequalities, three indicators are proposed, which are expected to improve by 2030. First, it is planned to reduce the Gini coefficient to 33 as compared to from 40.8 in 2020. We believe that this value cannot be achieved without very serious additional policies, which we do not see in the Plan at the moment;

4.6.6. ESC insists on a detailed description - what and how the executive intends to do to achieve the cited target value of 33 by 2030. We also insist on the inclusion of additional indicators that more accurately measure inequalities such as - S80/S20 of Eurostat, SDG 10.1. of UN, etc.

5. Public-private partnerships, role (commitment) of the social partners and civil society

5.1. ESC positively assesses the creation of the Internet portal <https://nextgeneration.bg/>, but insists that a list of projects that are included in the project of the NRRP should be published there.

5.2. In order to carry out adequate public control, ensure transparency of the process and facilitate the monitoring of the implementation, ESC insists that the portal provide information about the plan and the indicators through which its implementation will be monitored, as well as current progress in achieving the identified targets and measuring indicators.

5.3. ESC believes that the award of public contracts financed through European funds and programmes, such as investment projects under the NRRP, must strictly monitor compliance by contractors and subcontractors with accepted national and international labour and social standards, as well as the right for workers to association and collective bargaining.

5.4. According to ESC, it is necessary to manage investments in accordance with the principles of partnership. This would allow the involvement of the social partners in a transparent fashion in decision-making on the details of the procedures for implementing and monitoring policy interventions. This will ensure an adequate and timely process of control and feedback from the

socio-economic partners and other representatives of civil society in the implementation of measures, progress and implementation of the plan.

(signed)

Prof. Lalko Dulevski, PhD

PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL