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**REPUBLIC OF BULGARIA**

**DRAFT**

**PARTNERSHIP AGREEMENT OF THE REPUBLIC OF BULGARIA OUTLINING THE SUPPORT FROM THE EUROPEAN STRUCTURAL AND INVESTMENT FUNDS FOR THE 2014-2020 PERIOD**

**Version 3.0**

**August 21st, 2013**

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**List of abbreviations**

|  |  |  |  |
| --- | --- | --- | --- |
| AA | Agricultural Academy | | |
| AAP | Areas with agricultural purpose | | |
| AAQ | Ambient Air Quality | | |
| AB | Audit Body | | |
| ADP | Agency for Disabled People | | |
| AEMAAQ | Area for evaluation and management of ambient air quality | | |
| AFCOS | Coordination of the fight against infringements affecting the financial interests of the EU (AFCOS) Directorate  with the MI | | |
| AHC | Agricultural Holdings Census | | |
| AMRDMD | ‘Authorization' of payments on the implementation of rural development measures Directorate | | |
| AWU | Annual Working Unit | | |
| BAS | Bulgarian Academy of Science | | |
| BFSA | Bulgarian Food Safety Agency | | |
| BNB | Bulgarian National Bank | | |
| BPIC | Bulgarian Ports Infrastructure Company | | |
| BPMAES | Bulgarian Pole Monitoring of Agricultural and Economic Situation | | |
| BSMEPA | Bulgarian Small and Medium Enterprises Promotion Agency | | |
| CA | Certifying Authority | | |
| CAC | Central Administration Cloud | | |
| CAP | Common Agricultural Policy | | |
| CCMEuF | Coordination Council for Management of EU Funds | | |
| CCP | Climate Change Policy | | |
| CCU | Central Coordination Unit | | |
| CF | Cohesion Fund | | |
| CICO | Central information and coordination office | | |
| CIO | Central informational office | | |
| CIRDMD | "Contracting for the implementation of rural development measures" Directorate | | |
| CoM | Council of Ministers | | |
| CoMA | Council of Ministries Administration | | |
| CSD | Circulatory System Diseases | | |
| CSF | Common Strategic Framework | | |
| DA | Downtown area | | |
| DAE | Digital Agenda for Europe | | |
| DSL | Digital Subscriber Line | | |
| EA | Employment Agency | | |
| EAEMD | Executive Agency "Exploration and Maintenance of the Danube" | | |
| EAFRD | European Agricultural Fund for Rural Development | | |
| EAGF | European Agricultural Guarantee Fund | | |
| EC | European Commission | | |
| EC | European Community | | |
| ECNIS | Electronic Communication Networks and Information Systems | | |
| ЕЕ | Energy Efficiency | | |
| EFA | Executive Forest Agency | | |
| EGTC | European grouping of territorial cooperation | | |
| EMFF | European Maritime and Fisheries Fund | | |
| EP | Environmental Policy | | |
| EPA | Employment Promotion Act | | |
| ESF | European Social Fund | | |
| ESIF | European Structural and Investment Funds | | |
| ЕТС | European Territorial Cooperation | | |
| ETDF | European Regional Development Fund | | |
| EU 27 | European Union of the 27 member states | | |
| EUETS | European Union Emissions Trading Scheme | | |
| FEC | Final Energy Consumption | | |
| FEI | Final Energy Intensity | | |
| FI | Food Industry | | |
| FLAG | Fisheries Local Action Group | | |
| GDP | Gross Domestic Product | | |
| GHG | Green-house gas emissions | | |
| GP | General Practitioner | | |
| GVA | Gross Value Added | | |
| HEI | Higher Education Institution(s) | | |
| HEP | Hydro Electric Plant | | |
| HICP | Harmonised Index of Consumer Prices | | |
| ICT | Information and Communication Technologies | | |
| IFI | International Financial Institutions | | |
| IFR | Institute of Fish Resources | | |
| IPA | Investment Promotion Act | | |
| IPA | Institute for Public Administration | | |
| IPA | Instrument for Pre-accession Assistance | | |
| IPURD | Integrated Plan for Urban Regeneration and Development | | |
| IT | Intermodal Terminal | | |
| ITC | Information Technologies and Communication | | |
| ITI | Integrated Territorial Interventions | | |
| LAC | Local Administration Cloud | | |
| LAG | Local Action Group | | |
| LAN | Local area network | | |
| LBD | Labour Bureau Directorate | | |
| LFAC | Law on Family Allowances for Children | | |
| LLL | Lifelong Learning | | |
| LPDCI | Law on Prevention and Detection of Conflict of Interest | | |
| MA | Managing Authority (of Operational Programmes) | | |
| MAF | Ministry of Agriculture and Foods | | |
| MC | Monitoring Committee | | |
| MC | Ministry of Culture | | |
| MD | Ministry of Defence | | |
| MEE | Ministry of Economy and Energy | | |
| MES | Ministry of Education and Science | | |
| MEW | Ministry of Environment and Water | | |
| MFA | Ministry of Foreign Affairs | | |
| MFA | Ministry of Finance | | |
| MH | Ministry of Health | | |
| MI | Ministry of Interior | | |
| MJ | Ministry of Justice | | |
| MLSP | Ministry of Labour and Social Policy | | |
| MPC | Maximum Permissible Concentration | | |
| MRD | Ministry of Regional Development | | |
| MTITC | Ministry of Transport, Information Technology and Communications | | |
| NAAS | National Agricultural Advisory Service | | |
| NAFA | National Agency for Fisheries and Aquaculture | | |
| NAMRB | National Association of Municipalities in the Republic of Bulgaria | | |
| NCPHA | National Center for Public Health and Analyses | | |
| NCSD | National Construction Supervision Directorate | | |
| NEC | National Electricity Company | | |
| NEET | Not in employment, education or training | | |
| NEN | National Ecological Network | | |
| NGO | Non-governmental organisation | | |
| NHIF | National Health Insurance Fund | | |
| NHS | National Health Strategy | | |
| NIJ | National Institute of Justice | | |
| NP"FSAE" | National Programme “From Social Assistance to Employment” | | |
| NPD Bulgaria 2020 | National Programme for Development: Bulgaria 2020 | | |
| NPISH | Non-profit institutions serving households | | |
| NRA | National Revenue Agency | | |
| NRIC | National Railway Infrastructure Company | | |
| NRN | National Road Network | | |
| NRP | National Reform Programme | | |
| NRP 2012- | National Reform Programme | | |
| NSDC | National Spatial Development Concept | | |
| NSI | National Statistical Institute | | |
| NSLLL | National Strategy for Lifelong Learning | | |
| NSRF | National Strategic Reference Framework | | |
| OP | Operational Programme | | |
| OPAC | Operational Programme Administrative Capacity | | |
| OPDFS | Operational Programme for Development of Fisheries Sector | | |
| OPE | Operational Programme Environment | | |
| OPGG | Operational Programme for Good Governance | | |
| OPHRD | Operational Programme for Human Resource Development | | |
| OPRD | Operational Programme for Regional Development | | |
| OPRG 2014-2020 | Operational Programme Regions in Growth | | |
| OPSESG | Operational Programme Science and Education for Smart Growth | | |
| OPT | Operational Programme for Transport | | |
| OPTA | Operational Programme Technical Assistance | | |
| PA | Protected Area | | |
| PA | Partnership Agreement | | |
| PAMP | Protected areas management plans | | |
| PEC | Primary energy consumption | | |
| PEI | Primary energy intensity | | |
| PEuFD | Programming of EU funds Directorate | | |
| PFIA | Public Financial Inspection Agency | | |
| PM | Particulate matter | | |
| PMAF | Programme for maritime affairs and fisheries | | |
| PMFR | Plan for the Management of Flood Risk | | |
| PPA | Public Procurement Agency | | |
| PPI | Public Private Investments | | |
| PPL | Public Procurement Law | | |
| PT | Protected Territory | | |
| R&D | Research and Development | | |
| RBMP | River Basin Management Plans | | |
| RDP | Rural Development Programme | | |
| RES | Renewable Energy Sources | | |
| RIA | Road Infrastructure' Agency | | |
| RLAN | Radio Local Area Network | | |
| RLEIP | Rules for Law Enforcement of Investment Promotion | | |
| RoB | the Republic of Bulgaria | | |
| RS | Renewable Sources | | |
| SAP | Single area payment | | |
| SCF | Structural and Cohesion Funds | | |
| SCS | Civil Society Structures | | |
| SECNNANSN | Single electronic communication network of the national administration for national security needs | | |
| SEN | Special Educational Needs | | |
| SJC | Supreme Judicial Court | | |
| SMEs | Small and Medium Enterprises | | |
| TEN-T | Trans-European Transport Network | | |
| TO | Thematic objective | | |
| ToR | Terms of reference | | |
| TWG | Thematic working group | | |
| UAA | Utilized agricultural area | | |
| UDWTP | Urban drinking water treatment plant | | |
| UMIS | Unified management system of funds under EU structural instruments in Bulgaria | | |
| UNCRPD | United Nations Convention on the Rights of Persons with Disabilities | | |
| WFD | Water Framework Directive (Directive 2000/60/ЕC) | | |
| WFDPA | Working group for the development of the partnership agreement | | |
| WG | Working group | | |
| WHO | World Health Organization | | |
| WWTP | Wastewater Treatment Plant | | |
|  | | |  |

1. SECTION 1

## Analysis of disparities, development needs, and growth potentials and funding priorities to be addressed by the European Structural and Investment Funds (ESI Funds)

### Introduction

The analysis of disparities, development needs and growth potentials of the Republic of Bulgaria has been elaborated in the context of the EU Common Strategic Framework and based on the socio-economic, macro-economic and sector analyses[[1]](#footnote-1), developed for the National Development Programme: Bulgaria 2020; the National Reform Programme - 2013 update; the Convergence Programme of the Republic of Bulgaria 2013-2016; the National Strategy for Regional Development 2012-2022; the National Spatial Development Concept 2013-2025; drafts of the Operational Programmes for the period 2014 – 2020, as well as the applicable sector documents[[2]](#footnote-2). The analysis also takes into account the Country-Specific Recommendations of the Council[[3]](#footnote-3), Country Fact Sheet[[4]](#footnote-4) for Bulgaria from June 2013, and the EC official Position Paper for Bulgaria[[5]](#footnote-5).

The analysis covers the indicators and the criteria relevant to the thematic objectives of the ESI Funds along which Bulgaria will focus addressing the identified areas of non-compliance, development needs and growth potentials. The emphasis is on the contribution of the PA to the implementation the NDP: Bulgaria 2020 as a basic Bulgarian development document, and of the National Reform Programme, as well as for the achievement of the common EU priorities for smart, sustainable and inclusive growth set in the Europe 2020 Strategy.

Table 1. Main objectives of the development of Bulgaria and the EU

|  |  |  |  |
| --- | --- | --- | --- |
| **Indicator** | **Baseline** | **National objectives, according to the NRP and NDP: Bulgaria 2020** | **Europe 2020 Strategy** |
| Employment rate of the population aged 20—64 | 62.9%, 2011 [[6]](#footnote-6) | 76% | from 68.6% in 2011 г. to 75% in 2020 г. |
| R&D expenditure as share of GDP | 0.57%, 2011 | 1.50% | 3% |
| Carbon dioxide emissions | 47.8%, 2010 (1988 = 100%) | Increasing levels of GHG outside EU EST with no more than 20% by 2020 compared to 2005 | 20% (30%) decrease compared to 1990 |
| Share of renewable energy in gross final energy consumption | 13.8%, 2011 | 16%[[7]](#footnote-7) | 20% |
| Renewable energy in the gross final transport consumption | 0.4%, 2011 | 10% |  |
| Increase in energy efficiency |  | with 25% | with 20% |
| Share of early-school leavers | 11.8%, 2011 [[8]](#footnote-8) | 11% | from 13.5% in 2011 to 10% in 2020 |
| Share of the population aged 30 - 34 with tertiary educational attainment | 27.3%, 2011 [[9]](#footnote-9) | 36% | from 34.6% in 2011 to 40% in 2020 |
| Number of European citizens living at risk of poverty | 1 683 thous. people, 2011[[10]](#footnote-10) | 260 thous. people less people living in poverty | decrease by 25%, or with 20 mln. people |

### Macroeconomic overview

The Republic of Bulgaria has been a Member State of the European Union since 2007 and takes 12th place in terms of area, 16th place in terms of population and 21st in GDP in 2010 and 2011. The country is under a Currency Board Arrangement (binding the national currency to the euro) and is characterized by industrialized, open market economy, moderately developed private sector and relatively small domestic market.

Table 2. Main macroeconomic indicators of the Republic of Bulgaria[[11]](#footnote-11), [[12]](#footnote-12)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **Unit** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012**[[13]](#footnote-13) |
| Population | number | 7 640 238 | 7 606 551 | 7 563 710 | 7 504 868 | 7 327 224 | 7 282 041 |
| GDP at market prices | mln. BGN | 60 185 | 69 295 | 68 322 | 70 511 | 75 308 | 77 582 |
| GDP per capita | BGN (EUR) | 7 857  (4 017) | 9 090  (4 648) | 9 007  (4 605) | 9 359  (4 785) | 10 248  (5 240) | 10 654  (5 447) |
| GVA at basic prices | % of GDP | 84.0 | 83,3 | 85.9 | 86.1 | 86.5 | 85.9 |
| Average annual inflation (HICP) | % | 7.6 | 12.0 | 2.5 | 3.0 | 3.4 | 2.4 |
| Budget surplus/  deficit (-) | % | 1.2 | 1.7 | -4.3 | -3.1 | -2.0 | -0.8 |
| Foreign trade balance | mln. BGN |  | -19 343.5 | -10 123.8 | -7 204.5 | **-**6 144.9 | -9 174.7 |

According to NSI data in 2012 GDP growth moderated to 0.8% compared to 1.8% in 2011. The slowdown was mainly due to the lower external demand and the corresponding real decline of Bulgarian exports (down by 0.4%). While the export has been the major growth contributor in the previous couple of years, in 2012 the main engine of growth was domestic demand. The final consumption increased with 1.8%, compared to 1.5% in 2011. This growth was formed by a real increase of the households’ incomes with 2.5% and a decrease in public consumption by 1.4%. In 2012, for the first time since 2008, a positive trend for the gross fixed capital formation has been registered (0.8%).

**Inflation rate**

In 2012, the inflation remained relatively low, with average annual rate, as measured by the HIPC, at 2.4%. The inflation in 2013 will remain relatively low due to the expected favourable situation at the international markets for raw material and the decrease in the administrative prices for natural gas, electricity and central heating, but it is expected to accelerate to 2.6-2.7% over the period 2014-2016. The main risks to the inflation forecast are related to the dynamics of international prices and the rate of economic growth in Bulgaria. International commodity prices could rise more significantly as a result of political crises or increased demand. Limited supply of certain agricultural products, particularly grain, on a global level in relation to adverse climatic conditions can additionally trigger higher inflation. At the same time, a possibly lower economic growth of the Bulgarian economy will have a deterrent effect on prices of non-food goods and of services (core inflation).

**Foreign sector**

In 2012, the total balance of current account and capital account had a marginal surplus of € 8.6 mln. as compared to € 536 mln. (1.4% of GDP) in 2011. The increase in the trade deficit contributed most to the lower positive balance, as a result of the stable import of goods, led by the recovering domestic demand. At the same time, the less favourable external environment (EU recession, contracting GDP of major partners for the country) led to a significant slowdown in exports. As a result, in 2012 the negative trade balance was 3.6 billion euro, which was 1.5 billion euro more over the previous year.

After two consecutive years with a negative financial account balance, caused by weak investment activity in the economy and the repayment of foreign liabilities by the banking sector, in 2012 the capital flows into the country were restored. The surplus reached 2.2 billion euro or 5.6% of GDP. Inflows were mainly in the form of FDI. They totalled 1.5 billion euro, or 3.7% of GDP, marking an increase of 12.5% on an annual basis.

The FDI remain on lower levels compared to the pre-crisis period and are expected to increase up to 4.4% of GDP in 2016, providing a complete coverage of the current account deficit. At the same time, due to the relatively high liquidity of the banks, no large financial inflows in the sector are expected in the medium term.

**Monetary sector**

The main objective of the Bulgarian monetary policy is to maintain the price stability by ensuring stability of the national currency. Its achievement is a matter of currency board regime.

In 2012, lending to non-financial enterprises increased by 4.7% (6.1% December-to-December), while it declined by 1.0% (-0.4% at the year-end) for households. Key factors, shaping credit dynamics on the demand side, were the low investment activity of enterprises and the unfavourable situation on the labour market, which limited households’ consumption and contributed to the preservation of their relatively high marginal propensity to save and to refrain from taking on new debts. This resulted in falling interest rates on deposits and maintaining relatively low credit activity.

The forecasted annual growth rate of the money supply at the end of 2013 is 7.2%, and for the next years till 2016 is expected to vary between 8 – 10.5%. The private credits will continue to recover very slowly by the end of 2016 and in the end of the period the credit growth will not exceed 9%.

**Fiscal policy**

At the end of 2012, the nominal amount of the General Government Consolidated Gross Debt amounted to BGN 14 390 mln., or 18.5% of GDP. The achieved fiscal improvement was mainly due to the gradual recovery of domestic demand, the efforts to increase revenue collection, the consolidating measures on the expenditure side, and the strengthened fiscal discipline in all government sectors.

The 2013 fiscal framework envisages the deficit of the General Government to reach 2% of GDP (0.8% in 2012), while the gross debt is foreseen to reach a level of BGN 14.6 bln. The expenditures are set to increase slightly due to higher envisaged resources for national co-financing of the operational programmes, as well as the increase in social policies’ costs, including pension indexation from April onwards and the growth of the minimum wage.

At the same time, the tax policy is directed at supporting macroeconomic stability and economic growth, improving budgetary performance and improving fiscal sustainability in the long term, improving the business environment and stimulating economic activity, reducing tax frauds and grey economy. These measures are aimed at maintaining the foreign investors’ confidence in the Bulgarian economy. The tax strategy for low rates of direct taxes is preserved, being one of the most important incentives for investment and economic growth. There is an on-going process of shifting the tax burden from direct to indirect taxes by raising some excise duty rates in accordance with arrangements to reach the minimum EU levels.

For the period 2009-2011 Bulgaria's budget expenditure fell by nearly 6 percentage points of GDP - the third highest drop in the EU. Along with limiting the public sector there is an on-going process of re-allocation of the major expenditure items by budget functions. The tendency is to allocate more resources to sectors with higher contribution to economic development at the expense of sectors such as defence and security.

The following tendencies in the composition, effectiveness and efficiency of the budget expenditure can be noted:

* Expenditures for “General State Services”, “Defence” and “Security” fell to levels of 3.9%, 1.3% and 2.5% of GDP, respectively, over the period 2009 – 2011. The tendency will continue in the medium term; however, their share in GDP and in total budget expenditure will remain relatively high.
* Expenditures for economic activities such as transport (2.9%), agriculture (0.5% of GDP), as well as, communications and energy generation are higher than the EU average level, but similar to levels in countries with similar income brackets. These expenditures shall preserve a significant and even growing share in the state budget by 2016, which is mainly due to the growing importance of EU funds and related national co-funding.
* Public spending on healthcare-to-GDP ratio is among the lowest in the EU. In the medium term, the ratio is expected to drop further as a result of the implementation of various measures for cost optimization and increased efficiency.
* Expenditures for education remain well below the EU average with remarkable discrepancy in particular with regard to spending for pre-school and school education, which represents 0.7% of GDP in Bulgaria - a relatively constant share over the years.
* Spending on environmental protection is at 0.7% of GDP, being close to the EU average.
* Social spending-to-GDP ratio is much lower than the EU average, but is very similar to the levels in the EU-12, ranging between 12 and 14% of GDP. Within this, some 9.8% of GDP are spent on pensions, Bulgaria with this share being among the highest in the EU. At the same time, some 2.4% of GDP are spent to support families and children and this is relatively similar share of expenditure among other EU countries.

**Revenue collection**

The first Council Recommendation of the approved on 9th July 2013 Council Recommendations on the National Reform Programme and the Convergence programme concerns a key aspect of the macroeconomic development – tax law and collection procedures with a view to increase revenue, notably by improving tax collection, tackling shadow economy and reducing compliance costs. In this respect, Bulgaria has achieved significant progress in ensuring electronic services, provided by the tax and customs administrations, and introducing other services to facilitate citizens and businesses. The shadow economy however remains a considerable barrier to sustainable economic growth. At the end of 2011 the average level of the shadow economy as percentage of the GDP in the EU reached 19.2%, while in Bulgaria it was 32.3%[[14]](#footnote-14), ranking the country at first place under the shadow economy indicator for eighth year in a row. The shadow economy and undeclared work have a negative impact on the achievement of macroeconomic objectives, the quality and quantity of labour productivity and social cohesion. They reduce revenue collection and directly affect social systems. Under OP HRD project “Reduction and Prevention of the Shadow Economy" a composite index is being prepared to “lighten the economy”. Despite the crisis, in 2012, the data have shown positive trends of increase - from 66.71 in 2011 to 67.32 in 2012. The dynamics of the index were due to crackdowns against informal economy, including changes in legislation and the practical enforcement of laws like connecting online stores with NRA, the restoration of customs investigation and others. Over three years a national centre for containment and prevention of the informal economy functions, where massive national and regional media campaigns, trainings of employers and employees, publishing analytical and information materials, hotline, providing advice and proposing regulatory changes.

**Regional overview of the Bulgarian economy**

Within the regional structure of the GDP the major contribution at the level of NUTS II has the Yugozapaden (Southwest) region where the main economic centre of Bulgaria – Sofia is situated, and at the end of 2010 this contribution is 48.2% of the total GDP, while the lowest is that of the Severozapaden (Northwest) region - 7.2%. According to Eurostat[[15]](#footnote-15) data on GDP per capita, the regions in Bulgaria are notably below the average, and below the leading regions in the EU. The Severozapaden (Northwest) and Severen Tsentralen (North Central) regions occupy the last two positions in the ranking of regions in the EU on this indicator with 27.3% and 29.4% of the average EU-27. The Yuzhen Tsentralen (South Central), Severoiztochen (Northeast) and Yugoiztochen (Southeast) regions are at the fourth, fifth and seventh place in the group of the 20 regions with the lowest GDP per capita in the EU (with a rate of 30.7%, 35.7% and 36,3% of the EU average). The Yugozapaden (Southwest) region stands out (with 75.3% of the EU average in 2009), a significant part of the economic activity being concentrated in the capital, which makes the latter the most attractive place for business and employment in the country with a level of GDP 105% per capita compared to the EU average. Strong polarization in dynamics of the GDP is observed in the GDP growth per capita between Sofia City (the capital) and other parts of the country. The most significant gap is observed in the districts of Silistra, Sliven, Vidin, Montana, Haskovo, Kardzhali, Pleven, where the GDP per capita is about 50% of the national average.

The territorial differences in the creation of GVA by major economic sectors at both inter-regional and intraregional level are very high and show the specialization of the industrial structure of the regions. The Yugozapaden (Southwest) region has the highest contribution to the "services" sector, the region forming 55.7% of the GVA in this sector, followed with a significant difference by Yuzhen Tsentralen (South Central) - 11.6% and the Severoiztochen (Northeast) region - 10.3%. The Yugozapaden (Southwest) region has a leading position in GVA generated by the industry - 36.8%; second again with a noticeable difference comes the Yuzhen Tsentralen (South Central) - 18.2%, and the third – the Yugoiztochen (Southeast) region - 17.3%. The highest contribution to the agricultural sector is provided by the Yuzhen Tsentralen (South Central) region, which forms 22.5% of the national GVA in agriculture and the Severozapaden (Northwest) region - 17.5%.

**Expectations for the development of the Bulgarian economy by 2020**

By 2020, the growth rate of the economy will gradually slow down and the average growth for the period 2017-2020 is expected to reach 2.2%. The limiting factor for the increase in GDP will be the manifestation of negative demographic trends related to the reduction of the working age population and the consequent impact on labour supply. The latter will limit the potential for growth of the economy, as the expected increase in labour force participation will not be able to compensate fully for the demographic processes.

Risks associated with economic growth in Bulgaria are largely dependent on the external environment. Any deepening of the downturn in economic activity in the EU in 2013 and a delay in recovery till 2014 will have a direct negative effect on exports and indirect effects on consumption and FDI.

**Table 3: Macroeconomic Prospects** [[16]](#footnote-16)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2012** | **2012** | **2013** | **2014** | **2015** | **2016** |
| **Indicator** | **Level (mln. euro)** | **Rate of change** | **Rate of change** | **Rate of change** | **Rate of change** | **Rate of change** |
| Real GDP (at 2012 prices) | 38 803 | 0.8 | 1.0 | 1.8 | 2.9 | 3.4 |
| Nominal GDP | 39 667 | 3.0 | 3.0 | 4.2 | 5.1 | 5.7 |
| **Components of real GDP** | | | | | | |
| Private consumption | 25 516 | 2.6 | 1.7 | 2.7 | 3.9 | 4.4 |
| Government consumption expenditure | 6 165 | -1.4 | 1.0 | 0.6 | 0.8 | 1.1 |
| Gross fixed capital formation | 8 487 | 0.8 | 0.9 | 2.4 | 5.4 | 6.1 |
| Change in inventories and net acquisition of valuables (% of GDP) | 965 | 2.4 | 2.5 | 2.5 | 2.5 | 2.5 |
| Exports of goods and services | 26 429 | -0.4 | 2.0 | 3.9 | 4.0 | 4.1 |
| Imports of goods and services | 27 895 | 3.7 | 2.6 | 4.4 | 5.1 | 5.3 |
| **Contributions to real GDP growth (In percentage points)** | | | | | | |
| Final domestic demand | - | 1.6 | 1.4 | 2.3 | 3.8 | 4.4 |
| Change in inventories and net acquisition of valuables | - | 1.9 | 0.1 | 0.0 | 0.1 | 0.1 |
| External balance of goods and services | - | -2.7 | -0.5 | -0.6 | -0.9 | -1.1 |

### Factors of Growth

**Growth based on human capital**

**Demographic development**

Since 1990 there has been a steady decrease in population. A comparative analysis of the demographic developmentof Bulgaria and the EU based on key indicators reveals common unfavourable trends, more strongly visible in Bulgaria. At the end of 2011[[17]](#footnote-17) there were a total of 5 302 settlements in Bulgaria, of which 255 cities and 5 047 villages. Furthermore, there were 181 uninhabited settlements, while the population of 21.3% of the settlements was between 1 and 50 people.

Table 4. Basic demographic indicators for Bulgaria 2008-2012

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Indicator** | **2008** | **2009** | **2010** | **2011** | **2012** |
| Population density per 1 km2 | 68.6 | 68.2 | 67.7 | 66.1 | 65.7 |
| Gender ratio (number of females per 1000 males) | 1 066 | 1 067 | 1 068 | 1 054 | 1 055 |
| Age dependency ratio | 44.6 | 45.1 | 46.0 | 47.5 | 48.7 |
| Rate of demographic aging | 99.5 | 100.0 | 101.7 | 105.6 | 99.0 |
| Proportion of the urban population of the total population (%) | 71.1 | 71.4 | 71.6 | 72.7 | 72.9 |
| Birth rate (per 1,000 people) | 10.2 | 10.7 | 10.0 | 9.6 | 9.5 |
| Mortality rate (per 1,000 people) | 14.5 | 14.2 | 14.6 | 14.7 | 15.0 |
| Natural population change (per 1,000 people) | -4.3 | -3.5 | -4.6 | -5.1 | -5.5 |
| Infant mortality (per 1,000 live births) | 8.6 | 9.0 | 9.4 | 8.5 | 7.8 |
| Net reproduction rate | 0.71 | 0.75 | 0.71 | 0.72 | 0.72 |
| Total fertility rate | 1.48 | 1.57 | 1.49 | 1.51 | 1.50 |

The population of Bulgaria decreases with 7.7% in comparison to the data in 2001 and with 4.3% compared to 2008.As of 31.12.2011 Bulgaria's population is 1.5% of the EU population, with 72.9% (5 306 233 people) of the population living in urban areas and 27.1% (1 975 808 people) living in villages. The majority of the population (64%) is concentrated in areas in the south of Bulgaria, which is an important factor in their development potential. Nearly half the population lives in the Yugozapaden (Southwest) and Yuzhen tsentralen (South Central) regions, where the population is respectively 2,128 thousand (29.2%) and 1,462 thousand (20.1%). As of 31.12.2011, Severozapaden (Northwest) region was critically underpopulated with density of 43.87 people/km2, compared to the country average of 66.01[[18]](#footnote-18) people/km2. The Yugozapaden (Southwest) region remains the region with the highest population density and urbanization rates.

According to Eurostat projections, for the period 2010-2060 Bulgaria’s population will decline by nearly 27%; the share of the population aged 65 or more will top 32.6%[[19]](#footnote-19), while that of the children aged under 15 will shrink to 13%. *According to World Bank projections of 2012, by 2050 Bulgaria will have the most rapidly shrinking working age population in the world. The most worrying factor is the projected decrease in the population aged 15-24 by 41%. This will have a direct impact on the profile and the structure of the education sector and the labour market, and will thus also affect the entire economy.*

**Healthcare and physical activity**

For the year 2011 Bulgaria is last but one in Europe regarding healthcare according to the results of the Euro Health Consumer Index. As per data from the World Health Organization, the United Nations and the World Bank[[20]](#footnote-20), Bulgaria ranks 73rd among the 145 healthiest countries of the world.

The latest available Eurostat data on the total (public and private) healthcare expenditure in Bulgaria as a percentage of the GDP dates back from 2008, when the value (6.9%) was close to the EU average. However, while in other member states the share of the public expenditure for healthcare is over 80% of the total, in Bulgaria it is about 50%. Given the EU27 average of 7.5%[[21]](#footnote-21) of the GDP spent on healthcare, Bulgaria ranks last under this indicator with just 4.1% of the GDP planned for healthcare in 2013. Inefficiencies of public funds use puts extra strain on the population with a relatively high and still growing share of private expenditure on health (medication, tests, treatment and prophylaxis).

In 2012 there were a total of 28,643 practicing medical specialists in Bulgaria, of whom 31.3% based in the Southwest region, only about 9.8% in the North Central region and 12.4% in the Northwest region. The provision of human resources for the system is close to the EU average rate, despite the progressive deterioration of the age structure of doctors and hospital staff, the insufficient number of current students, and the increasing number of medical specialists willing to seek employment abroad.

According to the National Statistical Institute and the National Centre of Public Health and Analyses, the number of medical establishments for hospital care in Bulgaria in 2012 was 339, and as far as ownership is concerned hospital care system is mixed: public (state and municipal) and private. The highest concentration of medical establishments is in the Southwest region (96), followed by South Central region (67); the lowest concentration is in the North Central region (35) and the Northeast region (33). Furthermore, 17 municipal hospitals have closed down in the last two years. In 2012 the ratio of availability of hospital beds in Bulgaria was 66.3 per 10 000 people, and for 2011 - 64.7, i.e. about 15% higher compared to the EU27 average (53.8 beds per 10,000 people in 2010). Therefore, the main needs in the sector are not related to building new infrastructure, but to improving quality and high-tech facilities/equipment (e.g. clinics for invasive cardiology and PET scanners), as well as to ensuring adequate region-specific provision of specialists.

The overall **death rate** is relatively high in Bulgaria. The death rate in 2011 was 14.7‰, which was significantly higher than the EU average rate of (2011 - 9.64‰) and in 2012 it went up to 15‰. Death levels remain higher in villages compared to urban areas. The districts with the highest death rates are Vidin (23.2‰), Montana (21.4‰) and Vratsa (19.4‰). The major causes of the high death rate continue to be circulatory system diseases – 65.6%, and neoplasms – 16.7%.

In 2011 the standardized mortality ratio due to circulatory diseases in Bulgaria[[22]](#footnote-22) grew almost six times up to 611.28‰ compared to the EU average of 225.3‰. *Bulgaria remains among the top three countries in terms of mortality due to circulatory diseases with currently approximately 67% of deaths resulting from such diseases.* The standardized mortality ratio due to neoplasms in Bulgaria in the same year is 243‰ and is again higher than the EU average of 175‰.

The **infant mortality** rate remains high regardless of the positive trend of decline - 8.5‰ in 2011 (Table 4). Yet, infant mortality remains twice as high as in the EU (3.9‰ in 2011). This indicator reflects the quality of medical care, but at the same time it is primarily associated with the living standard and the health literacy of the population. According to data of the National Health Insurance Fund, 12% of children are not regularly seen by a GP or paediatrician. This ratio is much higher in villages compared to urban areas. The likely reasons may be the worsened socio-economic conditions in villages, limited access to healthcare services, poorer education and health culture. The infant mortality rate is highest in the districts of Sliven (16.6‰) and Montana (14.4‰) and lowest in the districts of Blagoevgrad (2.3‰), Smolyan (2.6‰) and Sofia City (4.4‰).

Particular attention needs to be drawn to the level of health literacy and health status among minority groups. 12.6% of the total Roma population in the country (including children) are either disabled or suffer from severe chronic diseases. The lack of prevention habits and proper sanitary conditions, as well as the timely access to healthcare services for this group of the population are some of the main causes of their high morbidity level.

According to the global epidemiological survey of mental morbidity[[23]](#footnote-23), 19.5% of the Bulgarian population have suffered from mental or behavioural disorders at some stage in their lives. Mental disorders account for 21.6% of the total days out of office due to disabilities[[24]](#footnote-24). Therefore, efforts need to focus on further strengthening of the provision of services in the community, enhancing the quality of and access to mental health services in the country, and improving the provision of qualified expertise.

Over the last decade there are positive signs about the health status of the population, but the overall system continues to face serious challenges related to the financial condition of hospitals, the quality of health services, technical and staff provision.

In relation to physical education, the country with the highest share among the EU countries under the indicator "**insufficient physical activity**" is Bulgaria (82%). Low physical activity is one of the main risk factors for the occurrence of chronic non-communicable diseases. It accounts for 3.5% of the global diseases in the European Region[[25]](#footnote-25) (1.8% to 5.6% for individual countries) and 3.3% - 11.2% of all deaths. For Bulgaria these rates are 4.3% and 7.7%. Inactivity is typical among all age groups of the population in Bulgaria. According to a national survey of risk factors for chronic non-communicable diseases, 80% of respondents are with insufficient physical activity during leisure time. No exercise is practiced by 74.6% of them. Low is the frequency of vigorous and moderate physical activities during the week, their duration is insufficient.

Particularly serious is the problem of low physical activity of schoolchildren. A nationally representative survey of schoolchildren aged 6-19 years in 2010-2011 shows that the recommended physical activity of at least 60 minutes a day is practiced by only 24% of the surveyed children, while 35% of the children are physically active in less than two days a week. The main reason for the low value of this indicator[[26]](#footnote-26) is the lack of opportunities for sport and physical activity (46%). Physical activity within the school curriculum is insufficient to maintain good health, which requires practicing additional physical activity during leisure time. A study of the frequency and duration of physical activity outside curriculum of students aged 7-19 showed that only 14-21% of the boys and 8-11.4% of the girls performed moderate physical activity for at least 1 hour a day. A study by the Institute for Social Research and Marketing quoted the following as reasons for the low levels of physical activity of the population in the country: lack of free time (50%), inability to spare additional financial costs (14%), lack of place for sports that is close to home or work (12%).

Sports infrastructure in the country is characterized by obsolete equipment, poor maintenance and rarely construction of sports grounds and halls. Insufficient is the number of specialized grounds in resident quarters, as well as of bike lanes and other sports facilities that provide opportunities for practicing sports individually or in an organized manner. The total number of the publicly registered sports sites and facilities for social tourism by 2010 in the Republic of Bulgaria is 2,012, with approximately 90% of them being municipal, 7% state-owned and only 3% private property. According to the National Strategy for the Development of Physical Education and Sports of the Republic of Bulgaria 2012 - 2022, most of those facilities/equipment are depreciated and do not meet international standards for conducting sports, cultural, health and other activities, as well as safety requirements. Accessibility for people with disabilities to sports facilities is limited or completely lacking. In this regard, it is essential to ensure appropriate opportunities and conditions for sports, i.e. infrastructure and facilities to attract and promote the interest of the public and especially of young people in sports activities and to ensure equal access for people with disabilities.

The identified issues put to the forefront the need for key structural reforms in the health sector, requiring a concentration of efforts and resources for health promotion and improvement of health literacy of the population; disease prevention and prophylactics; capacity development and motivation of medical staff especially in emergency care; optimization of health care infrastructure and modernization through new technologies and equipment to improve access and equality to health care services for the entire population with an emphasis on the health status of vulnerable groups.

Health promotion and prevention measures are thus the main focus of the National Health Strategy 2014-2020[[27]](#footnote-27). The implementation of specific interventions is envisaged as part of an integrated approach through which new models for dealing with problems related to healthcare, the access to health services, risk factors can be developed and/or current policies in those areas can be supplemented.

The other focus of the Strategy is linked to the provision of quality and efficiency in all actions undertaken by the state in the provision of health services to improve the quality of life of the Bulgarian citizens.

The following priorities have been identified:

* Ensuring a reliable system of health insurance and access to quality medical care and health services for every Bulgarian citizen;
* Introducing a single integrated information system through the development of e-health to provide full transparency and effective use of available resources;
* Streamlining the financial management and control in health care;
* Strengthening and modernizing the system of emergency medical care;
* Targeting regional policy with a special focus on supporting hospitals in remote and small regions of the country;
* Focusing on children's health through effective functioning of the mother, child and school healthcare;
* Implementing active policy for human resources with emphasis on specialization of medical professionals and life-long learning;
* Guiding the health system towards prophylactics and prevention of socially significant diseases.

The National Health Strategy 2014-2020 set out clear principles and measures to reform the health sector towards sustainable development, optimize the use of the limited resources to achieve smart growth and improve the quality characteristics of the population.

Innovations for a sustainable and effective healthcare system are needed, as well as investments for improving the quality of healthcare services and ensuring access for all citizens to healthcare and services, cost-effective measures to reduce major risk factors for people’s health and improving disease prevention. Raising awareness, conducting activities for health promotion, developing and improving the prevention and screening programmes for socially significant diseases, developing integrated health and social services and continuing the process of deinstitutionalization are of significant importance for improving the quality characteristics of population’s health. Of key importance for providing quality healthcare services is to establish high-tech units for diagnosis and treatment of socially significant diseases, to introduce a model for health technologies’ assessment and to optimize the system for emergency medical care.

**Education, training and lifelong learning**

In view of the negative demographic trends, the level of the educational profile of the population is a key condition for the quality of the human resource. Bulgaria ranks 98th in terms of the quality of the general education system, 67th in terms of the quality of the elementary education, and 63rd in terms of the quality of the tertiary education and training[[28]](#footnote-28). Public expenditure for education remains relatively low, varying between 3.8% and 3.5%[[29]](#footnote-29) of the GDP in the past three years compared to 5.4% for the EU. According to Eurostat, the private costs for education in 2010 accounted for 0.65% of the GDP[[30]](#footnote-30).

Linking education with the needs of the labour market, particularly those of private businesses and high-tech industries, is a bottleneck to Bulgaria’s sustainable economic development. The reasons for this are, on the one hand, the lack of identified priority areas for development of the Bulgarian economy and the lack of linking the admission in tertiary educational establishment in Bulgaria with the needs for specialists in specific areas, and, on the other, the quality of the education at all levels, particularly the specialized secondary and the tertiary education. Educational curricula are the base point for introducing practical orientation and promoting the development of applied knowledge and skills. The other key factor is the quality and motivation of the teaching staff. Bulgaria is among the bottom thirty countries worldwide in terms of the level of training of the staff in the education system.

In 2011 the structure of the population aged 25-64 by degree of educational level was as follows[[31]](#footnote-31): 19.9% - elementary and lower; 56.5% - secondary; and 23.6% - tertiary educational attainment. *In 2010 the distribution of those people between the group with lower educational attainment (elementary and lower) and higher educational attainment (tertiary education) was 20.6% and 23.2%, compared to the average EU27 values of 25.8 and 27.7 respectively.* The percentage of the tertiary education graduates is expected to rise, whereas that of the people with elementary and lower education is expected to decline. According to data of 2011[[32]](#footnote-32), 40.1% of the population in rural areas has secondary or tertiary education, over 71.6% in urban areas. Due to Sofia’s impact as capital city, Yugozapaden region has the best educational profile. Severoiztochen and Severen tsentralen regions have relatively good profiles – 22.6% and 20.1% respectively, while Yugoiztochen and Yuzhen tsentralen are the regions with the poorest educational profiles.

Despite the overall satisfactory national educational level, there is a rise in the percentage of the **illiterate population** and **the children who drop-out**, particularly with regard to the secondary education. 1.2% of the population above age 7 have never attended school, and 1.5% of the population aged 9 or above are illiterate. The percentage of the population who have never been to school is highest in Yugoiztochen (1.9%) and Yuzhen tsentralen (1.3%) regions and lowest in Yugozapaden region (0.4%). These processes follow the general European trends and the situation analysis shows that Bulgaria still performs rather well under these two indicators. With smart investment and targeted measures Bulgaria could retain and even improve these values by 2020 by focusing the national reforms and the use of the European funds on more and better participation in the education system. For example, in line with the objective to reduce the school dropout rate at an early stage (to 11%), children in Bulgaria are expected to begin their formal education earlier and earlier, in view of which investment should focus on an integrated approach between the pre-school and compulsory education forms and on improving the infrastructure and quality of the education.

According to data of 2009[[33]](#footnote-33), compared to the other EU countries, Bulgaria ranks last in terms of literacy performance of pupils at age 15 (41.% perform poorly in reading, mathematics, and natural sciences compared to the EU27 average rate of 19.6%). The results confirm the need to improve the quality of the education and to introduce good practices from other member states, as well as to streamline the national and external systems of teacher appraisal and evaluation of pupils’ knowledge and skills. Improving basic literacy on the one hand and enhancing pupils’ competences in natural sciences on the other are key factors for their subsequent employability in the labour market. At the same time, in accordance with the objectives of the Europe2020 Strategy, the need to invest more in research equipment and specialized training in mathematics and sciences is becoming stronger and stronger so that more and better qualified young people could pursue careers in high-tech sectors across Europe.

There are significant differences in the percentages of the illiterates in the three main ethnic groups. 0.5% of the population who identify themselves as Bulgarians, respectively 4.7% of the Turkish and 11.8% of the Roma, are illiterate. 23.2% of all Roma children under age 15, 11.9% of the Turkish and 5.6% of the Bulgarian children do not go to school. Only 0.5% of the Roma have tertiary education, while almost half of the Roma population either have only primary education or have not even completed it. The main reasons for this are: distance and hampered physical access to schools; financial and domestic problems in the family; cultural backwardness; health issues. It is particularly worrying that the high illiteracy rate and the increased number of school dropouts are more common among low-income families of certain ethnic groups of the population[[34]](#footnote-34) and, in many cases, illiteracy is accompanied by social risks. New approaches need to be sought to both retain children in the education system through provisions for full-day learning and extracurricular activities as well as to support the literacy of the working-age population with focus on the groups at highest risk of marginalization and social exclusion.

In 2011 **the early school leavers** were 11.8%[[35]](#footnote-35) of the population aged 18-24 over (*13.9% in 2010)* with a positive and steady decline. However, it still remains rather high compared to the general educational profile of the population and the imbalance between the supply and demand of skilled labour in the labour market.

In this context special attention should be paid to **children and students with special educational needs (SENs)** and their access to educational services. In Bulgaria over 70% of the children with special educational needs are integrated and have equal opportunities and access to the education system in the country. However, the high share of children with special needs which are integrated does not resolve Bulgaria’s main problem in this area, namely that after entering into the educational system they should be given an equal chance to acquire knowledge and skills and receive training that allows them to become valued citizens in society and successful participants in the labour market. The main hindrance to children with SENs to stimulate their desire to learn is the lack of accessible infrastructural environment in most educational establishments and the lack of adequate facilities and equipment in classrooms, with no sufficient opportunities for remote training. Another emerging problem is the insufficient number of qualified teachers to work with children with SENs in view of the on-going need to integrate the training of teachers to work with children with SENs in their daily work and in the curricula of tertiary educational establishments.

In 2012 81.5% of the children under and at age 6 were included in **the** **pre-school education system -** а percentage that has been steadily increasing since 2007. As a matter of fact, however, smaller and remoter settlements are gradually left without access to this social service due to the lack of a sufficient number of children to justify costs, while at the same time placement in kindergartens is a problem in larger cities, where most of the country’s population is concentrated. The availability of good facilities and qualified staff in kindergartens is a key factor to ensuring the high quality and affordability of early childhood development. Improving the quality of the pre-school education will be a solid basis for further learning and will prevent school leaving and increase the benefits of graduating and attaining a comparable level of mastered skills. Therefore, the efforts should focus on developing longer-term policies for developing, managing, maintaining and modernizing the educational infrastructure.

Both in terms of the pre-school and school infrastructure the necessary optimization measures will not be aimed at closing schools, but at introducing an integrated approach for management and maintenance of the infrastructure. Until now the main infrastructure measures (in the current programming period) were mostly related to introducing effective energy efficiency measures. The goal of the government for the new programming period is to introduce an integrated approach for managing school infrastructure, including measures for renovation of buildings such as safe environment, accessible infrastructure, clean and healthy environment, etc. This will result in an enhanced efficiency of the investments in infrastructure and guaranteed sustainability of the planned programming schemes.

The demographic trends and the overall socio-economic situation call for strategic reforms in the field of **the secondary education**. A key indicator is the reduced number of students in grades 1 to 12 over the past five years by approximately 100 thousand. Since 2007, over 400 comprehensive schools have closed due to financial and demographic reasons, resulting in a total of 2,062 schools remaining in operation at the moment. School closure, especially in smaller communities, should go hand in hand with creating integrated training schemes and developing good practices with cultural institutions, community centres, libraries and youth centres. Apart from that, in the secondary education measures should be taken to increase the role and practical orientation of secondary specialized schools, vocational schools and gymnasia, which often pave the way to employment for people who do not proceed to tertiary education. The main focus of the reforms in the secondary education remains improving the curricula quality and the provided educational services, including through appropriate infrastructural investments for improving the conditions of the buildings and also improving the equal access (supporting environment for children with SEN, including accessible architectural environment), as well as focus on career guidance and access to partner networks for employment.

As regards the **vocational orientation structure** of the population (education and qualification degrees “Professional Bachelor”, “Bachelor” and “Master”), in 2012 the highest proportion of graduates was in the Economic Sciences and Administration (31.9%), followed by the Social and Behavioural Sciences (14.8%), Engineering and Technical Sciences (12%), Pedagogical Sciences (6.4%) and Healthcare (5.6%). There is an increasing shortage of skilled staff with scientific, mathematical or engineering degrees in the labour market. This structure should be managed through communication and signalling systems for the most needed specialties in the labour market.

The lack of prospects and development stimuli for doctoral students in Bulgaria is the reason why only a very small fraction (0.4%) of the group aged 24-35 (compared with the average EU27 rate of 1.5%) attain the education and qualification degree “Doctor”. As a result, the share of high-tech products in the export structure also remains rather low (4%) compared to the EU27 (17%). This trend clearly justifies the need to stimulate the development of young scientists in the country through various forms and methods in order to achieve knowledge-based growth and create the required basis for competitive development in areas that contribute added value to reaching the Europe 2020 Strategy objectives[[36]](#footnote-36).

**Lifelong learning**[[37]](#footnote-37) is the key factor for achieving the common EU goal of competitive and dynamic knowledge-based economy, through combination of formal education and training, non-formal training, and self-dependent learning. Compared to the set European target of 15% of the population involved in LLL by 2020, the current value for the EU27 is 8.9%, while for Bulgaria it was just 1.3% of the population aged 25-64 in 2011 and 1.5% in 2012[[38]](#footnote-38).

The LLL policy set out in the National Lifelong Learning Strategy demonstrates progress, which, however, is still very limited. A vocational guidance system has been developed within the school system; measures to address modern requirements to tertiary education curricula have been put in place; a National Qualification Framework has been developed and approved, and Centres for Promotion of Entrepreneurship have been set up in tertiary educational establishments.

The actual implementation of measures for **non-formal training and self-dependent learning** continues to be a problem. The dynamics of the social and economic processes leads to developing new, remote, and flexible forms for acquisition and recognition of highly specialized and constantly improving knowledge and skills for adaptation and successful career in the labour market. As far as non-formal training and self-dependent learning are concerned, in 2014 Bulgaria will start implementing a system for recognizing knowledge, skills and competences acquired through non-formal training and self-dependent learning[[39]](#footnote-39).

Another serious issue related to HR qualifications is the low level of **adequate computer and internet skills**, which is essential for the widespread use of ICT and ICT-based services and for achieving digital growth. Bulgaria continues to fall behind over the EU average values. According to the Digital Agenda Scoreboard, in 2011 only 42% of the population had some level of computer skills and 50% had internet skills over 67% and 73% on average in the EU. The people with high computer skills were 11% over 27% on average in the EU, and those with moderate skills were 27.7% over 52.5% on average in the EU. The people with high internet skills were 9% over 11% on average in the EU, and those with moderate internet skills were 30.8% over 42.6% on average in the EU. The data of the self-assessment of ICT users’ competences reveal that in most cases the level of confidence in the implementation of online activities and the abilities for creative and responsible use of the internet are much lower than the EU average. 45% of the employed, self-employed and active job seekers (over 53% on average in the EU) believe that their skills are sufficient to allow them to change their jobs. Interventions are needed at all levels of the education system and the system of **training and retraining of the employed, the unemployed and people and groups at disadvantaged position** to enhance the digital competences of the population and prevent the so-called digital exclusion.

**The communication infrastructure, equipment and specialized software applications** required for different activities in the education system and research institutions are largely outdated and depreciated. The poor conditions and the lack of e-learning content are not attractive to the employed in this field, in particular to young people. Despite the fact that at the moment 100% of all Bulgarian schools are connected to the internet, the modernization of ICT infrastructure is still lagging behind. This has a direct impact on the process of education and prevents the introduction of e-education. The last mass campaign for renovating computers in schools was in 2005-2007 under the National Strategy to Introduce ICT in Bulgarian Schools, when over 65,000 computers were supplied. Despite the new cycle for upgrading computers in schools, which commenced in 2012, the resources were sufficient to equip (terminal) workstations in just 500 out of a total of over 2,300 schools in the education system. No serious efforts have been undertaken to facilitate the development and accessibility of modern **cloud infrastructure**, based on which conditions for developing and accessing modern learning content and creating a student-oriented learning environment could be developed.

**Employment and labour market**

The unfavourable demographic situation results in a steady reduction of the working-age population and a risk for the social systems in the country. The consequences of the economic crisis are decreased economic activity of the population aged 15-64, reduced employment rate and increased unemployment rate. The negative trend relating to the working-age population is due to the significant decline in the demographic replacement rate and the extensive migration of the population aged 20-39. The demographic replacement rate is worst in Severozapaden (58/100) and Severen tsentralen (65/100) regions and relatively good in Yuzhen tsentralen (76/100) and Severoiztochen (75/100) regions. Over 75% of the working-age population (47% of the total population) live in cities and towns. In Bulgaria there are negative trends in both the age structure and the reproduction of the working-age population. There is also an imbalance in the distribution of the workforce between urban and rural areas. The aging of the workforce in the context of a dynamic labour market with constantly changing requirements to the qualification and professional skills of the employed generates a need for continuous improvement of the overall potential of the workforce through lifelong learning, on the one hand, and active aging of the population who continue to work in advanced age, on the other.

**Table 5. Key labour market indicators in Bulgaria, 2007-2012**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Year** | | | | | |
| **Indicator** | **Meas. unit** | **2007** | **2008** | **2009** | **2010** | **2011[[40]](#footnote-40)** | **2012** | |
| Economic activity rate (age 15+) | % | 52.6 | 53.8 | 53.0 | 52.0 | 52.5 | 53.1 | |
| Economic activity rate (ages 15-64) | % | 66.3 | 67.8 | 67.2 | 66.5 | 65.9 | 67.1 | |
| Demographic replacement rate | number | 99/100 | 91/100 | 82/100 | 74/100 | 68/100 | 64/100 | |
| Employment rate (ages 15-64) | % | 61.7 | 64.0 | 62.6 | 59.7 | 58.4 | 58.8 | |
| Employment rate (ages 20-64 ) | % | 68.4 | 70.7 | 68.8 | 65.4 | 62.9 | 63.0 | |
| Unemployment rate (age 15+) | % | 6.9 | 5.6 | 6.8 | 10.2 | 11.3 | 12.3 | |
| Youth unemployment (ages 15-24) | % | 15.1 | 12.7 | 16.2 | 23.2 | 25.0 | 28.1 | |

By the end of 2011 the **working-age population**[[41]](#footnote-41)was 61.8% of the total population, while 23.8% of the population were above working age and 14.4% below working age. The trend for the working-age population is to decline (63.2% in 2008; 63.1% in 2009; 62.7% in 2010) due to the negative balance in the reproduction of the working population and the steady migration trend of the working-age population for better career opportunities and payment.

According to Eurostat data, the **overall labour productivity** per employee for 2011 increases with 2 p.p. as opposed to 2010 (44%) and 2009 (44%) reaching a level of 46% of the EU 27 average (=100%) and thus ranking the country last in the EU. The best values for this indicator are of the Yugozapaden region; and in intraregional plan – the Sofia, Bourgas, Varna and Stara Zagora. The growth of the productivity index is mainly due to the recorded drop of the employment rate and to a much lower extent – to the real growth of realized absolute income amounts. The overall productivity index for Bulgaria (the basis being the year of 2005=100) has changed in the period 2008-2011 as follows: 110-106.8-112.5-118.5, while the respective values for the EU 27 average have been 102.5-99.8-102.4-103.6. On this basis Bulgaria climbs from 7th to 3rd place in 2011[[42]](#footnote-42).

As regards the **employment rate**, despite the measures and programmes to promote employment (particularly employment of women) launched in recent years, there is still a gap between the employment of men and women. The employment rate among the people with elementary, primary or lower educational attainment is significantly lower than the average employment rate.

*As regards the statistically monitored by the EC age group 20-64, the employment rate in Bulgaria has declined by 2.5 percentage points - 65.4% in 2010 and 62.9%[[43]](#footnote-43) in 2011.* The employment by gender (male/female) in the same age group over the same period was 69.1%/61.7% in 2010 and 66%/59.8% in 2011[[44]](#footnote-44). In 2012 the employment rate in Bulgaria reached 63% of the population aged 20-64, but was still lower than the EU27 average (68.5%). In terms of regions, in 2011 Yugozapaden region had the highest employment rate in the age group 20-64 – 69.6%, over 58% in Severozapaden region and 62% in Yugoiztochen region.

As regards the employment structure of the population aged 15 and older, in the period 2008-2011 there was a general declining trend in the number of the population employed in the private sector and the self-employed – by 13.1% and 14.7% respectively. There was an increase in the employment in the service sector and a decrease in the industry and agriculture, forestry and fisheries sectors. This was due to the overall low economic growth, the considerable shrinkage in the business sector (in particular SMEs) and the relatively slow recovery of the domestic demand.

The announced new jobs in labour offices in 2011 grew by 4.3% over the previous year. There was a similar increase in the number of the announced jobs under the subsidized employment measures of the Employment Promotion Act and OPHRD schemes. At the same time, in the actual economy there was a decrease in the number of the announced jobs by 2.1 p.p. over the previous year, and their share in the structure of the new employment creation was 64%. The unfavourable economic situation affected the number of the new jobs as businesses sought to retain their most efficient staff and optimize costs.

As regards the **employment of working-age people with disabilities**, in 2011 the employed people with minimum one long-term health problem or disease were 368.6 thousand, of whom 173.5 thousand males and 195.1 thousand females. Within this group the unemployed numbered 58.9 thousand and of those outside the labour force - 450.8 thousand.

According to EA data[[45]](#footnote-45), in recent years the people with special needs have been rapidly disappearing from the labour market. This is very much due to the lack of the education required. Around 90% of the people with long-term disabilities who are employed have secondary or tertiary education, which constitutes slightly more than half of the working-age people with disabilities.

Employment opportunities for unemployed with disabilities are very limited. According to data of the Agency for Disabled People, in 2010 the number of specialized enterprises and cooperatives of people with disabilities was 124, but there were only less than 5 thousand people working in them. Bulgaria has already taken measures to develop a social economy and support social enterprises. Supportive environment is being built and appropriate activities implemented in which people with disabilities, including blind people or people with visual or hearing impairments, are involved. According to the Agency for Disabled People, at present moment 1,042 people with disabilities are engaged in specialized enterprises. Yet, there is still a shortage of good practices for developing such enterprises in Bulgaria. The building of supportive environment and appropriate activities for people with physical or mental disabilities, people suffering from addictions or people who have served prison sentences should continue.

As regards **ethnic groups**, the highest proportion of the economically active population is among the Bulgarian ethnic group – 53.5%, followed by the Turkish ethnical group– 45.4%, and the Roma - 38.8%. The latter has the lowest percentage of students over age 15 and pensioners, while a total of three-fifths (61.2%) of the Roma over age 15 are economically inactive. Despite the measures and programmes to promote Roma employment in recent years, their impact is still rather weak and currently just 19.5% of all Roma over age 15 are employed.

*In 2011[[46]](#footnote-46) the number of the* ***unemployed persons*** *aged 15 or over was 376.2 thousand, an increase of 8.1% compared to 2010. In the same period the unemployment rate increased by 1.1 p.p. over 2010, reaching 11.3. The EU27 unemployment rate for 2011 was 9.7%, which is the same as in the previous year and just 0.7% higher than in 2009.*

According to 2011 data, Bulgaria was the country with the 9th highest unemployment rate in the EU; a negative trend that still persists today. According to the Labour Force Survey, the unemployment rate in 2012 peaked at 12.3% - the highest value in the past nine years.

In the period 2008-2011 the number of the **discouraged persons** grew, but dropped in 2012 due to the measures taken to support their activation and involvement in training and employment.

In 2011[[47]](#footnote-47) in terms of age, the group 25-34 had the highest share (26.5%) in the **structure of the unemployment**, followed by the group aged 35-44 with 22.4%. The people aged 25-44 have established work habits and experience, both of which are essential for performance and labour efficiency.

**Youth unemployment** is a major impediment to building a competitive economy and active social inclusion. Bulgaria is among the Member States with the highest proportion of the young population aged 15-24 involved neither in education, nor employment or training. Compared to the EU27 average value of 12.9%, Bulgaria has 22.6% youth unemployment. The relatively poor educational level and the remoteness of the labour market put youths at a serious risk of poverty. As regards the unemployment of youths below age 29, as of June 2013 a total of 68,952 youths had registered as unemployed, marking an increase in their share in the total number of the unemployed to around 19.6%. The national initiative “Jobs for young people in Bulgaria”[[48]](#footnote-48), adopted in 2012, will target activation of unemployed youths and is expected to reduce the youth unemployment rate in 2013.

The proportion of the **long-term unemployed** (for one year or longer) in the total unemployed population fell from 55.8% in 2011 to 55.2% in 2012. *The EU27 long-term unemployment rate grew from 2.6% in 2008 to 4.1% in 2011. The respective values for Bulgaria were 2.9% in 2008, 4.8% in 2010, and 6.3% in 2011.* This ranks the country among the top ten states with the highest long-term unemployment rate. In 2012 the long-term unemployment rate was 6.8%.

The high rates of the unemployment in all of its aspects raise the following challenges:

* Lack of effective connection between education, qualification and labour demand;
* Difficult transition from education to the first job due to the lack of work habits of young people;
* Conditions for improving the coordination between the institutions in the labour market should be created;
* The effectiveness of the incentives for economic activity (adults, mothers, youths) should be increased;
* Low labour mobility, unused possibilities for alternative, remote and innovative employment.

As regards the **supply and demand of workforce in the labour market**[[49]](#footnote-49), in 2011 there was a temporary reduction in mass redundancies and an unbalanced demand of workforce in terms of both period and sector. In such conditions of limited demand, employment is dependent, on the one hand,on sector identity and level of qualification of the different labour market groups, and on the correspondence between job seekers’ skills and competences and the employers’ requirements, on the other. There is a wide gap between employers’ needs for certain qualifications in workers and the specialists produced by the education system[[50]](#footnote-50). More specifically, 64% of the employers need engineering graduates, while only 27% of the students major in such fields.

Although much of the labour cuts have already been done, the impact of the unfavourable external environment towards optimizing labour costs, mostly for export-oriented activities, will persist. The internal demand also remains rather low and will continue to have a deterrent effect on the recovery of employment in the service and construction sectors. At the same time, the significant job cuts in these sectors from the beginning of the crisis until 2012 suggest that a delay in the rate of release of labour resources might be expected to occur in 2013.

**Mediatory recruitment services** have a key role in the transition of unemployed people and recent graduates to employment, in reducing unemployment periods, and matching the supply and demand of work in the labour market. The activity of labour offices and other intermediaries in the period after the economic crisis leads to a continuous increase in the number of the unemployed who had secured jobs through the services of a recruitment agency. During the first six months of 2013 the number of the unemployed who had started new jobs has increased significantly. The total number of newly employed people is 141 275, thus increasing with 26.2 % as compared to the same period of 2012. The number of people who started a new job through the mediation of labour offices over the same period amounts to 50 480. In 2012 the percentage of the unemployed people who had secured work was 7.1% higher as compared to 2011. This increase was due to the higher number of job starters mainly as a result of OPHRD schemes or subsidized employment (programmes and measures under the EPA), however the job starters in the primary labour market were also a key factor. As usual, the majority (over 75%) of the unemployed who had started new jobs had used the intermediary services of a labour office for the first quarter of 2013. The remaining recruitment agencies were responsible for around 48% of the successful mediation in the labour market.

The seekers of mediation services in the labour market are highly-motivated and pro-active in the process of looking for employment. Many of them receive advice or do different types of training to raise their qualification so as not to lose their competitive advantages.

By the middle of 2013 a total of 295 recruitment agencies for mediation services in Bulgaria, 214 agencies for seeking and offering employment abroad, and 77 agencies offering mediation services to marine experts have been entered in the register kept by the Employment Agency. In the beginning of 2011 the EA started work on a unified portal of job offers across the country, and, by the middle of 2013, a total of 28 agencies had provided contact details through the website of the Employment Agency. As regards the **policy for protection and regulation of the national labour market** and labour migration control, the EA monitors, issues, renews or terminates licenses for intermediary recruitment services in Bulgaria and abroad on an annual basis.

Intermediary services are particularly efficient for finding employment for women (on average 55% of the total employed); unqualified people (around 42%); professionals with technical education (around 30%); long-term unemployed and youths aged under 29. A lower level of finding employment through intermediary services for unemployed people is still typical of the following categories: unemployed with worker’s professions; professionals in the areas of agriculture, education, humanities; unemployed university graduates and unemployed people with disabilities.

**The Employment Agency** as the key mediator in the labour market is subject to Recommendation 3 of the Council, in line with which and with a view to providing effective counselling to jobseekers and developing capacity for forecasting and matching skill needs on labour supply and demand side. The EA is implementing an active policy, which, among others, is aimed at supporting the social and economic integration of disadvantaged groups. One of the most disadvantaged groups in the labour market is that of the unemployed Roma. In the first quarter of 2013 under the Decade of Roma Inclusion 2005-2015 Initiative, employment was offered to a total of 3,856 unemployed Roma, of whom 2,971 were employed through different employment programmes and measures. 2,025 of these people were included in the National Programme “From Social Support to Employment” and another 885 started work on the primary labour market. 1,239 Roma people were trained in motivation for active search of employment; 654 in vocational guidance courses; 146 in key competences and 113 in vocational qualification courses under the OPHRD. In connection with the promotion of social and civil dialogue in the first quarter of 2013 a total of 20 local meetings were organized with Roma NGOs for the unemployed Roma population seeking assistance.

Achieving progress in the socio-economic development and improving the quality of life of the population are directly connected with the availability of sustainable jobs, the employment of the population enabling the economic autonomy of the individual citizen, the overall labour productivity and the attainment of a relative balance between the supply and demand in the labour market. Bulgaria still needs to make substantial effort in all these areas to achieve the required national level of socio-economic prosperity and reach the average EU development rates.

**Social inclusion and combatting poverty**

*Bulgaria ranks first among the EU member states in which the* ***risk of poverty or social exclusion****[[51]](#footnote-51)**of the population is higher than the average EU level[[52]](#footnote-52).* The poverty line after social transfers in Bulgaria in 2008 was 21.8% (compared to 16.3% for EU27), in other words there were around 1 657 000 poor people in the country[[53]](#footnote-53). In 2010 the value increased to 22.34%[[54]](#footnote-54) (20.7% in 2009), corresponding to a total of 1 673 000 poor people[[55]](#footnote-55). Currently, 49% of the country’s population live at risk of poverty or social exclusion. At regional level the proportion of the population living below the poverty line[[56]](#footnote-56) varies from 9% in Yugozapaden region to 30.6% in Severozapaden.

The risk of poverty alone by age group is highest among the **population above working age** (30.9%) and the **children under age 18** (28.9%[[57]](#footnote-57)). Based on economic status, the risk of poverty alone is highest among the **unemployed** (52.2%), **pensioners** (28.3%) and the other economically inactive people (27.8%). Bulgaria ranks second among the EU27 in terms of the number of people aged above 65 who are at risk of poverty - 32% of the total population in this age group[[58]](#footnote-58). **Working poor**, or employed people whose income is not sufficient to ensure a basic living standard, are 8.2% of the employed. The income distribution gap between the poorest and the richest 20% of households is 6.5[[59]](#footnote-59). According to the National Centre of Public Health and Analyses, there is an increase in the number of **people with long-term disabilities**. The labour efficiency of each fourth permanently disabled person above the age of 16 is reduced by more than 90%. Since 2008 there has been an increase in the number of children below the age of 16 recognized as persons with a certain type or degree of disability, and each fourth child among them is 71-90% disabled.

**Children** are a special vulnerable group that is to a large extent exposed to the risk of poverty and social exclusion (52% of all children). This is most common among children from low-income households, children with disabilities or children deprived of parental care or living in poor housing conditions. The poverty rate among children in Bulgaria is one of the highest in the EU.

*According to the Country Fact Sheet and NSI data, the share of the population aged under 60 living in no-employment households in 2011 was 15.1% over 13.5% in 2010 (7.9% of the entire population in this age group).* The corresponding EU27 rate is 9.9% of the population in the same age group, which again places Bulgaria among the top countries at risk of poverty due to the lack of employment and the reduced economic activity.The share of the population living in households with **low intensity of economic activity**[[60]](#footnote-60)is highest in Severozapaden region (15.8% of the population aged 0-59), while in Yugozapaden it is 6.4%. Regional differences and socio-economic disparities related to poverty and social exclusion are aggravated by the uneven distribution of investment and economic activity. The share of the population that is least affected by the risk of poverty or social exclusion (living at risk of poverty, with material deprivations and in no-employment households or households with low intensity of economic activity[[61]](#footnote-61)) is lowest in Yugozapaden region (41.2%) and highest in Severen tsentralen region (57.7%). The most acute problems of social exclusion in the country are connected with: unemployment; low education; low income; access to information and communication; accessible physical environment, especially for people with disabilities and people with limited mobility; accessible transport; access to culture and sport; access to public services, including financial services.

One of the main reasons for the high risk of poverty is the size and poor efficiency of social transfers. According to Eurostat data of 2010, Bulgaria is the state with the third least effective social transfers system in the EU (followed by Italy and Greece) and the state with the second smallest size of social transfers (as a percentage of the GDP), followed only by Poland[[62]](#footnote-62). On the other hand, social assistance is the main tool for ensuring adequate social protection of the vulnerable part of the population. With this in mind, a prompt re-evaluation of the system is needed to ensure adequate and sustainable social payments; improved capacity, planning and coordination of the responsible institutions; development of systems for monitoring and control of the effectiveness and efficiency of the process. The overall poor state of the social systems (healthcare, education, social security and social assistance) significantly raises the risk of poverty.

The measures for stabilization of the **pensions system**[[63]](#footnote-63)taken in recent years following amendments to the Social Security Code are expected to result in a mid-term improvement of the financial condition of state security funds. According to the latest pension fiche of the country approved by EC, the social expenses of Bulgaria for maintenance of the pension system will be decreasing and by 2060 will equal to 9.3% of GDP. The increased collection of contributions coupled with the desire to increase the coverage ratio, i.e. expand the insurance basis, as well as the increase in the effective retirement age and opportunities for economic activity after the age of retirement will have a positive effect on the pensions system. The sustainability of the pensions system also depends on the level of the overall economic activity of the population.

A specific group of the population living at risk of poverty and social exclusion is the **Roma population**[[64]](#footnote-64). The concentration of the representatives of this vulnerable ethnic group in isolated districts and neighbourhoods[[65]](#footnote-65) causes social exclusion, deterioration of the housing conditions, problems with the construction and maintenance of infrastructure, transport problems and difficulties in the provision of educational, healthcare and social services. Creating mechanisms and conditions for active Roma involvement in the economic and social life is key to preventing the multiplication of the model of social isolation and encapsulation.

The problems of the social exclusion of disadvantaged groups are further aggravated by the lack of opportunities for social and cultural activities. Objects of cultural value are key to promoting social inclusion. The poor condition of the facilities inevitably leads to an overall worsening of the quality of services in the field of culture. It is similarly necessary to improve the access for people with disabilities, not just through an accessible architectural environment, but also through use of modern audio-visual technology to support this group of the population. Therefore, it is necessary to invest in improving the quality and accessibility of cultural services.

**The Deinstitutionalization process** and the provision of accessible and quality services in accordance with individual needs is one of the key tools to reduce poverty and promote social inclusion. Bulgaria has a developed network of institutional and community social services for children and adults (a total of 972 units, of which 253 specialized institutions and 719 community services as of the end of December 2012).

The deinstitutionalization of childcare is an irreversible process, which started in 2009. Compared to previous years, in 2011 there was an obvious decrease in both the total number of children in institutional care and the number of children placed in the separate types of institutions. In the period 2009-2011 the number of children placed in different specialized institutions dropped from 6,730 to 4,755. By the end of 2011 the deinstitutionalization ratio of children up to age 3 was 8.3 per 1,000 children, which remained unchanged compared to 2010 by reason of the significant decrease in the number of children in this age group in the country. At the end of 2011 the number of homes for medical and social care of children was 31 with capacity for 3,756 children. Together with the drop in the number of the specialized institutions for children, there was a gradual rise in the number of the community services offered. In the period 2009-2011 a total of 34 new community services for children were launched. The total cost of these new services as state-commissioned activities was over BGN2.7 million[[66]](#footnote-66). Foster care has seen a dynamic development and as of May 2013 the number of children placed with foster families is 1,631.

The close cooperation of the institutions involved at all levels is crucial for the successful implementation of the deinstitutionalization process. Along this line, the “Support” project is being implemented, which offers a clear mechanism for communication and coordination among all stakeholders and additional expertise to manage the process, and ensures the involvement of all responsible institutions in the deinstitutionalization process. Within this project, implementation conditions were created to support all participants in the Action Plan of the National Strategy “Vision for Deinstitutionalization of Children in the Republic of Bulgaria” at different levels. There were further provisions for managerial and operational capacity strengthening and the effective communication and coordination of the direct beneficiaries. The deinstitutionalization of childcare should be considered a good practice in view of the risks associated with replacing large-size institutions with smaller ones and the need to prioritize and invest in family support, complex integrated services, including prevention and early intervention. An important aspect in the improvement of the quality of life of children and the promotion of social inclusion is the implementation of reforms in the field of justice for children, aimed at social re-integration of children and youngsters in conflict with the law.

The institutionalized model of care for disabled and elderly people continues to dominate over community-based services. At the end of 2012 the number of social services provided to elderly people grew to 534 (163 specialized institutions for elderly people and 381 community services). Yet, these are not enough to fully replace the institutional model of care in Bulgaria. In addition, the government has commitments stemming from the implementation of the UNCRPD[[67]](#footnote-67). The funding from the national budget allocated on grounds of implementation of a state-commissioned social service is essentially aimed to maintain the existing services and not develop new ones. In view of the challenges posed by the aging of the population in Bulgaria, a comprehensive reform of the long-term care system (complex integrated health and social services for elderly and disabled people) is necessary. The developed network of cross-sectoral services and community- and home-based services is a key condition to ensure an equal and effective access to basic services for people in need of long-term care.

**Growth based on innovation and entrepreneurship**

According to the World Economic Forum Report on Global Competitiveness 2012-2013, Bulgarian economy ranks 62nd among 144 researched countries. This is 12 positions ahead, compared with the previous year report, and is the result of a complex interaction of all the fields that are used to assess the global competitiveness index.

The potential for growth and sustainable development is aimed at creating conditions for a competitive economy based on knowledge, innovations, optimization of production chains and high-added-value sectors. The good governance is also a key factor for the establishment of an optimal business environment.

**SMEs and State Sector**

**Small and medium-sized enterprises** have a strong contribution to the development of economy and generate over 59% of enterprise-generated value added, 67% of turnover and 76% of the jobs[[68]](#footnote-68).

**Entrepreneurship and business creation**

A disadvantage for the Bulgarian enterprises is the sector structure which is significantly different from that in the EU countries.

**Bulgaria    EU-6**[[69]](#footnote-69)

High-tech production[[70]](#footnote-70):       1%          2%

Low-tech production:       10%         8%

Knowledge-intensive services:              14%         23%

Low level of knowledge services:     68%         51%

Other sectors:                                    7%          16%

Another fact which underlines the shortcomings of the Bulgarian SMEs is the share of enterprises in the “retail” sector, where over 32% of the SMEs operate. This indicator in the countries of comparison is 13% and the EU average is 17%.

Therefore, Bulgaria needs restructuring of sectors and business creation in the following sectors in particular:

* In High-tech industrial production - production of metal products (in 2011 the share of these SMEs in Bulgaria is 30% lower than the average share of the businesses in the countries of comparison in the same sector), engineering (a 2-times smaller share), computer manufacturing, optics and electronics (a 3-times smaller share), automotive industry (a 2-times smaller share), manufacture of other vehicles (including shipbuilding and aircraft) (a 2-times smaller share), textiles (30% lower share) and printing industry and production of recorded media (25% lower share);
* In Knowledge-intensive services: Information Technology (a 2-times smaller share), information services (50% lower share), production of films and TV productions and audio-recording (a 4-times smaller share), publishing (50% lower share);
* In the Research and Development Sector: there is a 3-times smaller share in the number of businesses in the R&D sector.

On the basis of these results and the average employment in the relevant sectors, it can be estimated that Bulgaria needs another 12,100 new SMEs in the above mentioned sectors and nearly 90,000 employees in these sectors to achieve a long-lasting restructuring of the economic sectors in the direction of technological intensity sectors.

**Internationalisation**

With regard to exports, Bulgaria currently relies mainly on the basic metals and petroleum products in the export business. At the same time the sectors of mechanical engineering, metal products, computers, optics and electronics, automobiles have increased the volume of exports, export prices, and labour productivity over the last 4 years. This may apply to the production of food, clothes and pharmaceuticals. These are sectors whose exports can be further promoted especially in third markets.

The existing data on foreign trade of Bulgaria shows that the largest share in exports is that of raw materials: 43.3% of the total exports in 2012. This is followed by consumer goods with 23.3%, and investment goods with 16.7%.

Compared to the same period of 2011, the share of consumer goods and energy resources is increasing at the expense of a decrease in the share of raw materials (3.5% lower).

High-tech industries achieve 6.1% of the total exports, ranking third in exports per employee after exportation of petroleum products and basic metals.

Only 3% of the Bulgarian SMEs export to the Single Market and 6% import from the Single Market. Meanwhile over 3% have exported to third countries, and 5% have imported from third countries[[71]](#footnote-71).

It is therefore necessary that Bulgaria support enterprises of high-tech industries and knowledge-intensive services towards a more active role in foreign markets. Based on data from the SBA Fact Sheets Bulgaria will need over 4,000 SMEs more, able to sell their products to third markets, in order to assume that the country is within the average in the EU under these indicators.

It is recommended that Bulgaria concentrate its efforts on creating more enterprises and promoting export of the high-tech industry and knowledge-intensive services sectors.

**R&D and Innovation**

Proper understanding of the process and management of the complex road from an innovative idea to its marketing is key in ensuring growth and contributing value added to the economy. The Global Competitiveness Report 2012-2013 of the World Economic Forum ranks Bulgaria 97th of a total of 144 countries in terms of **innovations** **and excellence in business factors** and 92nd under the **innovation development** indicator. This is not surprising given the low level of funding for R&D and innovation (92nd in private business investment in R&D) and the loose links between education, research organizations and the business, which puts the country at the 117th place in interaction between universities and industry in the field of R&D and innovations. According to the same report, the country is at the 65th place in innovation capacity and 98th in availability of scientists and experts in the field.

The above-mentioned National Strategy of Scientific Research 2020 and its integration with the priority sectors of the economy will strengthen the coordination and interaction along the education-science-business-innovations chain.

According to the European Innovation Ranking in 2013, Bulgaria ranks last among the member states and is a member of the group of the modest (shy) innovators. Relative strengths of Bulgaria were detected under some of the indicators in the field of human resources, intellectual property (the country is at relatively advanced positions (47th) in ‘patent pending’ and economic effects, and the worst results were in financing and support, networks and entrepreneurship, intellectual property and innovation (creative) results, i.e. in the same areas Bulgaria shows both strengths and weaknesses. This fact determines the innovation system of the country as unbalanced, while the practice of the leading countries in terms of innovation shows that a balanced innovation system is a prerequisite for success.

The main factor for instability, insecurity and underdevelopment is the lack of comprehensive long-term national policy on R&D and innovation, and policy focus on areas with potential for growth, competitive advantages, value added and scientific achievements, as in the field of information and communication technologies, electronics, healthcare and biotechnology, nanotechnology, environmental protection and energy efficiency, space technology and applications, food production and processing technologies.

A factor of the R&D impact for the development of sustainable knowledge economy is the creation and commercialization of **intellectual property.** An indicator of this should be the number of introduced innovative products and new technologies to the market and the number of the patent applications per capita. For 2011 the **number of the registered utility patents** by Bulgaria in the world is only 43, and per one million inhabitants in Bulgaria there is under 1.1 patents. [[72]](#footnote-72) At local level steady increase is registered in the number of patent applications for inventions compared to 2007, these were 283 in 2011. Actually, however, this does not make innovation environment better, as the model for the management of intellectual property is based on the valorisation of scientific and innovative results. There is no practice of empowerment third parties in the management of the property, such as companies, clusters or other consortia to intensify entrepreneurship among academics and motivation to create new products and services.

Inspiring but also indicative of the presence of some potential has been the tendency to a rapid increase in **private sector expenditure on R&D** since 2005. From 2005 to 2011 it increased on average by 31.2% to reach 0.3% of GDP at the end of the period. This is a good sign for the economy, but keeping **the levels of public spending on R&D** at 0.35 - 0.26% cannot ensure sufficient quality of research and the maintenance of minimum educational and scientific potential for society and industry. Moreover, both levels are well below the EU average, respectively, 1.26% and 0.75% of GDP.

It is necessary to develop a strategic and smart approach to the management of research and innovation infrastructure, and overcome the fragmentation of research facilities and equipment and recognize certified laboratories for conducting high-quality studies, models and services. One of the key factors for promoting collaboration between research organizations and businesses will be the structuring of competence centres for applied research that will be friendly for "fostering" any innovative idea. These structures will have a significantly stronger impact on job creation and growth, as the effect of their work will affect a large number of stakeholders, including public organizations, professional organizations, and not least - foreign partners. Good experience in the country and the Member States should be promoted so that funds already invested in research infrastructure through various schemes such as the Regional Potential of the 7th Framework Programme, for example, in the programming period 2007-2013 will continue to operate effectively and to be incorporated in regional innovation strategies.

Funds invested in exploration, research and development and science decreased significantly over the last 4 years in sectors such as the exploitation of land, water and atmosphere (36%), development of agriculture and forestry (41%). The business sector has the main contribution to the total R&D investment in 2010 and 2011, followed by the public sector and with much smaller contribution – by the higher education sector. Resources and R&D costs are unevenly distributed in the country e.g. in 2011 the Yugozapaden region had 88% of the total spending in the business sector.

With regard to regional disparities, the Yugozapaden region has concentrated significant resources on R&D (83% of the total R&D expenditures), and the research costs of enterprises are also significant (85% of the costs in the business sector). At the other pole is Severozapaden region, where the public sector is spending only 3.2% of the total expenditure, and money invested in research products by businesses is 1.7% of the total costs of the enterprises in the country. Around 0.83% of the public spending is concentrated in the Severen Tsentralen region and 2.52% of costs of businesses, and in the Yugoiztochen - 3% of the costs in the public sector and 5% of the cost of businesses.

The analysis of the **leading innovation activities by regions** leads to the conclusion that there is a very strong concentration in the Yugozapaden region, mainly in Sofia (except for the production of pesticides, 78% of which is concentrated in Plovdiv). Furthermore, *with the reduction of the innovation evaluation of activities, "export" of specialization outside Sofia is observed* - manufacture of pharmaceutical products (Pazardzhik, Kyustendil), news agencies activities (Varna, Plovdiv), manufacture of radio, television and communication equipment (Plovdiv, Montana), computer production (Blagoevgrad, Veliko Tarnovo, Plovdiv), measuring apparatus and equipment (Sofia region, Plovdiv, Varna), optical instruments and photographic equipment (Panagyurishte) and others. Geographically*, the potential for regional specialization in leading innovation is situated diagonally along Southwest Bulgaria - Central Bulgaria - Northeast Bulgaria*. What is observed is employment in activities in the field of information technology and architectural and engineering activities. Taken together, and combined with research and development in technical sciences, the introduction of software, production of computers and equipment for measurement, electronics, optical equipment, telecommunications, consultancy in the field of management and others underlie the development of information and communication technologies and mechatronics. Regardless of the concentration of these activities in the Yugozapaden region (mainly in Sofia), *there is potential for future regional specialization*. Another innovative area that concentrates employment is the production of medicinal products. Along with R&D in medical science it forms the existing and future potential for regional specialization in the field of pharmacy.

Another important aspect of regional innovation analysis relates to the specialization in innovative activities which create maximum occupancy in the regions of the country. The results show that with the exception of architecture and engineering, and the field of information technology, specialization in low-innovation activities prevails. Generally, with reducing the innovativeness of economic activities specialization from Yugozapaden to Yuzhen Tsentralen region and Eastern Bulgaria is increasing.

Sectors that generate maximum employment in the regions are the food industry and related activities (wholesale and retail trade, restaurants and pubs, production of bread and pasta). It forms maximum employment and is characterized by a relatively good degree of regional specialization and potential for specialization in all areas. Clothing industry employs about 100 thousand employees and is concentrated mainly in Western and Central Bulgaria. There is potential for specialization in all areas. It combines with activities in the field of design, which are among the leading innovative activities. Furniture production is the one characterized by the presence of regional specialization and should be retained for the high level of its export orientation. There is a critical mass for the implementation of cluster policy in the sector. It can also combine with activities in the field of design.

Despite a slight tendency towards progress in the field of innovation, according to the Report on the Global Innovation Index[[73]](#footnote-73) for 2012, compared with the best world achievements Bulgaria has the least backlog in impact on knowledge and environmental sustainability. A medium level of lagging behind was observed in the political environment, secondary education, higher education, researchers, creative intangible assets, credit, business environment, regulatory environment, online skills, trade and competition. The maximum delay our country realizes in investments, underlying infrastructure, creation, utilization and dissemination of knowledge, creative goods and services, ICT and R&D, paying only 0.6% (2010 – 0.6%, 2011 – 0.57%) of GDP for R&D costs in 2010-2011. [[74]](#footnote-74) The main drawback of innovation policy is the lack of consensus on priority areas, clear regulatory mechanisms and effective institutional coordination. These shortcomings are addressed in the project for Innovative strategies for smart specialization and the draft Law on innovation.

The acquisition of general economic innovation by third parties in accordance with market principles also contributes to increasing the innovation activity of Bulgarian enterprises and increasing the share of innovative products utilized in manufacturing, processes and services, and has a positive impact on both the development of the Bulgarian enterprises and the economy as a whole. In practice, many of the registered industrial property rights do not get introduced in the economy due to lack of sufficient financial resources for their implementation. For the successful implementation of innovative processes, products and services by Bulgarian companies, specific expertise is required, both in terms of the process of production/provision of this innovative product, process or service, and in terms of business and marketing strategy. Most enterprises in Bulgaria introduce products or processes that are new only to the company or only to the Bulgarian market. The share of companies that implement products innovative for the European and international market remains very low.

There are various reasons for the low share of R&D costs. The private sector is dominated by SMEs, for which it is typically hard to allocate resources for research and they do not dispose of their own technologies and capacity for developing key innovations for individual sectors or groups of sectors, which is the reason for the loose connections between research and the needs of the manufacturing sector. According to the NSI **the share of innovative enterprises** in Bulgaria in 2010 is decreasing and is 27.1%. Innovation activities are becoming more widely implemented by industrial enterprises compared to service enterprises. In 2008 their share is respectively: 23.8% and 14.5%; and 31.1% and 22.0% - in 2010.

In addition to the overall low level of R&D costs as a percentage of the GDP in the public sector, the unfavourable structure of public sector costs results in a lack of concentrated resource. A large number of scientific organizations typically receive institutional support, while the share of programme and project funding is very low. There is no competitive environment or independent external (international) expert opinion on scientific concepts, outputs and results. The Bulgarian Science Fund is the only instrument for support of research activity, which, however, is unable to meet the needs of the R&D sector, i.e. there is a clear absence of other models and funding sources (private investments).

Other major national issues are the shortage of human capital in the field of science and innovation, as well as the long-continuing trend of withdrawal of young people from scientific careers and the brain drain process (48% of emigrants are aged 20-39 and the main cause for emigration is the desire to secure a job and higher income). The total number of the **persons employed in R&D and innovation** in 2011 was 20,810, and 20,823 in 2010[[75]](#footnote-75). In regional terms, the development of innovation and new technologies is very unbalanced. Taking the national (2.92%) and the average EU27 (3.73%) values of sector employment as points of reference, the highest ranking region is Yugozapaden region with 4.2% and the lowest is Yugoiztochen region with 1.9%. The science-oriented profile and the on-going expansion of science-extensive services in the Yugozapaden region (where the share of employment in science-extensive services in the total employment amounts to 28.22% and is the highest in the country) further support the high-tech and innovative industries located in the region.

It was found out that young people tend to back off from academic work. The drawbacks of science work in Bulgaria are mostly related to low salaries, depreciated equipment and facilities and slow career growth. Therefore, efforts in the new programming period will be focused on the creation of centres of excellence to provide the necessary environment for the development of talent and technology.

The analyses in the field of innovation are to support the development of Innovative strategies for smart specialization which as a horizontal tool corresponds to all the strategic priorities of the Partnership Agreement.

The quality of **higher (university) education and research** is an essential part of the development of the knowledge-based economy and the achievement of smart growth. Improvement of the quality of higher education in Bulgaria should be sought by overcoming poor productivity of Higher Education Institutions (HEIs) in terms of scientific and applied research and development. Other challenges in this area are related to optimization of wages which are insufficient to attract well-qualified teachers; building of effective mechanisms to attract leading scientists and PhD researchers; improved mobility – inter-sector and international; enhancing partnerships between universities and research institutes, to lead to concentration of resources.

According to the National Roadmap for Research Infrastructures, research infrastructure is characterized by unbalanced spatial and thematic distribution and lack of national database or catalogue; lack of clearly demarcated scientific complexes supporting a full range of “infrastructure - qualified staff - modern facilities”; lack of peripheral infrastructure for the operation of larger scientific facilities, such as modern science laboratories at universities or dynamic research institutes; lack of modern depositories; poor access to international networks and flexible funding tools; as well as lack of a funding portfolio for maintenance or development of research infrastructure, including low culture in terms of use of venture, guarantee and lending mechanisms.

An important part of research infrastructure is electronic research infrastructure (e-infrastructure), which comprises of a set of distributed powerful computing resources[[76]](#footnote-76) providing an electronic environment for joint R&D by research organizations and individual researchers regardless of the actual location. The Bulgarian Research and Education Network[[77]](#footnote-77) and the National Centre for Supercomputing Applications at the Executive Agency for Electronic Communications Networks and Information Systems with the MTITC[[78]](#footnote-78) operate as elements of European research e-infrastructures in Bulgaria. These e-infrastructures require investment support for their modernization and integration with European research institutes. Furthermore, they are a highly important technological prerequisite for the successful participation of Bulgarian research institutes, universities and high-tech businesses in new EU programmes for research, technological development and innovation after 2014.

The low level of R&D costs, especially in businesses, as well as the loose links between scientific research and manufacturing sector needs, and the personal motivation of those employed in R&D are among the main reasons for the country’s poor performance in the area of innovations. Innovation potential depends on:

* the capacity of enterprises for development, introduction and use of innovation;
* the capacity to develop R&D potential and human capital to meet key sector demands; and
* modern equipment and facilities.

The attractiveness of research careers should be promoted through financing programmes to retain and attract the most successful scientists and young researchers and reduce the brain drain, as well as to stimulate research productivity according to industry needs and strengthen incentives for pursuing academic careers.Integrated efforts towards innovation are required through the creation of an effective mechanism for the coordination of innovation strategy and policy between businesses, science and government.

**Information and Communication Technologies**

Information and communication technologies are one of the main drivers for building a competitive economy based on knowledge and innovation. Therefore, the EU and Bulgaria recognize the development of ICT as a priority strategic horizontal policy. **"Digital Bulgaria 2015"** **National Programme**[[79]](#footnote-79)defines the parameters for the development of information society in Bulgaria and aims to support the implementation of European priorities and tasks described in the Digital Agenda of Europe in terms of social and economic potential of information and communication technologies and the Internet by 2015. The **National Strategy for Development of Broadband 2012-2015**[[80]](#footnote-80), updated and supplemented with an extended time horizon to 2020 and the National Operational Plan for the implementation of the strategy in line with the recommendations of the Commission cover and streamline all activities, relevant institutions, indicative time, financial resources and appropriate tools to ensure successful implementation of the strategic goals. Progress in the implementation of these strategic and programming documents is monitored using the set of key performance indicators (Digital Agenda Scoreboard), which monitors the implementation of the Digital Agenda for Europe and the indicators of the NSI for the development of information society in Bulgaria.

New trends in ICT development focus on building support for **broadband and** **next-generation-access networks** - **NGA**, which with the potential they have, will help in the next programming period for the improvement of all aspects of broadband technology and services. In practice NGA networks will provide access to content in high definition, advanced digital services at very high speed in order to maintain the speed-demanding applications, and will provide affordable symmetrical broadband connections.

A modern broadband infrastructure, respectively, access to high-speed and ultra-high-speed internet is the basic key prerequisite for achieving the so-called digital growth and providing advanced electronic services for businesses and citizens, and plays an important role in the economic recovery and provision of a platform to support innovation across all sectors. Digital programme service of Europe poses to the EU and Member States 13 specific targets to be met by 2020, among which coverage and speed.

According to the Digital Agenda Scoreboard[[81]](#footnote-81) in June 2013, Bulgaria ranks 10th among the Member States according to the share of fixed broadband lines offering speeds higher than 30 Mbps. 51% of households in the country have a broadband connection, which is significantly below the EU average - 73%. Over the past year, 61% of households in the country have the opportunity to use NGA connectivity.

In 2012 enterprises with fixed broadband are 76%[[82]](#footnote-82), which is 7 percentage points increase compared to 2011, however under this indicator the country ranks only 25th among the EU 27.

*In 2012 the percentage of the population aged 16-74 who had never used the internet was 42% compared to the EU27 average of 22%.* In 2012 50% of the population aged between 16 and 74 were regular internet users (minimum once a week) compared to 70% for the EU27. The only two EU countries ranking after Bulgaria were Romania and Greece. Disadvantaged people who use the Internet regularly were only 29% at 54% on average for the EU 27.

Surveys of the status of broadband access in the Republic of Bulgaria and EU, indices and analyses show that the country is lagging behind other Member States both in terms of connectivity and technologies application and in terms of usage. The lack of overall broadband coverage in the country is a major problem disadvantaging small towns and remote, sparsely populated and rural areas in terms of access to high-speed internet and therefore also to various complex electronic services to meet the rising demands of the business and citizens.

Over the past 20 years due to serious migration processes large regions of the country have been with impaired demographic structure. Government expenditure in this sphere is relatively low in view of the market-driven nature of the ICT sector and the predominance of private investment. In such areas businesses consider investing in broadband infrastructure a risk. This calls for government intervention in order to reduce the digital disparity and promote digital growth.

It is only logical that imbalances in terms of broadband coverage lead to lower demand and use of the Internet and electronic services. Regions lagging behind in digital development are lagging behind in their socio-economic development as well. There is a risk that they will remain "informationally detached" to deepen other differences in development.

The ICT sector in Bulgaria is characterized by a typically high viability and demonstrates steady growth rate even during periods of overall short-term decline. The sector has significant potential for innovation and export-oriented growth. It is evenly divided into three sub-segments: telecommunications, registering 73% of the revenue, computer programming – with 14%; and, consultancy and information services with 6%. The export of ICT goods and services has increased 14 times since 2005. Currently, ICT accounts for 47% of the total export of business services. Another positive sign is that the highest number of registered patents in Bulgaria is in the ICT sector (90% of all patents in the period 2001-2010), as well as the biggest number of implemented R&D projects financed under the Seventh Framework Programme.

The **Innovative strategies for smart specialization of the Republic of Bulgaria**  Project, Chapter ‘Digital growth’, pays particular attention to the development of a balanced innovative ecosystem in the field of ICT through ICT based infrastructure - technological parks, business incubators, clusters, centres of excellence, e-infrastructure and others. Promotion of research, development and innovation in the ICT sector are identified as priorities in terms of its potential for innovation and increase in economic growth[[83]](#footnote-83). Measures are set out to increase the skills of ICT professionals and the digital competences of the workforce in other sectors, particularly in SMEs in accordance with the requirements of the labour market, also through the adoption of a new strategy for the introduction of ICT in education 2012-2015.

The widespread use of ICT is a factor to deal with major economic and social challenges that include activities related to the provision of affordable interactive online services and digital inclusion to people and disadvantaged groups[[84]](#footnote-84), the provision of ICT-based health and social services to ensure dignified and independent life of older people, modernization of the education system and lifelong learning through wider use of ICT[[85]](#footnote-85), expanding the use of ICT in the activities for conservation and environmental monitoring and eco-friendly and energy-efficient transport and better mobility by building Intelligent Transport Systems.

**Agriculture, forestry and fishery**

**Agriculture**

In the period 2006-2011 the agriculture share in GDP visibly dropped in the 2006-2011 period from 5.8% in 2006 down to 4.4% in 2011; while the values for the food processing industry increased from 2.6% in 2006 up to 3.0% in 2011[[86]](#footnote-86).

The UAA in 2011 was less than the UAA in 2006; a decrease was also recorded both for the areas of pastures (-10.54%) and the plantations with perennials (-12.05%[[87]](#footnote-87)).

In the period 2006-2011 the arable lands increased by 4.4% on the account of decreasing pastures and non-used agricultural lands. The average UAA per capita was 0.348 ha in the EU, and in Bulgaria it was 0.397 ha[[88]](#footnote-88).

The GVA in the sector is strongly influenced by the production conditions; GVA lowest value was recorded in 2007 because of the poor yields in the plant growing sector caused by unfavourable weather conditions. The best GVA value was recorded for the next year which was favourable both in weather conditions and high market prices. The difference between the average yields was 2.2 times. However, almost the same GVA level was reached in 2011 as well.

The ratio between plant growing and livestock-breeding contribution in overall agriculture output diverged significantly in the reported period. The relative share of plant growing increased from 61.3% to 69.2% and the livestock breeding share declined by 26% in the period. This is considered a negative development as the diverged breeding sector creates greater GVA and participates in longer food chains of higher multiplication value.

**International trade balance of agriculture products**

The agricultural export increased 3.13 times in the period 2006 - 2011[[89]](#footnote-89).

The trade with agriculture goods is of great importance for Bulgarian economy as its contribution to the foreign trade turnover and the trade balance is high. The shares of the agricultural export and import up to 2007 remained relatively stable; however, after the accession to the EC the export share has risen to 16.3% and the share of the imports reached 9.7% of overall trade.

In 2011 just three groups of products generated 50% of agriculture export – cereals, oilseeds and tobacco. Compared to the beginning of the period the share of the exported raw materials in overall export has increased[[90]](#footnote-90).

The review of import structure indicates increase of the imported meat and milk share, mainly for processing, on the account of their production in the country. The share of sugar and pastry, as well as of tobacco and tobacco products, decreased.

**Agriculture holdings**

The changes in the structure of farm holdings and the use of the agriculture lands were particularly dynamic. The number of the holdings decreased by 284 thousand in just seven years (-43%), this being mostly due to the holdings using up to 2 ha of lands – a decrease with 282 910 holdings or by 48%. In general, the number of the holdings managing up to 5 ha decreased, while the number of the holdings managing more than 50 ha increased[[91]](#footnote-91).

The share of UAA managed by holdings up to 2 ha has decreased more than two times in the reported period; for holdings managing between 2 and 5 ha there was slight decrease[[92]](#footnote-92). At the same time the UAA in holdings which managed more than 5 ha increased significantly and in 2010 and reached 91.5% of the total UAA. In practice, the increase of the UAA in the holdings by 25% after accession was realized by the holdings with more than 100 ha.

The holdings with up to 10 ha constitute 94% of all farm holdings, which number is 370 490. These holdings can produce mainly the agricultural products currently in deficit – meat, milk and vegetables. The small holdings continue to dominate mainly in the less favourable and mountainous areas, as well as in the areas with intensive vegetable production, orchard-keeping and tobacco production which represents their identification marks. The small farms produce 30% of the GVA[[93]](#footnote-93). The activities of the small holdings are crucial for the preservation of the landscape and the local culture. The small farms provide for the majority of jobs and incomes in the sector and thus have irreplaceable contribution for the balanced social and territorial development of the country. The value added in this case is very high, and this determines their economic and social significance. The effects from offering solutions to support the small holdings are undisputable because the funds will support the households while adding to the viability of agriculture production.

**Employment and productivity in agriculture**

The number of the employed is rapidly decreasing compared to the data from previous Censuses (in 2003 and 2007), and with the highest rate in the EU countries. Farm Census 2010 counted 738 600 engaged with agriculture activities, equalling to 390 200 AWU; this corresponds to a decrease by 45% compared to the 2003 data[[94]](#footnote-94).

The highest share of the employed – 87% of the AWUs in 2010 were reported in the holdings of physical persons, which rely mainly on family labour inputs. The structure of the employed, however, is worrisome as 29% of them are elderly people above 65 years of age[[95]](#footnote-95). Above 96% of the holders have only practical qualifications in agriculture. Barely 1.3% of the managers have higher education and this is the economic sector with the lowest share of employed with higher education. This requires an increase in the activity of the system providing information to the agricultural holders and an increase in their qualifications in terms of accelerating technological progress and production modernization.

The increased investments in the sector contribute to an increase in the productivity, mainly in the grain production subsector, as well as in the bigger holdings. This causes workforce layoffs and a necessity of diversification of the economy and creation of new working places in other sectors of the economy. Labour productivity (GVA/AWU) in Bulgarian agriculture in 2011 was approximately 10000BGNfor AWU – approximately 35% of the EU average[[96]](#footnote-96).

**Investments in agriculture**

The consumption of fixed capital - is increasing throughout all the years after the pre-accession 2006. This is due to the modernization of the sector mainly as a result from the implementation of the SAPARD 2000-2006 and the RDP 2007-2013. The consumption of fixed capital was unsteady in the period, and despite that the investment activity is over than 150 mil BGN in the 2007-2011 period, the Gross Fixed Capital Formation was not evenly distributed among the various agriculture sub-sectors. BNB data indicates that the share of the credits in the agricultural sector out of the total number of credits in Bulgarian economy is at a very low level for the period 2006-2011 - 0.15-0.22%, while their value was a little less than 2% of all credits[[97]](#footnote-97).

**Specialization of the holdings**

The average size of the holdings has risen from 4.4 ha in 2003 up to 12.1 ha in 2010, but it still remains significantly smaller than 17.9 ha - the average farm size in the EU 27[[98]](#footnote-98). The holdings up to 4000 EUR standard output are typically of mixed agri-production, and most of the holdings are producing cultures different from grains and oil-bearing plants, or are animal breeders. At the opposite extreme are the holdings with standard output above 250.000 EUR – 67% of them are specializing in the production of grain and oil-bearing cultures. The holdings between 4.000-25.000 EUR standard output are specialized in vegetable production but also in cattle breeding and sheep breeding.

**Organic agriculture**

In 2010 and 2011 0.5% of the UAA was used for organic plant production – lower than the EU 27 average of 5.1%. In the period 2010-2012 the areas used for organic agriculture increased by 52%. By end 2012 the trend was highly positive in the number of registered farmers, processing firms and traders (total of 2016) as it had increased twofold compared to the number in 2011 and in the 2010-2011 period - 30% increase. Organic production in Bulgaria is still in its initial stage of development, but potential opportunities are great. A potential exists for a significant rise in the areas, production volume and the diversity of the cultures for organic production. The Bulgarian organic products are marketable, and are competitive on the EU market, while the domestic market for organic products can be assessed as emerging[[99]](#footnote-99).

**Agriculture incomes**

Before EU accession the incomes in agriculture were 30% lower than the income levels after accession. This is due mainly to the subsidies, which in 2011 reached 567 MEUR and already accounted for 13.13% of total agriculture output and 37% of the GVA. The value of factor income shows stability for the period until 2007, and then increased as a result of increasing subsidies under the CAP The factor income per AWU increased by 210% in the 2006-2011 period. This was due mainly to the decrease in the labour inputs in agriculture and not to an increase in the net value added in the sector.

**Innovations and advisory system in agriculture**

The funds allocated to Science and Research in agriculture decreased by 57% in the 2006-2012 period; the major contributor remained the state budget, and to a much smaller degree - the higher education sector[[100]](#footnote-100). The negative effects from the decrease can be expected in several directions: a decline in the introduction of innovations in the longer term, including slowdown in new technologies and production processes, insufficient raise in the productivity, non-rational use of natural resources, etc. The decrease in the funding for innovations in the sector impacts negatively upon the products competitiveness and limits the abilities of the sector to meet the new challenges arising from climate changes, the changes in the organization of the food chain, etc.

Important role in the dissemination of information and innovations in agriculture is played by the NAAS. Its offices are working in close cooperation with the district and other regional offices of MAF. Role in the development of new products and innovations, as well as in the direct farmers consulting is played by the science institutes within the Agriculture Science Academy together with specialized universities. The system for agriculture science can be utilized more effectively to serve as the core for elaboration and transfer of innovations, scientific knowledge and technologies, and to contribute jointly with the NAAS to the technological upgrading of the sector.

**Agriculture infrastructure**

Bulgaria has built irrigation infrastructure on over 0.74 mil ha of irrigated lands, of which 0.54 mil ha are irrigable. Currently this corresponds to 1.5% of the arable lands[[101]](#footnote-101).

The infrastructure consists of 235 irrigation systems and separate irrigation fields which were partly or fully used by 88.3 thousand holdings in year 2010.

The state of the hydromeliorative systems and equipment is in a critical physical condition and of poor functionality, which causes significant losses of irrigation water - between 70-80 %, in the line infrastructure and in the main equipment units. The price of water becomes very high and causes farmers to give up the use of irrigation services.

**Risk management**

Increased risk levels determine high price of insurance services in agriculture, and this is one reason for the slow development of the market of agriculture insurance in Bulgaria. On the other hand, the low rate of agriculture insurance is predetermined by the lack of finances especially in the smaller holdings as well by the lack of traditions. Despite the existing interest to insure the produce, the farmers are not convinced in the utility and remain sceptical towards the insurance companies. The low demand for insurance can also be explained by the refusal of the companies to insure the crops against droughts, which has the most common occurrence in the meteorological conditions.

Farm holders still rely on the state in the occurrence of disaster, and they apply for aid under the state aid scheme offering compensations to losses from lost produce because of natural disasters or unfavourable climatic conditions.

**Food processing industry**

In general, the share of the food processing industry in the GDP is around 3% in the 2006-2010 period. In the first year EU membership the GVA in the sector marked 32% increase compared to the previous year. In the economic crisis year 2009 there was a decrease by 4.5% compared to 2008, and then in the next 2010 year - again, a 12.2% increase was realized[[102]](#footnote-102).

The number of employed in the food processing industry reached 94 457 by end 2010 – this equalled 4.36% of the total employment in Bulgaria. Similar to the ratios in the employed per major group, here again the majority of the employed were in the subsector for food production 81%, but they generated just 66-67% of the GVA which corresponds to higher labour intensity in this production group. The processing of tobacco was the subsector where the highest GVA per employed was generated; in 2010 just 4.4% of this group of employees generated 10% of GVA in the food processing industry[[103]](#footnote-103).

A distinctive trait of the food processing industry is that important subsectors such as meat processing, vegetable and fruit canning rely primarily in the imports of raw materials, and this makes them vulnerable to volatilities both in the markets for raw materials and for ready goods. In other subsectors, e.g. milk processing, a significant share of the local milk does not reach the milk processing enterprises and this makes the industry work with imported raw materials and look for substitutes which eventually degrades the quality for the final products and generates lower levels of GVA[[104]](#footnote-104).

Microenterprises dominate the production of food and beverages (70%); small, medium and big enterprises are respectively 22%, 7% and a little less than 1% of all enterprises[[105]](#footnote-105).

The dependency of Bulgarian food industry from the EU market is increasing, and this creates preconditions for higher market risks in the reality of an economic crisis and the feared recession on the EU market. The risk is further increased by the limited number of trade partners – the most active market interactions are with just 5 EU member states, and more than 2/3 of the trade is realized with just two of them[[106]](#footnote-106). The deficiency in raw materials is the most risky for the development and attainment of higher competitiveness of the major subsectors – meat processing, milk processing and canning industry. These branches are highly dependent on the import of raw materials and, respectively, on the market conditions during their purchasing. The competitiveness of the food sector, among other development drivers, will be achieved by further product development and raising the share of the products with higher added value. This could be accomplished by: stronger integration of the suppliers and processors of raw materials as precondition for the production of quality foods with specific characteristics, integration of the agriculture producers in the value adding chains of the big firms for processing, trade and delivery of food commodities, maintaining production of goods which meet the customers preferences and eating habits on the domestic market, and promotion of quality foods with specific national and regional characteristics. Financial encouragement for cooperation in production clusters and associations among individual processors and operators in the food industry, as well as providing the opportunity to farmers to create associations of their own, so to allow them to strengthen their market positions are the main ways to solve interdependent problems associated with the deficiencies in the local supply of raw materials for the processing industry.

The factors which have the most unfavourable/barrier-like influence on the **development of the agriculture sector** are mainly the following:

* Fragmented ownership on the land and difficulties to achieve long-term leasing of the lands
* Fragmented production structure with inefficient utilization of the productive factors (land, labour and capital) due to technological, managerial and market difficulties. Unsolved problems with the use of lands and the management and use of the hydromelioration system further impedes the sectors which use intensive production technologies of higher added value.
* Hydromelioration systems are not suited to meet the requirements of small and fragmented land management and cultivation.
* Access to markets is difficult, especially for the small holdings, due to underdeveloped market infrastructure and lack of appropriate producer organization. Small holdings cannot achieve compliance with quality standards and therefore are non-competitive. The cooperation of the smaller producers in the area of joint marketing is not common. There are no producer organizations to facilitate easier and cheaper supplies of inputs, marketing of the produce and joint use of agriculture machinery.
* Limited access to information including for agro ecology activities, insufficient production technologies compatible with the requirements of specific regimes of the NATURA 2000 sites or in the zones covered by the Water and Nitrate Directives. The access to information – market, technological, agrometeorological, is limited. The provision of advice is insufficient, especially in the settlements remote to the district centres, because there are no advisers located at the municipal level.
* Poor integration between agriculture and processing. Undeveloped “short supply chains” for agriculture goods and limited domestic market for local produce and organic products.
* Poor diversification of the economic activities in the farms, especially in the smaller holdings.
* Continuous increase in the energy raw materials resulting in higher prices for fuels, fertilizers and other chemical preparations, which subtract from farmers profits and decrease their abilities to reinvest.
* Limited access to investment capital for achieving compliance with EU aquis, as well as to increase the scope and overall competitiveness of the production. The hardest is the access to credits for the small and medium holdings. Other elements of a credit system like credit facilities for risky economic activities and credit guarantee schemes for smaller holdings are also missing. The existing insurance practices are inadequate to the specific needs of the agriculture activities and the farm holdings.
* Insufficiently developed links with scientific units and institutes; insufficient investments in innovations in agriculture and processing of agri-goods.
* There is a deficit in the supply of qualified labour; the workforce capable to carry out specific technological operations is insufficient due to the uncompetitive rates of wages and salaries, as well as because of the unattractive living conditions in the rural areas.
* Major part of smaller holdings is threatened with extinction which will undermine the employment, the incomes, the agriculture production and the physical environment in the rural areas.
* Unfavourable climatic conditions undermine the yields and cause price fluctuations, which in turn brings instability to the farm holdings.
* Unfinished restructuring and modernization of the milk sector.
* Agriculture and processing sectors still fail to adjust to the increasing role of the transnational companies operating in the food chain.

In the **plant growing subsector** there are several specific challenges to the sustainable development of the sector:

* Loss of produce and of overall competitiveness due to the climatic changes and the associated risks form natural disasters;
* Conversion to appropriate varieties adapted to the climate changes;
* Access to irrigation water to prevent loss of produce because of droughts;
* Use of production methods and technologies compatible with the preservation of soil fertility and soil structure, protection of waters against pollution, preservation of biodiversity and limiting the GHG emission in the atmosphere.

In the **animal breeding subsector** the major challenges especially for the small holdings are associated with the:

* Need for capital intensive investments to achieve full compliance with the legislative requirements for farm activities;
* Conversion to breeding cattle for meat.

The general conclusions are that in the period 2003-2014 Bulgarian agriculture passed through a rapid transformation but lacking strategic orientation, which ultimately failed to deliver the sought changes in the structure, productivity and competitiveness of most of the agriculture branches. There is still unused potential due to unused lands and insufficient share of the irrigated lands. Additional potential will emerge whenever consolidation of land use is achieved and diversification outside agriculture is attained.

**Forestry**

The share of forestry varied between 0.2% and 0.3% in GVA and in the period 2010-2011 it stabilized at 0.3%[[107]](#footnote-107). Wood territories cover 4 148 114 ha[[108]](#footnote-108) (37.4% of total Bulgarian territory); 91% of them are forests. Wooded areas have increased by 1.73% in the period 2005-2011. Major factors which contributed to this trend were the natural conversion of abandoned agriculture lands into forests, as well as the manmade afforestation of non-afforested wood territories.

By end 2011 the distribution of woodlands per type of ownership is the following: 74.5%[[109]](#footnote-109) are state property, 23.5% are other than state ownership, including municipal 12%, belonging to private physical and juridical entities – 11% and the remainder is owned by religious organizations and woodlands emerging on abandoned agriculture lands. The management of the private woods is difficult because they are fragmented in small plots in various locations.

The average age of the forests is 53 years[[110]](#footnote-110), which makes them relatively young forests. A study carried out in 2010 found that both in the deciduous and coniferous plantations are healthy and are only slightly impaired by defoliation. The condition of Bulgarian forests is no different than the average situation in EU.

The forests for wood supply and the ones for general purposes constitute 61.7% of total forest territory. The remainder 38.3[[111]](#footnote-111)% is primarily to offer protection and specific services. In the period 2006-2011 the area of latter type of forests has increased by 6.4% mainly in the category protected nature territories (protected zones, landscapes, nature parks). The forests and woodlands included in the EU Natura 2000 network comprise 57% of all forests. Data from the Executive Agency for Forestry from 2010 indicates that the total area of protected forests is 12.5% of all forest area in Bulgaria.

Total standing wood-stock in Bulgarian forests was calculated at 644 840 247 m3 by end 2010[[112]](#footnote-112); 42.2% of it were located in protection and recreation areas, as well as in the protected nature territories. Average stock per ha is calculated to be 172 m3. The average annual yields of wood utilize up to 50% of the annual wood growth in the forests.

The forest roads network is relatively underdeveloped. Its average density is 7.9 m/ha[[113]](#footnote-113). It is comparable to Romania’s density of 6.5 m/ha but is significantly lower than the density in other EU countries, e.g. Austria 36 m/ha, France 26 m/ha, Germany 45 m/ha, Switzerland 40 m/ha. New forest roads were not built in the past 10 years mainly due to financial constraints; the reconstruction of the existing roads is insufficient. Underdeveloped forest infrastructure and the unsatisfactory condition of the forest roads create preconditions for excessive utilization of wood stock in particular forest zones.

The use of other forest resources for income from economic activity is still underdeveloped, and forests offer possibilities for the diversification of the local economy – e.g. by collection and processing of herbs, mushrooms, forest fruits, as well as by developing tourism.

Forest fires remain the most serious factor bringing risks to the development of forestry; 3 624 forest fires damaged 61 511.3 ha of forest territories in the last 6 years and caused economic losses calculated at 14.057 mil BGN[[114]](#footnote-114). The provision of technical equipment for putting down forest fires will be crucial for decreasing the number and severity of losses caused by them.

In the area of **forestry** the following specific challenges to the development of the sector have been identified:

* Protection of the healthy functioning of forest ecosystem
* Sustainable management of the forests, management of the wood-stock and carbon deposits in the forest biomass
* Permanent storage of forest genetic resources; increase and upkeep of the levels of afforestation in the lower -altitude areas by new manmade afforestation
* Underdeveloped practices for multifunctional and sustainable use of the potential of forest resources and biodiversity in forest areas; insufficient integration of activities associated with preservation of biodiversity in forest planning and forest management;
* Assessment and utilization of forest ecosystem capacity to produce wood biomass to be used as alternative energy source
* Overcoming the insufficient density and unsatisfactory condition of the forest road network; modernizing the technologically outdated machinery and equipment in the wood-felling subsector
* Adaptation of forests to climatic changes and overcoming the risks from natural disasters and forest fires
* Strengthening the ecosystem services rendered by forestry.

The significance of the forest sector as driver for the development of the green economy is growing. The increase in its contribution can be strengthened by the utilization of new possibilities: by studying the real potential of producing and marketing the biomass; assessment and monetization of the services rendered by the forest ecosystems, introduction of pricing and payment for the public benefits generated by the ecosystems; participation in non-traditional and newly emerging markets for eco-friendly goods and services: carbon sink, certified wood and wood products.

**Fishery and aquaculture**

The aquaculture and fishery sector has a specific position and role in the national economy. This sector is relatively small, its contribution to the economy is less than 0.05% of the GDP[[115]](#footnote-115) but it nevertheless provides employment at regional level, especially in coastal areas where its contribution to local economies is significant. Total number of employed is estimated to be fairly constant - between 12,000 and 15,000 people - less than 0.5% of employed in the country.

**Fishing fleet**

As of the end of 2011, the Bulgarian fishing fleet consists of 2,336 vessels, of which 2,237 are less than 12 meters, which represents 96% of the Bulgarian fleet[[116]](#footnote-116); however, the catches of this group of vessels accounts for only 32.41% of total fish caught in Black Sea waters. The segment of vessels with length 24 to 40 meters (total 12) accounted for 44.69% of the catches in 2011. The greater part of the fleet consists of old and economically uncompetitive vessels. Fuel for vessels over 18 meters long accounts for about 45-50% of the operating costs, and in 2011, more than 57% of all vessels were limited in their normal fishing activities, because of the higher fuel prices. The existing significant share of inactive vessels in the fleet is the result of a structural problem, which should continue to be targeted by specific measures for its restructuring and adjustment. It is necessary to undertake activities to improve the economic results and the energy efficiency of the fleet via its modernization and restructuring and by diversifying the main economic activity.

**Fish resources and catches**

In 2011 the catches of fish and other marine organisms in Black Sea totalled 8 147.6 tons - 15.9% less than in 2010 mainly due to the decrease in rapana catches. The main species targeted by commercial fishing are rapana and sprat. The two main marine species which catching is restricted by annual quotas are the sprat and the turbot, and only the quota for turbot is fulfilled. The turbot stocks remain unsatisfactory, and it is among the fish kinds which catches have the highest market price and added value to the fishery sector. All that leads to a decrease in the catches per fishing effort and thus - on the income levels and the profit margins against constantly increasing variable costs, mainly because of the rising fuel expenses. It is necessary to undertake measures to improve the collection of data on discards of unwanted catches, and, if a necessity is identified – to upgrade the control and support investments who should help the fishers to abandon such practices.

The major problem in preservation of the environment during catches is associated with the use of old equipment of low selectivity, old vessels with negative influence on the environment as well as pollution of the Black Sea due to high anthropogenic pressure. This necessitates eco-friendly fishing to improve the marine environment and biodiversity. It is necessary to support the activities associated with managing, restoration and monitoring in Natura 2000 zones, as well as actions on the fishing activities in Natura 2000 on the basis of the map with protected zones in Black Sea aquatory.

In view of the significance of the data collection to protect marine biodiversity and taking into consideration the financial execution of the *National program for data collection, data use and management in the fishery sector,* it is necessary to undertake administrative measures to improve data quality and scope. Special attention should be paid to improving the bilateral agreement for joint research on sprat and turbot in the common waters of Black Sea, as well as to the collection of biological data. The lack of complete picture on fish stocks in the Black Sea should be overcome by joint research activities where the countries neighbouring the Black Sea should participate in cooperation.

In 2012 Bulgaria continued the trend for stricter management and protection of the stocks of the most endangered kinds of fish, by applying the Specific plan for monitoring and control over turbot catches and introducing stricter measures compared to the previous year (reduction in the number of the designated harbours, increase in the number of inspections at sea and ports, preliminary notifications). As a result from the control activities, 27 infringements associated with turbot catching were established and some 3.3 tons of turbot illegal catches were expropriated. More financial resources are necessary to ensure the control activities, most importantly – the introduction of an electronic fishing journal, which should allow the effective recording and reporting the catches, but also – the purchasing of technical equipment.

**Fishery infrastructure**

By end of2012 Bulgaria has 11 registered fishing ports, four of which are located in the northern part of Black Sea and seven - to the south. The harbours are old, the conditions there do not comply with the hygiene-sanitary requirements of the EU. Designated areas for preliminary preparation and sorting of the fish, as well trading areas and storage capacities are not available.

The major ports used for the landings are the ones in Balchik, Varna, Sozopol and Nessebar. More than 90% of the catches are landed on the major ports, however, there are 14 other fishing ports which are important for the smaller vessels: in Ahtopol, Byala, Varna, Durankulak, Zelenka, Karantinata, Otmanli, Primorsko, Rodopa 2, Slivkata, Trakata, Ustie Kamchia, Chajka Byala, Shabla. The second group of ports seems to have greater social significance; it is possible that their rehabilitation and modernization will boost the potential for development of tourism, and thence – the diversification of the local economy.

The condition of the coastal areas, of the ports and landing sites is a barrier to the possibilities for increasing the fishers’ incomes via direct sales, and strengthening their negotiation power at trade arrangements, because of accumulating greater quantities for sale and ability to postpone sales until better market prices are in effect, and/or via starting or further developing activities associated with tourism.

The lack of general concept for the development of the fishery infrastructure and the priority investments which should facilitate the potential applicants and the project selection process, were found to be the main weakness in the implementation of the OP “Fishery” supporting measure for the modernization of the fishery infrastructure in the current period 2007-2013.

According to the Register of fishing vessels operating in The Danube, Bulgaria has other fishing ports on the river, additional to the ones on the Black Sea coast. Along The Danube there are located 7 ports within the boundaries of Vidin, Lom, Oryahovi, Ruse, Svishtov, Somovit. The number of vessels registered to these ports exceeds 790, and most of them are registered with the ports in Ruse and Oryahovo. The small temporary ports are suitable for building on the banks of the river but not included in the Law on Maritime Spaces, Inland Waterways and Ports of the Republic of Bulgaria. In addition, the property on the lands along The Danube is a public state property, and thus cannot be developed by the municipal authorities; however, there are expectations that this situation will be changing.

**Aquaculture**

By end of 2012 Bulgaria has 388 operating aquaculture holdings[[117]](#footnote-117), of which 347 are in fresh water and 41 are located in the Black Sea - mainly breeding seashells. In the period 2006-2012 there is a steady trend in increasing the number of the aquaculture holdings. Bulgaria has unused potential for the development of aquaculture on its territory and in its Black Sea aquatory, but there is yet no general map to show the available water areas for aquaculture.

Aquaculture production shrunk by 21.2% compared to previous years (8572 tons in 2009 and 9830.2 tons in 2010); thus an established increasing trend in the last years was broken. The factors that have contributed to the decrease in produced fish for consumption were the economic crisis and the long period of dry weather in 2011, which led to higher consumption of water from the reservoirs for drinking, irrigation and electricity production purposes.

The main kinds produced for consumption are the rainbow trout, the carp, herbivores (other kinds of carp) from the freshwater kinds, and black seashell from the marine kinds. The production volume is relatively stable. The produced kinds are of low market price, but enjoy stable demand on the domestic market.

Aquaculture holdings are vulnerable to unfavourable climatic conditions and sudden changes in the quality of the water. The outdated assets and equipment are resource-inefficient. It is necessary to encourage methods for aquaculture production which are compatible with the specific requirements of the environment and subject to particular management requirements in Natura 2000 zones. Carrying out information activities will also be supported under the National information and communication strategy “Natura 2000”.

Bulgaria has used significant share from the EFF funds primarily for investment support for the creation of new holdings in the aquaculture sector. It appears, however, that the introduction of innovative technologies - which are the key to improve the overall effectiveness in the sector, were not in the necessary rate; too little investments were carried out in the expanding and modernization of the existing farms or for the diversification in the bred kinds of fish.

There is a potential to increase the aquaculture production, especially through diversified production of kinds with high market price, as well as organic produce based on the traditional extensive technologies; another venue for increase is the adding of value to own produce by processing or direct sales from the aquaculture farm. Possibilities should also be sought by the introduction of innovations and the development and market introduction of new or significantly improved products, new or improved processes, new or improved management and organization systems.

Improving the competitiveness of the holdings will be achieved also by general modernization of the holdings, improving their resource efficiency and fulfilling the measures to protect waters and their conversion to intensive or super-intensive innovative technologies.

Major problems are caused the bad shape of or of even missing road, energy, and communications infrastructure adherent to the holdings operating in the inland reservoirs or in the Black Sea. This is due to the lack of synchronization among legislative acts which regulate the status and use of water bodies for aquaculture holdings, as well as of the adherent territories.

**Processing**

Fifty four processing enterprises have been approved to trade on the Common Market for fish and fishery products according to the BFSA List of approved establishments for intracommunity trade with food products of animal origin, covered by Annex III of Regulation (EC) No 853/2004 of the European Parliament and of the Council. For some of the economically important kinds of fish an economy of scale and vertical integration of production units has been achieved along their value adding chain: live fish, fish processing, trade with fish and fish products. Such integration has been achieved for the sprat, the rainbow trout, the Black Sea black seashell, and to an extent – for the catches, processing and marketing of rapana, as well as of production and marketing of caviar from sturgeon fishes. There is no such integration in the subsector of thermophilic freshwater aquaculture.

The available processing capacity is underutilized at 30% annually. The data is compatible with the NSI data on the economic performance of the sector in the period 2008-2011. In this period the value of processing output (in absolute terms) has decreased to 94% of the value in 2008, the income from the activity is 98.3%, the financial result is 64% of the value in 2008.

At present there is no information that the processing industry in the fishery and aquaculture sector provides raw materials or by-products to other industries with potential to utilize the by-products, e.g. for the production of alternative energy, for production of inputs in agriculture (e.g. fish powder or other supplements for animal and bird feeding, soil fertilizers for the plant production), or even materials for the cosmetics and pharmaceutical industry. At this stage, because of the uncompetitiveness of the fishery and aquaculture subsectors, the inputs of locally produced raw materials are quite lagging behind the processing potential of the country, and the processing industry is heavily dependent on the imports of raw materials. There is a need of investments to improve working conditions, the introduction of technologies raising the resource efficiency – including for the reduction of energy expenses, as well as for utilization of some of the by-products and wastes from the processing operations – e.g. the rapana shells or associated with the extraction of fish oil from the wastes.

**Marketing**

In the last five years a trend to increase fish and fishery products is observed, however, smaller than the trend for importing such products. In 2007-2011 the overall exports of fish and fishery products increased almost twice from 4 114.9 to 8 201.8 tons. Export structure is dominated by fish, crustaceans and molluscs (almost 7100 tons), however, exports of processed goods remained much lower (at 1000 tons)[[118]](#footnote-118).

In the same period the imports of fish and fishery products increased from 22 642.5 tons to over 28 000 tons in 2011. In 2011 the primary imports comprised fish, fish fillets, crustaceans and molluscs (25 091.6 tons), and the imported processed fishery products were almost 3000 tons. The imported goods were mainly of oceanic origin.

Negative trade balance (exports at 30% of imports) indicates that demand for fish and fishery products is greater than the supply, which can also provide for an increase of the 17% market share of BG aquaculture, through the supply of competitive and quality fresh and cooled fish and fish products.

Annual consumption of fish and fishery products reached 45000 tons in 2011; more than half of it is imported. The consumption per capita has risen from 3.5 kg. per capita in 2007 to 5.4 kg./capita in 2011[[119]](#footnote-119).

The increased consumption of fish and fishery products is among the leading reasons for 70% increased sales of aquaculture in the period 2008-2011, but is still quite below the quantified target set in OP Fishery 2007-2013 to achieve consumption levels of 7.5 – 8 kg./capita annually.

During the present programming period, OP “Fishery” measure 3.4.”Development of new markets and promotional campaigns” supported and will continue to support regional promotional campaigns targeting the increase in the consumption of fish and fishery products. Needs for wider inclusion of the units working in the sector in carrying out the promotion activities, and for a general national campaign to induce more significant effects were identified during the implementation of the measure.

At this stage there are no studies tracing the marketing paths of the common and valuable kinds of fish from the primary producer to the major groups of final customers. This makes it harder to analyse the situation and identify the opportunities for optimization and eventual shortening the marketing chains, including via direct sales, and thus the eventual increase in the overall competitiveness of the sector.

No producer organization compatible with EU legislation (Regulation EC № 104/2000) are operating in the sector. However, there are numbers of fishers and aquaculture producers who have established associations of NGO statute, who should be encouraged to create and participate in recognized Producer organizations. It is necessary to aid the organizations in identifying the potential opportunities for business, and to adapt their market strategies via the elaboration of production and marketing plans.

**Conclusions for sector „Fishery and Aquaculture“**

Sector “Fishery and Aquaculture” has a potential for development because of unmet demand for fish and fishery products due to the increasing annual consumption per capita in the country. The potential is mainly in the development of marine and freshwater aquacultures.

The problems in the sector arise mainly from the strong competition of producers in third countries where the strict EU requirements are not applicable.

Fishery problems are associated mainly with the decrease in fish stocks, the outdated and energy inefficient fleet, the insufficient equipment and the low selectivity of the fishing devices, the inadequate port and market infrastructure, and the use of fishing methods with negative impacts on the environment. Additional difficulties to fishery arise from the hard access to finance, which puts obstacles to the introduction of innovations. The link with scientific units is weak, access to consultations for appropriate work methods is difficult. The interest for employment in the fisheries decreases due to the hard work conditions, the low profitability of the business, the deficiencies in the social security system, and the lack of opportunities for acquiring additional qualifications by the employed in the sector.

Overcoming the problems will be possible by restructuring/modernization of the fishing capacity and the restoration of the fish diversity of marine fauna; by diversification of the activities within and outside the subsector, by adding value to own catches and direct sales, by the increase of the qualifications of the employed, by improving the infrastructure to meet the fishery needs. It is also necessary to support the introduction of innovations associated with the preservation of the marine resources, which will bring better selectivity and which will introduce methods and techniques limiting the influence on the marine environment.

The major challenges arise from the lack of coordinated spatial planning, the difficulties to construct the necessary infrastructure adherent to the aquaculture holdings, the outdated and resource inefficient production assets, the insufficient use of science and research and contemporary technologies in the sector, including the ones allowing for eco-friendly production and preservation of the waters. Sector specifics cause financial institutions to rate it as highly risky and this further limits the access to investment credits.

Overcoming the difficulties in aquaculture subsector will be achieved through improvement of the spatial management, the encouragement of diversified production of aquaculture species with high market price and organic production based on the traditional extensive technologies as well as by adding value to own production by processing it and by direct sales to final customers from the farm gates. The production units need modernization and re-equipment. Opportunities should also be sought in the introduction of technological innovations and the development and introduction to the market of new or significantly improved products, new or improved processes, new or improved management or organization systems. The preservation of the environment will be encouraged via additional support for aquacultures offering ecosystem services.

**Growth based on connectivity, sustainable development and efficient use of resources**

**Connectivity and accessibility[[120]](#footnote-120)**

Transport and communications generate 23.5% of the gross value added in Bulgaria and provide direct employment to over 170,000 people. The transport sector is expected to facilitate the economic and social cohesion through provision of reliable and effective transport services. Mobility is crucial to the internal market and the quality of life of the population. The national transport system creates relatively good conditions for the development of all modes of transport: rail, road, maritime, river, air and intermodal. As regards to the land transport (passenger and freight) services, road transport has priority over rail. Maritime and inland waterway transports both have a stable share in the transportation of freights. Freight traffic in all transport modes is expected to increase together with the development of the industry and international trade. Aviation and bus transports are the two basic modes in the passenger services market. Public transport services in the country are mostly carried out by bus companies and the company BDZ Passenger Services EOOD.

As regards to the transport infrastructure, the characteristics of the transport network, the existing capacity – physical and operational structure of the network and the volumes that can be handled depending on the demand, as well as its operational condition and the ability to provide reliable and safe transport services are of primary importance. The high level of constructed transport infrastructure and its density (Bulgaria has over 19 thousand km. of national roads, over 6 thousand km. of rail roads, sea and river ports, and airports) is an advantage. The airport infrastructure in the country is well developed, however, in recent years, its capacity has rapidly deteriorated. There are connections between the national public ports and the national road and rail networks, while the Danube grants access to the European channel system for river navigation. However, the coverage of the national territory with railways, motorways and express roads in rather unbalanced. The connections with the neighbouring countries are not sufficiently developed. The main identified problem is the lack of continuous and coherent transport networks with identical operational characteristics to provide quick and safe long-distance transportation within, to and through the country. Investments should focus mainly on completing the priority rail and road routes and promoting multimodal transport – construction of intermodal terminals and improving port and airport connections to the road and rail networks. The gradual completion of the routes of the Trans-European Transport Network is expected to facilitate the integration of the national and European networks and improve the connections with the neighbouring countries.

The 2013 update of the transport model, developed under the General Transport Master plan, specifies the routes of the road and rails networks with the highest expected increase in traffic with timespans until 2020 and 2030, where the forecast demand is close to or exceeds the existing capacity. The highest average annual daily intensity of road transport by 2020 is expected along the routes: Sofia-Burgas, Sofia-Kulata, Sofia-Ruse, Sofia-Varna, Burgas-Varna and Ruse-Nova Zagora. As regards to the rail network, the traffic is expected to concentrate along the routes: Dragoman-Burgas, Karnobat-Sindel, Dragoman-Svilengrad, Ruse-Varna, Vidin-Kulata, Sofia-Varna and Ruse-Stara Zagora. The sea and river ports of national importance in Bulgaria have sufficient facilities for handling freights. The overall condition of most assets of the transport network is unsatisfactory, which has an adverse effect on the permitted maximum speeds, travel times, comfort and operating costs. The current trends and the lack of funds for maintenance are expected to accelerate deterioration, which will result in lowering of the quality and reliability of the services offered to users. It is essential that the new or rehabilitated infrastructure be maintained in a way that would allow it to continue to generate the planned levels of quality and capacity in the future.

The implementation of projects for development of the transport system that contribute to the effective connectivity of the transport network and the elimination of bottlenecks; reduce congestion, noise and pollution levels; increase safety; promote the use of environmentally friendly modes of transport and the creation of more and better jobs etc. should continue in the next programming period. Developing rail infrastructure will be of primary significance. Therefore, it is necessary to increase the effectiveness of the use of transport and transport infrastructure. With a view to improving the quality of transport services, the modernization of traffic management infrastructure, improvement of transport safety and security, creation of modern management system, income generation and securing funding for future transport investment and maintenance of the transport infrastructure should continue.

At the same time, enhancing the competitiveness of the national economy implies reorganization of the structure, management and operative process mainly of the rail but to some extent also of the water transport. To maintain the processes of construction, modernization and maintenance of the transport infrastructure, solid investment is needed, which cannot be secured without the support of the European Structural and Investment Funds.

**The rail transport** is a key element of the national transport system and its development is essential to the overall development of the economy. Ensuring affordable rail services is an important component for the internal mobility of the population, which also increases employment opportunities. This transport mode continues to be preferred (particularly the destinations Sofia-Varna and Sofia-Burgas) because of the overload of the road infrastructure, high fuel costs, environmental protection policy and safety. The improvement of the railway infrastructure in the coming years will stimulate an increase in the volume of the rail freight traffic and passenger services on domestic and international routes. The underfunding and inefficiency of maintenance costs remain a challenge.

Bulgaria ranks 11th in EU27 in terms of total length of railways[[121]](#footnote-121). As of the end of 2012 over 6,800 km. of railway lines and 335 movement operation points were run within the national territory. The distribution of railway lines across the country is unbalanced. The density of the railway network is highest in Yugozapaden region – 44.8 km/m2, while in Yugoiztochen, Severoiztochen and Yuzhen tsentralen regions it is lower than the country average. There is still a shortage of effective connections to the neighbouring countries. The Serbia railway connection is in need of repair to ensure additional capacity.

Electrified railway lines constitute 68.4% of the total length of the rail network, which is rather low compared to the other EU countries. A large part of the railway lines were built over 50 years ago with geometric parameters, construction and equipment suitable for speeds of up to 100 km/hours and at certain sections with almost depleted options for maintaining speed and ensuring traffic safety and security. Such sections exist even on key routes such as Sofia-Plovdiv (section Sofia-Septemvri), Vidin-Sofia (section Vidin-Medkovets), Plovdiv-Burgas (section Plovdiv-Mihaylovo). Railway facilities (bridges and tunnels) are highly depreciated, such as for example along the Ruse-Varna route. Much of the connecting, telecommunications and energy supply systems are old (placed in service in the period 1965-1985) and with low technological levels, which does not comply with modern interoperability requirements.

The sole operator providing passenger transport services in the country, is the national railway operator BDZ Passenger Services EOOD. Railway passenger transport has a serious potential for development, to a large extent depending on the modernization of the railway network, rolling stock and management of the company. In recent years passenger traffic has been gradually decreasing due to a number of factors, such as low speeds because of the poor state of the railway tracks, significant reduction of the wagons in operation, hampered access to stations, lack of modern client servicing systems and marketing strategies. These and other factors have caused a reduction in the use of the railway transport, marking a fall of over 14% in the passenger transport in recent years.

Most freight transport is carried out by BDZ Freight Services EOOD. With the liberalization of freight railway services in Bulgaria, a number of new freight railway carriers gradually entered the market. Since 2011 there has been an increase in the railway transportation of freights. There has also been a rise in the percentage of international freight services mainly over the Srabska granitsa-Turska granitsa route. The percentage is expected to grow further as a result of the freight traffic over the new Danube bridge at Vidin-Kalafat.

A combination of regulatory, investment and management measures has been planned to improve railway sector management. These are:

* Review of public service contract with BDZ Passenger Services EOOD;
* Adapt the passenger services provided under the public service contract to market demands;
* Concentrate public funding in the sector on the most important and valuable railway services;
* Strengthen the institutional management capacity in the sector;
* Compress the railway network to a sustainable size.

The key measures planned for the restructuring of the Holding BDZ EAD and NRIC are:

* Transition of Holding BDZ EAD and NRIC to commercially oriented structures;
* Rehabilitation of BDZ Passenger Services EOOD and eventual follow-up privatization of the company;
* Exemption of Holding BDZ EAD from non-operating activities;
* Re-evaluation of the quantity of the rolling stock of Holding BDZ EAD and reorganization of the activities for its maintenance;
* Purchase of new rolling stock for passenger services;
* Strengthening the corporate management of NRIC and Holding BDZ EAD;
* Implementation of training programme for middle and senior railway management staff;
* Development and implementation of a strategy for human resources management and implementation of a programme for restructuring of the staff of Holding BDZ EAD and NRIC.

In the programming period 2014-2020 it will be crucially important to ensure continuity and logical sequence of investments in order to guarantee the completion of the routes in which investment has already been placed and enable the construction of the core network and cross-border connections along the routes of the TEN-T network. An ERTMS system will be deployed in the course of the construction and modernization of the railway infrastructure. Measures to release the frequencies required for the construction of a GSM-R network on all major railway lines in Bulgaria will be put in place. In order to make full use of the newly built network, measures for purchasing relevant on-board equipment for operators should be planned. In December, 2012 the Updated National Action Plan for Implementation of Technical Specification of Interoperability “Traffic Operation and Management” (TSI TOM) of the conventional rail system in the Republic of Bulgaria was approved. It calls for developing working rules for the operation of ERTMS/ETCS and ERTMS/GSM-R systems. By the end of 2015 the regulations based on the requirements of the TSIs related to ERTMS/ETCS and ERTMS/GSM-R systems will be updated.

The maintenance of rail tracks, associated structures, buildings, power supply, signalling and telecommunications systems includes:

* Planned preventive inspections – periodic control on the state of the infrastructure in accordance with the legal requirements to minimize the likelihood of damage or deterioration of its characteristics.
* On-going repair – technical services in the form of combination of all technical and administrative activities aiming to preserve the parameters of the infrastructure and their individual elements or restore states for compliance with the technical requirements and standards for the safe movement of trains.
* Overhaul – a set of actions to restore the original level of the infrastructure system through renewal of depreciated elements of the superstructure, strengthening of the substructure of the rail track, and repair of the associated facilities etc., in accordance with the standards, specifications and applicable regulatory documents.

In accordance with the Railway Transport Act, the State participates in the financing of activities associated with the construction, maintenance, development and operation of the railway infrastructure. Funding is secured on an annual basis under the *State Budget Act* and priority is given to projects and actions for which there is no international funding available. State funding is granted in the form of capital transfers and subsidies. The financial resources for maintenance and repair are included in the *Programme for Development and Operation of Railway Infrastructure* (a 5-year programme that is an integral part of the NRIC state contract) based on approved plans for on-going maintenance. The programme is updated annually. The approved budget is transferred to NRIC on a monthly basis. State funding is granted to NRIC to achieve certain indicators and guarantee the quality of the entire rail network. Another source to cover maintenance costs are the infrastructure charges collected by rail operators for accessing rail infrastructure and services.

In order to preserve the sustainability of the projects in the course of the entire period of operation, improving maintenance has been planned to optimize operation and maintenance costs. A plan for the maintenance of modernized railway lines will be developed as a next step. The reconstructed infrastructure will require new maintenance procedures aimed at achieving results which will allow for increased operational characteristics and cost effectiveness. Reengineering is a key stage in this process and it will include systematic analysis of the development of control parameters and adopting new methods and procedures to improve results. Therefore, it is necessary to identify key indicators in each railway subsystem to monitor the performance of the infrastructure. In accordance with the key performance indicators, changes in the maintenance plan can be initiated when results prove different than expected.

In this connection, a technical assistance project under the OPT 2007-2013 was implemented for preparation of a multiannual plan for maintenance of railway infrastructure and improving the traffic control and power distribution in NRIC. The successful realization of the recommendations for a new maintenance model in NRIC is directly related to the provision of light, medium and heavy machinery and equipment for mobile groups, the necessary funding for which should be secured.

The **road network** in Bulgaria consists of national and municipal roads. As of the beginning of 2013 the total length of the national road network[[122]](#footnote-122) was 19,602 km., the largest part of which (61.5% of the total length of the national road network) are third-class roads, followed by second-class roads with approximately 21%. Motorways comprise only 2.8% of the total length. The distribution of motorways and first-class roads across the country is uneven. East-west bound routes are much better developed than routes bound north-south, which is largely determined by the topography of the country. The higher density of motorways and first-class roads in Severoiztochen, Yugozapaden and Yugoiztochen regions is the reason for their better accessibility and communicability. Despite the measures taken in recent years, there is still no lasting improvement to the overall roads condition or to ensuring possibility in winter conditions of north-south bound roads. Therefore, the construction of a tunnel under Shipka peak in crucial to the heavy traffic flow. 43% of the third-class roads are in particularly poor condition. At the same time, they serve as inner-regional links and contribute to overcome the differences between regions, develop tourism and attract investment. Another major problem connected with the road network is the persisting lack of a completed motorway on any of the most important routes in the country.

According to District Road Departments’ data, over 32 km. of motorways, 599 km. of first-class roads, 1 212 km. of second-class roads and 5 014 km. of third-class roads (over 35% of the paved national roads) are in urgent need of reconstruction or overhaul. In order to improve the state of the sector it is particularly important to achieve an increase in the axle load of the major international transport corridors and destinations to 11.5 tonnes per axle. A large part of the road network, mostly second- and third-class roads, is adapted to support loads below 10 tonnes per axle and does not meet the European requirements. As regards to the transit flows through the country, the traffic is highest along the Kalotina-Kapitan Andreevo and Ruse-Kapitan Andreevo routes. It is expected that Vidin-Kulata will increase its importance as a transit route after the second Danube bridge has become operational.

Due to the country’s strategic location with five trans-European transport corridors crossing its territory and after the EU accession, the volumes of transit traffic through the country have increased significantly. The number of cars and trucks is two and a half times that before 2007. Together with the increase in the number of vehicles, *road loads and the risk of road traffic collisions are also growing (102.5 collisions per 1 million inhabitants in 2009 compared to the average EU27 rate of 64.1)*.

In order to integrate the national road network in the European transport network, it is necessary to invest in the development of the “basic” and “extended” trans-European transport network on the country’s territory and key internal links with the TEN-T network. Resolving the bottleneck issues across the network will require completion of the Struma (construction of Lot 3 is of primary importance) and Hemus motorways.

Investment is further needed for the construction, rehabilitation and maintenance of road connections to intermodal terminals, ports and airports. Introducing modern planning processes and ensuring effective maintenance of the road infrastructure, generating financial resources through modern ticketing systems, achieving compliance of the technical and operational parameters of the road infrastructure with the European technical standards for road safety and comfort are particularly important for the sector. Improving the efficiency and safety of road transport will require deployment of certain ITC applications and services. Examples of the application of intelligent transport systems in the road transport are systems for management, monitoring and control of urban and motorway traffic, automobile safety systems and electronic toll collection systems.

It is necessary to ensure sustainability of the support to guarantee that construction has been designed and executed in such a way as to retain the investment and reduce the overall costs for rehabilitation, maintenance and operation of the infrastructure. Maintenance should be planned and the budget determined and implemented so as not to compromise the roads before the expiry of the period for which they have been designed. As part of the Strategy for Development of Road Infrastructure until 2020, a maintenance plan was prepared, which includes the requirements for financing the maintenance of national and municipal roads and costs for emergency repairs. An investment plan is elaborated including investment in road safety, major renovations, including road facilities, improvement and new construction of the national road network and funds for major repairs of the municipal road network.

The effective and efficient management of the road sector requires further strengthening of the institutional capacity for management, improving investment planning, and implementation of various forms to secure funding for rehabilitation and maintenance in the sector.

**Maritime transport and inland waterways transport** are key components of the development of intermodality providing opportunities to overcome the increasing overload of the road and rail infrastructures and reduce air pollution. Severozapaden, Severen tsentralen, Severoiztochen and Yugoiztochen regions have access to maritime transport. As of the present moment neither type of water transport is well developed in Bulgaria. Most Bulgarian ports were built in the beginning of the 20th century for multifunctional purposes, as a result of which their technical condition is very poor. There is a need to improve transport infrastructure connections to the national road and rail networks. The main problems to the development of the Bulgarian ports are related to the lack of sufficient investment for maintenance and development of port infrastructure in previous years, outdated basic mechanical and transhipment facilities, poor condition and management of quays etc.

The Danube is the only inland waterway in Bulgaria. Its significance for the development of intermodal transport in the country is determined by virtue of its role in the “base” TEN-T network and the EU Strategy for the Danube Region.

At present, the Bulgarian section of the river, which measures 470 km. in length, does not meet the internationally adopted design standards due to the high number of bottlenecks. Because of the existing problems, the freight turnover and passenger traffic at the ports on the Danube decrease annually[[123]](#footnote-123), but in 2011 there was a rise in the handled freights by almost 10% over 2010.

Another problem to the navigation of the Danube is related to the state of coastal (navigation) signs on the Bulgarian side of the entire Bulgarian-Romanian sector, which is carried out by Romania.

The existing hydrological and climatic conditions along the river require measures for improvement of the navigation conditions and ensuring minimal depth of 2.5 m during the whole or the larger part of the year,as required for vessels of up to 200 tonnes. To the present, as part of the implementation of the EU Strategy for the Danube Region, a Memorandum of Understanding was signed between Bulgaria and Romania in order to set up an inter-ministerial committee for inland waterway transport to improve navigation along the common sector and facilitate connectivity in the region. A major project, which is currently being prepared, is to improve the navigation along the common sector. Works are expected to be completed in the programming period 2014-2020. An EGTC is planned to be established for its implementation.

A river information system in the Bulgarian sector (BULRIS) has also been created. The provision of the full range of services of the system will contribute to overcome the difficulties in passing the critical sectors in the area and increase navigation safety levels. Thus, the inland waterway transport on the Danube will become more effective and environmentally friendly.

The main advantages of the transport along the Danube are: safety, cost effectiveness, low level of environmental pollution and high potential for growth. On condition that intermodal links exist, this transport mode presents a very good alternative to the rail and road transports. The optimization of the navigation conditions will lead to transferring a large part of freights to the waterways, which is in line with the established European transport policy.

The **river ports** for public transport of national significance on the Danube are Vidin, Lom and Ruse. The ports of Vidin and Ruse are part of the “base” TEN-T network (corridors VII and IX). They have enough capacity to handle general, bulk or liquid freights, containers and RORO units[[124]](#footnote-124). At the moment, about 60% of the infrastructural capacity is used. The weaknesses of river ports are: poor state of port facilities (quays) and reloading equipment that does not meet the current trends in the structure of freight turnover; poor state of the connections with the road and rail infrastructure; lack of appropriate equipment for handling and storage of grain; lack of modern logistics and information systems; poorly developed facilities for pollution control.

The **sea ports** for public transport of national significance in Bulgaria are Port Varna AD and Port Burgas AD. They are responsible for around 60% of the national export and import trade. The two ports are included in the concept for the development of the TEN-T network in view of their strategic locations at the crossroads between Europe and Asia. Port Burgas is part of the “base” and Port Varna of the “extended” TEN-T network. The ports have capacity for general freight, dry and liquid bulk freight, containers, heavy loads and RORO facilities[[125]](#footnote-125). Currently, between 70% and 80% of the infrastructural capacity is used. The weaknesses of the two ports are: insufficient specialization of their terminals and limited facilities for their development in view of their locations in the central city area; poor state of port facilities and outdated loading equipment; insufficient depth of the water area and the approaches to the ports; lack of modern logistics and information systems.

Establishing effective combined transport chains is a key element of freight transport policies. One of the basic measures for a sustainable and balanced development of the transport system is **promoting intermodality** as an opportunity to transfer freights to more environmentally friendly modes of transport. Intermodality as the most universal and promising transport system combines the advantages of the different transport modes and ensures efficiency, optimal utilization of resources and more favourable impact on the environment. The intermodal transport contributes to enhance the competitiveness, technology and sustainability of the transport sector as a whole and to improve the safety, security and quality of services.

The development of **intermodal transport** is a priority of the European and national transport policies[[126]](#footnote-126) and one of the key objectives under the Connectivity pillar of the Danube Strategy. Their development will offer opportunities for a full logistic supply scheme, which is beneficial to service users and businesses.

The priority routes on the territory of Bulgaria for combined transport are:

* Linear-based: Vidin-Sofia-Kulata/ Plovdiv-Svilengrad (Corridor 4); Kalotina – Sofia (Corridor 10); Gyueshevo-Sofia-Burgas/ Varna (Corridor 8); Ruse-Dimitrovgrad/ Sofia/ Varna (Corridors 7 and 8);
* Point-based: the ports of Varna, Burgas, Lom, Vidin, Oryahovo;
* Intermodal terminals: Sofia and in Yugoiztochen, Severoiztochen and Severozapaden regions.

The state of the rail infrastructure for intermodal transport as a whole does not meet the requirements for providing modern freight handling services.

At the moment, there are opportunities for developing intermodal services of the types **RORO** – shipment of trucks on specialized barges/ships across the Danube (ports Ruse-Iztok, Vidin and Silistra) and the Black Sea (mainly via the ports of Varna and Burgas) and **ROLA** – shipment of trucks (trailers and semi-trailers) on specialized wagons and shipment of containers by rail/water/road. The entry into operation of Danube Bridge II and the tunnel under the Bosphorus is expected to significantly increase transit combined transport. This will be the shortest road link between the European countries and the markets of the Near and Far East countries. Through the ports of Varna and Burgas transit freight traffic is expected to be attracted from as far as the Asian countries of Kazakhstan, Turkmenistan, Transcaucasia and Russia.

**Intermodal traffic via border railway stations** is carried out by 5 European operators. Through the planned construction of Intermodal Terminal Ruse conditions will be created in Severen tsentralen region for an optimal combination and integration of different modes of transport (inland waterway, rail and road) and opportunities will be provided for transporting large freight volumes from the Black Sea to Central Europe. The port and railway station in Ruse are connected to the port of Varna through the Ruse-Varna rail line, which can be developed as a freight corridor.

Over the last decade Bulgaria has made a priority of the policy for developing **sustainable urban transport systems**. The development of the urban public transport is essential to the implementation of sustainable transport policy to reduce the use of cars and promote more environment friendly means of transport.

The main challenges facing larger cities in Bulgaria in their efforts to achieve sustainable urban mobility are related with: congestions in cities; pollution of the environment and harmful effects of noise; need of more efficient organization of the public transport; improving the accessibility, safety and security of the public transport. The factors that could help to attract more passengers to the public transport are: increased quality and maximally easy access to transport services, optimized transport schemes, integrated ticketing systems, coordination of the timetables of the different modes of transport, and implementation of flexible tariff policies.

At present, the seven largest cities in Bulgaria are implementing projects to reorganize their transport networks and purchase environmentally friendly vehicles. An outstanding achievement in this regard is the construction and putting into operation of the Sofia Metropolitan. With its high carriage capacity of 50 thousand passengers per hour, the metro provides efficient, quick and safe services replacing a high number of parallel ground transport lines. Through the projects for the extension of the metro, an **intermodal connection** will be established between the national rail network, Sofia Airport and the tram and bus networks, which will contribute to increase the market share of the public transport. The extension of the metro via the third diameter (Depot Botevgradsko Shose-Boulevard Vladimir Vazov-j.k. Ovcha Kupel), which will be funded in the programming period 2014-2020, will expand the coverage of the public transport system in Sofia and meet the growing demand for combined transport services. It will further contribute to improve the air quality in the city and reduce greenhouse gas emissions.

**Environment**

Sustainable development is a key priority for Bulgaria, which is of even greater significance in the context of Europe 2020 Strategy. Efficient use of limited natural resources, protection of the environment from anthropogenic influence and the achievement of a number of specific objectives underpin this priority. The share of environmental expenditure in 2011 was only 1.9% of GDP, having increased since 2009 with about 10.9%.

**Water management**

The water sector is a major one in the field of environment. Regardless of the trend in recent decades to reduce the amount of fresh water received by means of the natural hydrological cycle in the country, the permanent fresh water resources (except the Danube) are estimated at 7.3 billion m3 or 967 m3 per person. The biggest is the amount of surface water abstracted (without the Danube) by industry - 48.06%, abstracted water by irrigation systems - 33.16%, for public water supply (WS&S) - 17.90%, agriculture, forestry and fisheries - 0.80% and services - 0.08%. The largest percentage of abstracted groundwater is for public water supply (WS&S) - 78.93%, followed by industry - 16.73%, agriculture, forestry and fisheries - 1.92%, services - 1.73% and irrigation - 0.69%. Abstracted water (2009) for cooling energy, including nuclear power stations, is 58% of the total of water abstracted in Bulgaria.

Ensuring adequate water resources and preventing water cuts is crucial for a country like Bulgaria, as the country is with the highest level of water losses in public water supply (WS&S) and irrigation systems, which in 2008 are over 60%. This requires substantial investment in this type of infrastructure that will ensure the efficient use of water. Along with the reduction of water resources causing water regimes for part of the population, a drop is observed in water used from domestic sources in the industry. Impressive are the considerable resources allocated to irrigation during the so-called dry years, though not fully serving the water needs for irrigation.

The main source of diffuse pollution of surface and ground water is agricultural activity, emitting both nitrate and phosphate compounds, pesticides and other substances used in plant protection and animal treatment. What also contributes to the pollution is the lack of facilities for the storage of manure, lack of sanitation in many places, etc. Vulnerable areas in terms of water pollution by nitrates are 96 municipalities or parts of them, which is 34.5% of the country (68% of agricultural land).

In this context, the improvement of the monitoring system of water, the proper use of organic and mineral fertilizers, and proper storage is a necessary condition for improving the assessment of water status. Imperative is the implementation of the programme of measures for containment and elimination of pollution caused by nitrates from agricultural sources in vulnerable areas.

In Bulgaria there are 450 rivers and about 1,400 water reservoirs with a volume of more than 1 million m3 and 177 groundwater bodies. Analysis of the existing monitoring networks indicates that stations monitoring the quantity and quality of both rainfall and surface water and groundwater are inadequate and monitoring networks need to be optimized and modernized. According to the conducted surveys deterioration of groundwater and surface water is due to human pressure. For surface water, the pressure is from point sources (urban wastewater and industry); from diffuse sources (agriculture, etc.); from regulation of the flow and morphological changes; from abstraction; from other sources - the erosion of the watershed, pollution from old mines, drought and water shortage or unknown cargo, landfills and settlements without sewerage, which emit ammonia and nitrates, as well as from some industrial sites and mines, historic contamination of closed productions, abandoned warehouses for pesticides. Deterioration of groundwater is due to pollution from point and diffuse sources and abstraction. Point source pollution is mainly from landfills; settlements without sewerage system; mines, tailings ponds and industrial sites. Diffuse pollution of groundwater is from farming, emitting both nitrate and phosphate compounds, pesticides and other priority substances used for plant protection and animal treatment.

OP ”Environment” 2007-2013 is funding the studies regarding the preparation of the first River Basin Management Plans (in particular: setting reference conditions and maximum ecological potential of the types of surface waters (rivers and lakes), development of a classification system for assessing the ecological status and environmental potential of different types of surface waters (rivers and lakes) based on the typology system B, determining the quality standards for the chemical status of surface waters, threshold limits on groundwater pollution and the development of a classification scheme for the chemical status of groundwater; updating the economic analysis of water use, environmental assessment and SWOT analysis, information to the public relating to the RBMP and stakeholder consultations for the preparation of RBMP). Due to the underdevelopment of the monitoring system and the lack of national surveys and methodologies on key issues related to water management, river basin management plans are developed mainly on the basis of expertise. Part of the plans are programmes of measures to achieve good water status, including key measures which must be implemented as required by the Directives, as well as additional and complementary measures that must be met to achieve good water status. Implementation of the planned measures will require significant financial resources from all funds, which are supported by appropriate policies.

Currently Bulgaria is fulfilling the first river basin management plans. They are an essential tool for achieving the objectives set out in the WFD and the requirements of Directive 91/271/EEC concerning urban waste water from settlements, Directive 98/83/EC on the quality of water intended for human consumption, Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources (the Nitrates Directive), Directive 2006/7/ES on quality management of bathing water, and Directive 2009/147/EC on the conservation of wild birds and Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora, the Large Industrial Accidents Directive, the Plant Protection Products Directive and the Directive on Pesticides.

The level of providing services for **the collection and treatment of waste** **water** is relatively low. According to the National Statistical Institute, the percentage of constructed sewerage network of settlements in 2011 was 61% and the population connected - 74%. In terms of the level of purification of wastewater from settlements for the period 2005-2010 the share of the population connected to waste water treatment plants (WWTP) increased by nearly 7%, and in 2011 reached 55.7%. Population connected to waste water treatment plants with tertiary treatment of waste water was 0.5% for 2010, while in 2005 there were no such WWTP.

According to the latest report by the European Commission in 2013 concerning fulfilment of the requirements of Directive 91/271/EEC on urban waste water from settlements, the latter’s scope encompasses a total of 364 agglomerations above 2,000 p.e., of which 108 agglomerations of more than 10,000 p.e. and 256 agglomerations between 2,000 and 10,000 p.e. The requirements for full collection of waste water is met only by 13 agglomerations; for presence of biological wastewater treatment - 77 agglomerations and for removal of nutrients - by 21 agglomerations out of 100 agglomerations with more than 10,000 p.e. in sensitive areas. The sector of water supply and sewerage (WS&S) is essential for the quality of life and the overall economic and social development of settlements in Bulgaria. The percentage of population connected to public water supply in Bulgaria is very high and the quality of drinking water generally meets the standards. The central water supply systems cover 99% of the population which by European standards is consistent with a high degree of coverage. However, according to a draft report by the World Bank, in recent decades, the development of the WS&S sector has deteriorated due to lack of adequate legal framework and the chronic shortage of funding. As a result of the above, the water supply infrastructure is strongly outdated with high water losses (60% national average), and there is also water regime for about 9% of the population.

**Waste Management**

For the five-year period (2007-2011) the amount of generated waste is reduced by 20%, which on one hand is due to the reduction in the growth of construction activities in the country for economic reasons, and on the other – to completion and optimization of separate collection systems, improving the system for measuring the quantity of waste by installing weighing machines in landfills, increased control by stakeholders and others.

**Municipal waste for** 2011 is 2,753 million tonnes, of which 160 tonnes are delivered for recycling; in comparison: in 2010 26 tonnes of waste were submitted for recycling. In 2011 2,586 million tonnes or 93% of the municipal waste are disposed in landfills, compared to 2010 when this percentage was 98%. In 2011, landfills were 164, of which 30 regional.

Between 2007 and 2011 the amount of **hazardous waste** has decreased by 73%, the main decrease was in 2011 compared to 2010. In 2011 the hazardous waste was 69% less than the waste generated in 2010. The reason is a procedure for reclassification of fayalite waste from the activities of "Metallurgy and manufacture of metal products, except machinery and equipment” sector.

In Bulgaria 166 kg **packaging waste** per year per capita is generated on average. In 2010 the targets for recycling each type of packaging waste were achieved. Further action should be taken to implement Directive 2008/98/EC on waste and repealing certain directives (Waste Framework Directive). The Directive establishes a hierarchy of waste management under which compliance with the following priority activities relating to waste is encouraged: prevention, preparation for re-use, recycling, other recovery, e.g. utilization for power generation, and disposal. According to Art. 11, paragraph 1 of the Directive, by 2015 Member States should introduce separate collection at least of the following products: paper, metal, plastic and glass. According to Art. 11, paragraph 2, letter a), Member States shall take the necessary measures by 2020, preparing for re-use and recycling of waste materials such as at least paper, metal, plastic and glass from households and possibly from other sources as far as these waste streams are similar to household waste, increasing to at least 50% of the total weight.

The Law on Waste Management in 2012 sets out the following milestones in preparation for re-use and recycling of waste materials:

* By 1st January 2016 - at least 25% of their total weight;
* By 1st January 2018 - at least 40% of their total weight;
* By 1st January, 2020 - at least 50% of their total weight.

In 2010 a National Strategic Plan was approved for gradually reducing the amount of **biodegradable waste** going to landfills in 2010-2020. The Strategic Plan is to ensure compliance with the requirements of Directive 1999/31/EC on gradually reducing the amount of biodegradable municipal waste going to landfills. Under Ordinance No 8/2004 on the conditions and requirements for the construction and operation of landfills and other facilities for the recovery and disposal of waste, Bulgaria should meet the following intermediate targets to reduce the amount of biodegradable waste going to landfills:

* By 31.12.2013 the amount of biodegradable waste going to landfills must be reduced to 50% of the total amount of the weight of biodegradable municipal waste generated in 1995;
* By 2020 the amount of biodegradable waste going to landfills must be reduced to 35% of the total amount of the weight of biodegradable municipal waste generated in 1995.

Currently, the treatment of **sludge** generated by urban waste water treatment plants in Bulgaria is landfilling or illegal dumping, which carries a serious risk to the environment and human health. In response to the increased amount of sludge and the need for adequate solutions, MEW has developed the concept for sludge treatment in the WWTP at national level and an action plan.

For 2011 no data on diffuse soil contamination with heavy metals is available. Generally **soils** in the country are in good environmental condition not posing health risk to the use of arable lands according to their purpose and the regulations concerning contamination with heavy metals and persistent organic compounds.

Natural conditions, the method of land management and ineffective implementation of anti-erosion practices determine soil erosion as the most serious threat to agricultural land in Bulgaria. About 3.7 million hectares (65% of agricultural land) are potentially threatened by water erosion and about 1.35 million hectares (24% of agricultural land) - by wind erosion. It is necessary to limit erosion on agricultural land through protective and flow-regulation measures and afforestation.

**Biodiversity and NATURA 2000**

**Biodiversity conservation** in Bulgaria is maintained by establishing a National Ecological Network, which includes protected areas, part of the European ecological network Natura 2000 and protected areas. The network gives priority to CORINE sites, Ramsar sites, Important Plant Areas and Important Bird Areas.

Protected areas are 6 categories according to the Law on Protected Areas - reserve, national park, natural landmark, maintained reserve, natural park and protected area. By 2011, the protected areas in Bulgaria covers 5.3% from the territory of the country. At the end of 2011 there are 954 protected areas. Implementation of measures for conservation of biodiversity in protected areas should be a continuous and sustainable. Such measures include, for example maintenance and restoration in forests, land and water areas, construction/reconstruction of visitor infrastructure, interpretation and educational programmes; planning and optimization of management are the activities that will contribute to the structure and management of protected areas in the future as well.

The protected areas of the European ecological network Natura 2000 designated under Directive 92/43/EEC and Directive 2009/147/ES are 336, covering a total of 34.3% of the territory, which ranks Bulgaria second in the EU. Orders were issued for 228 protected areas, others are in preparation and will be issued in accordance with Directive 92/43/EEC. In Bulgaria under OPE a project has been implemented to map and determine the conservation status of species and habitats in the land territory of Bulgaria and the creation of an information system for the protected areas. This is the basic information needed to define the policy of the Natura 2000 network and the implementation of Bulgaria's commitments under Art. 6 of Directive 92/43/EEC on the conservation of habitats. With the funds of OPE and other financial sources measures for conservation and recovery of species and habitats in protected areas have been implemented, management plans for the protected areas for birds are developed (5 pcs. for 7 for protected areas with funding under OPE), educational measures are carried out and general information is disseminated. National Framework for Priority Action for Natura 2000 is currently being developed - a strategic document at national level that will determine priorities and measures for protected areas and potential sources of funding in 2014 - 2020 (requirement of Art. 8 of Directive 92/43/EEC).

According to the latest calculations by the European Environment Agency potential agricultural lands with high natural value in Bulgaria are 2.6 million ha as most of them are in hilly and mountainous regions. Maintaining extensive farming is key to preserving the quality of ecosystems in these areas. Measures to improve the status of species and habitats of the network and to mitigate the negative impacts will be set out both under the OPE and PMAF, RDP and others.

**Noise**

In 2011 the greatest impact on the **acoustic environment** had transport noise - 80-85% of the total noise pollution in cities. The measurements show that the statutory limit to noise levels are exceeded in 72% of the total number of control zones, i.e. the share of points exceeding the levels has increased in comparison with 2010 (69% of the total). In 2011 there was a deterioration of the acoustic environment especially in areas subject to intense noise protection adjacent to the nursery, health and educational facilities, houses and places for recreation.

**Ambient Air Quality**

In 2011 53 fixed points for air quality monitoring[[127]](#footnote-127) operate on the territory of 34 settlements (compared to 55 points in 14 settlements in 2010). Still high is the percentage of the population living in pollution levels of particulate matter (PM10) concentrations above the exposure - 51%, and excessive pollution with nitrogen dioxide - 22%. Source of registered excess pollution are combustion of fuels for domestic heating, transport (including dirty and poorly maintained roads) and industrial activities on the territory of the municipalities. Increasing traffic and congestion are a major source of pollution. Analyses show that the number of cars is increasing progressively and this trend is expected to continue until 2020. Therefore it is necessary to take measures to reduce congestion and encourage the use of alternative forms of transport, including public transport, which is considered more environmentally friendly than cars. Poor quality of service, lack of accessibility to public transport (especially for people with disabilities) are the main reason why the majority of people prefer private cars as means of transportation.

The analysis of the need to finance new measures in the "Environment" sector carried out in 2012 has confirmed the need for the implementation of measures to improve the air quality in implementation of Directive 2008/50/EC[[128]](#footnote-128). It is necessary to implement measures to improve energy efficiency, as well as a number of other actions in respect of traffic and pollution from cars and to promote sustainable urban mobility, including replacement of public transport vehicles of with poor air quality in PM10 indicator in the municipalities.

To reduce methane and ammonia emissions from biological fermentation in livestock, measures are needed to improve the storage of manure and techniques for its use, as well as afforestation measures aimed at reducing carbon dioxide emissions.

**Resource Efficiency and Energy**

The country is still heavily dependent on imports of natural gas, crude oil and nuclear fuel. Over the past five years active steps have been taken to reduce energy consumption and resource inefficiency in the fields of industry, transport, services and households, but the challenges of energy efficiency and optimization of the use of resources are still facing the country.

The Bulgarian economy is characterized by high energy intensity compared to the EU, which is a risk factor for the competitiveness of the national economy. This defines the significant potential for reducing the energy intensity of the Bulgarian economy as a result of improved energy efficiency and creates an opportunity for development of the sector. Improving energy efficiency in Bulgaria will have a positive impact in terms of economic growth, and creating new jobs and saving energy will lead to saving financial resources.

The biggest impact on energy consumption had the global economic crisis that hit the Bulgarian economy in 2009. Primary energy consumption in 2011 was 19,107 thousand t.o.e. including: 8,099 thousand t.o.e. coal (42.4%), 4,105 thousand t.o.e. nuclear energy (21.5%), 3,819 thousand t.o.e. petroleum and petroleum products (20%), 2,631 thousand t.o.e. natural gas (13.8%) and 1,354 thousand t.o.e. from renewable sources (7.1%). It should be noted that the total amount of fuel and energy involves also the export of electricity and petroleum products, which are deducted in determining the value of PEC.

After a significant decline in 2009, in the next two years the ECI grew and in 2011 this growth was significant - 7.2%, or 1,278 thousand t.o.e. only for one year. The same trend is observed in the total energy consumption, the growth in 2011 as compared to 2010 being 4.2% or 370 thousand t.o.e. The ratio between the FEC and PEC was increasing in 2009 and 2010, and in 2010 reached 0,487, but in 2011 fell to 0.474. Reducing the ratio of final to primary energy consumption shows poor performance in the transformation, transmission and distribution of energy, which is mainly due to increased exports of electricity in 2011 compared with the previous 2010.

The economic crisis hit the hardest the consumption in the industry, which declined by 27.7% in 2009 alone and the sector gave place to transport as the largest consumer of energy. Over the next two years, the energy consumption by industry grew. In 2011, the GDP growth was 6.7% and the sector caught up with transport and its share reached 30% of the total final consumption, but consumption is still much lower than consumption in the period before the crisis.

Energy intensity is the main indicator of energy use efficiency. While in the period 2000-2009 the primary energy intensity and final energy intensity decreased by about 5% annually, in 2010 and 2011 there was an increase in both indicators. During this period, PEI increased by 1.6% and 5.4%, and FEI with 2.1% and 2.5%, respectively. Therefore, in 2010 the improved efficiency in generation, transmission and distribution of energy partially offsets the deteriorating end-use efficiency, while in 2011 the poor performance in the energy sector outweighs the effect of the deterioration of the final energy consumption.

Increased intensity in final consumption, in turn, is due to changes in energy intensity across sectors and structural changes in the economy. Structural changes that have the greatest impact on the FEI in 2011, compared with the previous year are:

* Increase of the share of industry in total gross value added at the expense of services;
* Growth of the freight transport performance (9.5%), which significantly exceeds the GDP growth of 1.7%, i.e. more transport work per unit of GDP is performed;
* Despite the shrinking population, the number of homes and cars is rising faster than the GDP.

FEI of industry decreased twice during the whole period from 2000 to 2011, but in 2010 there is a growth of 10.7% compared to the previous year 2009. In 2011 the energy intensity of the sector remains unchanged, which shows that during the year there is no improvement.

With the expected economic revival of the industry after the crisis, only increase in the energy efficiency may limit the growth of energy consumption in the sector.

Energy saving is the measure with the highest degree of readiness for implementation and a safe way to achieve the 20% reduction in greenhouse gases by 2020. In addition, this measure is the fastest and most effective way to improve air quality, especially in densely populated areas.

There is high energy saving potential in the energy sector – along the whole chain of production, transformation and transmission. In this regard, priority is to introduce market economic incentives for implementing energy efficiency measures, both for energy companies and end users.

Energy efficiency is the area with the greatest potential to reduce emissions in the mid-term, particularly in the construction sector. Buildings are central to the EU energy efficiency policy as housing, offices, shops and other buildings account for nearly 40% of the FEC (and 36% of greenhouse gases). The sector is the second largest untapped potential for energy savings and cost-effectiveness following the energy sector itself. There are significant co-benefits of the increased energy efficiency of buildings, including creating jobs, reducing energy poverty, improving health and increasing energy security and competitiveness in the industry.

To improve EE, the Bulgarian government has undertaken a number of activities, one of which is the implementation of the National action plans on energy efficiency from 2008 to 2016 that are developed under the provisions of Directive 2006/32/EC on energy end-use efficiency and energy services. These plans define the national target for the energy savings by 2016 in the amount of not less than 9% of the average EPC 2001-2005 or 7291 GWh / year.

Pursuant to the requirements of Directive 2006/32/EC the following have been developed:

* First National Action Plan for Energy Efficiency for the period 2008 - 2010, establishing interim indicative target for saving fuel and energy at the rate of 3% or 2,430 GWh/year and
* Second National Action Plan for Energy Efficiency establishing interim indicative target for the period 2011 - 2013, namely savings on energy and fuel in 2013 at the rate of 3% or 4,860 GWh/year cumulative.

In the second report on the implementation of the Second National Action Plan for Energy Efficiency in 2012, 54 measures were assessed whose duration covers the reporting year 2012 or such that started to operate in 2012. The set indicative target for energy savings is 5% of FEC for the period 2008-2012, which amounts to 4,051 GWh/year. At present the savings achieved were 6.4% of the FEC for that period, which equates 5,195 GWh/year.

Some of the key issues to improve energy efficiency and use of renewable energy in the industry are as follows:

* Obsolete equipment and technologies used in enterprises;
* Lack of professional capacity;
* Lack of interest by enterprises in the use of innovative technologies;
* Unawareness of SMEs of the different funding schemes and programmes;
* Lack of capacity and difficulties in developing eligible projects to apply.

The solution to these problems lies in the use of new innovative technologies, especially technologies for energy efficiency and renewable energy. These technologies are needed to facilitate the diversification of energy sources, reducing energy demand and providing methods for the use of local resources that are safe and cause less pollution of the environment, taking account of the security of energy supply.

On the other hand, at the beginning of 2012, 159 out of 264 municipalities were gasified, which is only 1.5%[[129]](#footnote-129) of the Bulgarian households, while the percentage of those using only electricity for heating and domestic use is still high (nearly 40%). Another major problem in the country is the high amount of losses in transmission and distribution of energy (over 40%), especially due to depreciation of the transmission networks of the inner piping and of the heated buildings, where there is no insulation and/or waterproofing.

The National Housing Strategy of the Republic of Bulgaria reviews the needs of the housing sector in the country. Among the most important needs is improving the low energy efficiency. According to the strategy, the outer buildings components have real heat transfer coefficients that are 3-5 times higher than the standard ones for new construction, introduced in 1999. 80% of the basements and roof slabs of the existing buildings are without thermal insulation. Poor insulation of the building envelope construction is the cause of increased heat loss. Heat loss through glazed surfaces /windows and glass balcony doors/ sometimes reaches 50% of the total heat loss. The biggest problems are observed in buildings built on large-panel technology, the number of which amounts to 18,900, located in 120 residential areas in the country. These buildings host 707,441 residences inhabited by over 1.77 million people. 83% of the prefab homes are located in regional centres while in a number of cities prefab homes represent about 50% of the total housing stock, or almost 100% of the problematic buildings are located in the 67 cities supported under OPRG 2014-2020. A number of expert opinions and analysis show that about 10% of the pre-fabricated buildings need urgent repair of the interior installations and the waterproofing of the roof. Many of these buildings need structural strengthening, which is imperative in order to achieve sustainability of the implemented energy efficiency measures. At the same time analyses show that the energy performance of public infrastructure (public buildings) is highly degraded, which among other things reflects on inefficient spending of public resources. Therefore, efforts need to be made to improve the condition of buildings.

High energy and resource consumption leads to higher production costs and a lack of competitive advantages for sustainability of the economy. At the same time energy saving is the measure with the highest level of readiness for implementation and a safe way to reach the European target of 20 percent reduction in greenhouse gas emissions by 2020. By improving energy end-use efficiency in the energy sector and increasing the share of direct natural gas and renewables use, Bulgaria in practice will create conditions for sustainable growth.

**Climate and Climate Change, Risk Prevention and Management**

The Republic of Bulgaria is often affected by natural or man-incurred disasters whose social and economic consequences have a significant adverse effect on its development and growth. Therefore, reducing the risk of disasters is crucial for the sustainable development.

The country has a National Platform for Disaster Risk Reduction, whose functions are performed by the established in 2012 Advisory Council to assist the Council of Ministers in the formation of state policy in the field of disaster protection. A draft strategy for reducing the risk of disasters with a Roadmap attached has been developed, and will be discussed by the public and the Advisory Board and will be accepted by the Council of Ministers. The National Programme for Disaster Protection 2009-2013 is implemented together with annual plans for its implementation, and a National Programme for the period 2014 - 2020 is being developed as well.

The main types of risks that can affect the entire country and which are taken into account in the National Plan for Disaster Protection and the Ordinance on the conditions, procedures and authorities for analysing, evaluating and mapping of disaster risk are: seismic risk, geological risk (risk of landslides, rockfalls, active faults and other geological processes), flood risk, risk of forest fires, industrial accident, etc.

A significant portion of these risks are associated with climate change. Currently, the scenarios for Bulgaria for **climate change** have been developed based on temperature and rainfall distribution. These scenarios show that significant changes are expected in the flat part of the country, mainly in Northeastern Bulgaria, the Thracian Valley, Sofia field and along the Struma River. No assessment has yet been made as to how these changes will affect water resources in major river basins.

The expected increase in temperatures in Bulgaria as a result of climate change is from 0.7 to 1.8ºC by 2020, from 1.6 to 3.1ºC by 2050 and 2.9 to 4.1ºC by 2080. This trend will lead to a reduction of water resources and soil moisture, which will have a negative impact on agriculture, forestry and biodiversity. Climate change will impose additional irrigation during the dry months of the growing season (June to September), to compensate for the lack of moisture in the soil. Changes in the representation of the tree/plant species will occur as well. Costs and loss of income resulting from natural disasters such as floods and droughts will increase due to the higher incidence and unpredictability of such disasters. Most vulnerable to climate change in the country will be spring crops which will suffer from the lack of rainfall, crops grown on poorer soils and non-irrigated crops and land in Yugoiztochen planning region (NUTS II), where rainfall even under current climatic conditions is insufficient for the normal development of crops.

Since 1990 there has been a steady trend towards reduction of **greenhouse gas emissions** in Bulgaria which by 2010 were almost half as much (47.8%, with base year 1988 = 100%), compared to 85% for the EU 27 in the same year. The overall objective for 2020 greenhouse gas emissions is to reach average levels of 80% for the EU 27. In 2011, the emitted total of greenhouse gases amounted to 45.8% of the emissions in the base year. GHG emissions per capita also decreased and under this indicator Bulgaria is coming closer to the European Union average. The analysis of data from national inventories for the period up to 2011 shows that Bulgaria currently has the reserve that ensures implementation of the commitments undertaken by signing the Kyoto Protocol.

The highest is the share of carbon dioxide emissions, which varied over the years between 76.5% in 2000 to 80.5% in 2011, followed by the methane emissions (11.6% in 2011) and nitrogen dioxide (7.3 in 2011).

Fertilization of agricultural soils is a source of emissions of the greenhouse gas nitrous oxide (N2O). In recent years, the data show that the amount of used mineral fertilizers is growing, as well as areas (up to 2009) treated with fertilizers, mainly unilateral nitrogen fertilization. Another major source of emissions in the sector is livestock. The reduction here is mainly due to a reduction in the number of animals in the country, which is a consequence of the crisis in the sector and the structural changes in agriculture.

In order to continue reduction of ammonia emissions (74% of total) and methane (27% of total emissions) from biological fermentation in livestock, measures are needed to improve the storage of manure and techniques for the use and utilization for energy purposes and afforestation measures aimed at reducing carbon dioxide emissions.

A significant risk that will deepen as a result of climate change is the risk of **flooding.** Flood protection is essential for urban areas and on agricultural land, where preventive action is needed to mitigate the natural disaster damage on agricultural lands. Under a Project supported by the OPE 2007-2013, Bulgaria prepared a preliminary assessment of flood risk and will perform research on the methodology for analysing the costs and benefits, creating a digital model of the terrain, a national catalogue of measures and national priorities; Information System (web platform) to manage flood risk, maps of the regions with flood hazard and flood risk will be prepared (2013), and flood risk management plans (2015), in accordance with the requirements of Directive 2007 / 60/EO on assessment and management of flood risks. These plans will include measures to reduce the likelihood of flooding and reduce the potential negative impacts of floods in all spheres of human activity.

Another risk associated with climate change is the risk of **drought** caused by further reduction of precipitation and river runoff in Bulgaria. The country in general is not threatened by water stress - the pressure of total water abstracted from freshwater resources (including the flow from the Danube) is below 10%. The proportion of water abstracted compared to the resource at basin level shows that for the Danube region, with the resource of the Danube there is no evidence of water stress (3.9%), but when taking into account the internal resource only, there is a low water stress (11.7%); for the Black Sea region there is an average water stress (31%); for East Aegean sea region there is a medium water stress (31% - 34%) and for West Aegean Sea area there is no water stress (5.6%). Drought has a negative impact on agriculture, forestry and biodiversity. Changes occur in the representation of the tree/plant species. Climate change requires additional irrigation during the dry months to compensate for the lack of moisture in the soil. Another effect of climate change which directly affects the agricultural production is the need for risk management in the case of hail and fire.

It should be noted that with or without changes in resources as a result of climate change, in areas with a concentration of business activities, shortage of water can be detected. In developing the second river basin management plans, indicators of drought have to be determined, as well as an indicator of water scarcity (i.e. operational index) for each river basin district or potentially threatened region, and the respective economic regulators should be introduced, providing efficient allocation of available resources.

At the end of 2011, water and economic infrastructure includes 53 complex and important reservoirs altogether with a total storage reservoir volume of 6,697.8 million m3 and 2,736 smaller dams with a total volume of 1,437 million m3. The total volume of the storage reservoir dams for drinking purpose is 1 499.1 million m3 or 22% of the total volume of the complex reservoirs. Design data shows that the large hydropower systems are able to provide over 3 billion m3 mountain water. To assess whether this resource is sufficient to overcome any future difficulties and crises of the national and regional water supply, it is necessary to prepare scenarios and quantify the probable course of such crises in Bulgaria. Hydroelectric reservoirs are acting as a protective gear as well to reduce the frequency and amount of damage to water users in dry years, and to the assets and the population, caused by catastrophic floods along rivers in wet years. The number of retention dams built for protection against the harmful effects of water is 15. The total length of dikes in the country is 497 km, of which 253 km along the Danube and 244 km - internal protective dikes. By the end of 2011 adjustments of rivers was 3,157 km.

Climate change-related drought and humidity adversely affect overall habitat in rivers, lakes, bogs, swampy areas and other wetlands. Further warming and drying of climate would have an extremely negative impact on the species and habitat diversity in Bulgaria.

In relation to temperature changes and anthropogenic pressure, there is a risk of introduction and mass development of **toxic microalgae** in the Black Sea and inland waters. Microalgae, belonging to the UNESCO list of toxic species in the plankton of the oceans, has been detected in the Black Sea. In this connection it is necessary to build a centre for the study of toxins in seawater, providing information on health and public health authorities.[[130]](#footnote-130)

Drought has a negative impact on agriculture, forestry and biodiversity. Changes occur in the representation of the tree/plant species. Climate change requires additional irrigation during the dry months to compensate for the lack of moisture in the soil.

Another risk, which can be catalysed by climate change and the related processes, is the high degree of **landslide, abrasion and erosion hazards** specific to the territory of Bulgaria. Large-scale landslide, rock-fall abrasion and other unfavourable geodynamic processes have occurred, acting spontaneously and destructively, difficult to predict and occurring suddenly. With their unpredictability they endanger the safety of towns, resorts, and affect technical infrastructure and buildings, farmland and forestry. Emergence and resurgence of this type of processes is determined by the complex geology, intensive tectonics and continuous influence of natural and anthropogenic factors. The registered landslide areas in the country as of 31.12.2012 were 1,735 with a total area of 206,000 acres. There are periodically active landslides are 692 with an affected area of about 58,000 acres. 1,164 of the recorded landslides are in urban areas. The remaining 571 are distributed in the central and municipal roads, and partly in agricultural and forest areas. In this regard, interventions are needed to prevent landslides and to deal with their consequences in a broader territorial coverage.

In addition to landslides, the Black Sea coast is subject also to periodic storms and abrasion. Abrasive processes registered in the Black Sea coast affect about 234 kilometres of coastline. On the Danube bank landslide erosion processes are developing.

Climate change, in combination with other natural and anthropogenic factors and the chronic shortage of funds for carrying out preventive and technical countermeasures, as well as the vaguely defined landslide, erosion and abrasion policy have resulted in activation of the registered and the emergence of new landslide processes, material damage, destruction of infrastructure and territories, as well as compromising the constructed facilities and endangering the lives and health of people.

From seismological point of view, Bulgaria is located in the Alpine-Himalayan seismic belt, characterized by high seismicity. For the purpose of managing the **seismic risk,** seismic hazard maps are prepared in accordance with the requirements of Eurocode 8, the application of which becomes mandatory for the design of buildings and facilities from January 2014. Currently, the resistance of buildings and facilities to seismic impact is provided by meeting the requirements of the Ordinance for design of buildings and structures in seismic areas. Of particular importance for the reduction of seismic risk is the supervision of existing buildings - state, municipal or private property to prepare their technical passports lawfully by the end of 2018, which is being delayed because of insufficient funding.

Methodologies for assessing the seismic hazard, geological risks (landslides, rock-falls, active faults and other geological processes) and the risk of forest fires shall be developed. Once adopted, risk assessment and mapping will be performed. Underfunding however largely hinders this process. It is also necessary to enhance the administrative and financial capacity to deal with risk assessment and risk management planning, including the need for funding research to make detailed risk assessment and mapping, create a database of past disasters and incurred losses, and provide modern equipment and information portals.

Important for farmers are **hailstorms and fires**. Forest fires are also one of the main threats to the composition, structure and functioning of forest ecosystems. Climate change over the last decade has led to increased incidence of forest fires and amount of affected areas. The anthropogenic nature of 90% of the fires has made it necessary to categorize forests near urban areas as high risk ones. At present these are about three-fourths of the forests in Bulgaria.

The main **risk of industrial accidents** in Bulgaria results from the storage and use of hazardous substances. The main documents of the European Union in this area are Directive 96/82/EC and Directive 2012/18/EU on the control of major-accident hazards involving dangerous substances, which has to be transposed into the national law by 31.05.2015. The risk of major accidents could be increased also due to probable natural disasters, affecting areas where there are industrial enterprises, as well as during transportation of hazardous substances. The matter is regulated in several laws and regulations, but frequent changes in the national legislation in this area, lack of coordination, consistency and continuity of the responsible structures adversely affect the reduction of the risk of disasters related to industrial accidents. This leads to a reduction of the administrative capacity at national, regional, and municipal levels, at site level, and to loss of expertise. Improvement of the specialized training of workers and first responders will directly impact on lowering the risk of industrial accidents, on provision of a high level of protection of the population of the Republic of Bulgaria and of the environment, as well as better coordination of actions during industrial accidents between competent authorities and institutions.

Lack of public awareness of the principles, objectives and activities to reduce disaster risk, as well as response activities before, during and after disasters also pose a serious challenge. Measures taken so far in this direction are inconsistent and limited in scope, and resource provision issues are undervalued as well.

The increase of the risks of disasters and the budgetary constraints demand effective solutions of strategic nature, which include a committed participation of the civil society and the local authorities. One way of achieving this is to promote and develop civil initiatives to establish local voluntary formations for protection from fires and disasters. The creation of voluntary units in the Republic of Bulgaria is regulated by the Law on Disaster Protection under Chapter IV, Section III. Several regulations to the Act on the creation and organization of the activities of volunteers have been developed and adopted as well as a Strategy for establishing voluntary units for disaster protection, fire and other emergencies on the territory of Bulgaria. Bottlenecks in the development and organization of voluntary units are mainly related to lack of funds from the state budget and the municipalities for conducting training and qualification of volunteers.

**Growth based on an effective public administration and judiciary system**

**Administrative capacity and administrative reform**

Efficient public administration is a key prerequisite for establishing competitive economic environment and for sustainable, smart and inclusive growth. Despite the reforms initiated in the Bulgarian administration for application of the **good governance** principle in the country, in 2010 Bulgaria is still in the group with the lowest good governance indicators in the EU[[131]](#footnote-131). *Compared to all Member States under the two indicators:* ***government effectiveness*** *(index -1.9 compared to the minimum value for EU -2.2) and* ***voice and accountability*** *(index -2.1 compared to the minimum value for EU -2.2), Bulgaria is at the penultimate place.*

In order to evaluate the ability of governments to effectively formulate and implement policies, what is examined is the structure of social expenditures and the price society pays for the maintenance of systems that form the basic public goods - health, education, social care and social protection and others. For the year 2011 under this indicator Bulgaria comes ahead of Romania only. *The* *complex* *good governance index places the country last in EU 27*. *Bulgaria ranks last in the Union under the indicators* ***control of corruption and rule of law*** *as well.* Another indicator of the level of corruption is the**corruption perceptions index**, which expresses the relationship between the economic situation, corruption and citizens’ growing discontent with public institutions. For Bulgaria, in 2012 this index was 41 points, compared to EU 27 average of 53.6 points[[132]](#footnote-132). What is required is consistent capacity building policy in the administration for the purpose of preventing and fighting corruption.

In Bulgaria there is a relatively cumbersome regulatory environment for ***doing business***. Procedures are cumbersome and require time and money. On average for the country, the cost of time and money is five times higher than the EU average[[133]](#footnote-133). Since 2007, when it was among the best-performing countries-reformers, Bulgaria has progressively been lagging behind in the list as per the "Doing Business" Report of the World Bank. According to the "Doing Business 2013" Report Bulgaria ranks 66th out of a total of 185 countries.

According to data from the Report on the condition of the administration for 2012, the administration provides 2 209 **administrative services** to citizens and businesses, 750 of which are associated with regulatory regimes at central level. Barely 1/4 of the administrations declare that they apply the principle of automatic collection of documents, while 1/3 of them provide e-services. According to the report a total of 396 administrations (76.6% of all) provide “one-stop-shop” services. Generally, administrative services in the country are fragmented and in practice, there is lack of comprehensive administrative services, and no services are provided grouped by major events in the life of citizens or business entrepreneurs. Still a number of procedures concerning regimes and services should be streamlined and accelerated. It is necessary to take measures to **reduce red tape** by establishing and using unified information systems and introducing practices for data exchange between administrations. The country lacks sustainable practices for joint inspections by control and inspection authorities, which could also reduce the administrative burden on businesses. The unstable legislative framework, together with the low level of inter-institutional coordination, affects the business climate and productivity. At the same time, there is a need for more effective functioning of the regulatory bodies, the Commissions for Protection of Competition and for Protection of Consumer Rights, the Public Procurement Agency, etc.

Particular attention should be paid to the procurement process as well, which is a key way to spend a substantial part of the public state funds. On average, about BGN 5 billion is spent per year under public procurement. The general state of the market in recent years may be briefly presented by the following indicators: total number of contracting authorities in 2010 – 2 585, in 2011 – 3 217, in 2012 – 4 662, total number of announced tenders in 2010 – 7 403, in 2011 – 8 193, in 2012 – 10 130, total number of contracts awarded: in 2010 - 15 596, in 2011 - 17 572, in 2012 - 20 945.

In recent years, public procurement legislation has experienced frequent changes due to various reasons. The Public Procurement Law was adopted in 2004. So far four main European Directives have been transposed - Directive 2004/17/EC: Directive 2004/18/EC: Directive 2007/66/EC and Directive 2009/81/EC. Besides, ​​certain amendments related to the specific characteristics of the national market and the procurement process were made in order to simplify the rules, facilitate practical implementation, etc. Development of the public procurement legislation in recent years and the practical observations on the contracting authorities’ activity, incl. recommendations made by the European Commission, outline the following general areas of concern:

* misunderstanding and misapplication of the public procurement law by contracting authorities, leading to the establishment of diverse practices;
* insufficient administrative capacity - insufficient number of contracting authorities’ personnel at all levels, assessed against workload; lack of consistency (staff turnover) due to frequent staff shifts; low pay; the complexity of the matter; lack of qualified enough experts, mainly due to lack of quality training.

An integral part of the policy to achieve effective public administration is the process of drafting and approval of the Public Administration Reform Strategy, which identifies four priorities in the sector - orientation towards the needs of citizens and business; achieving efficiency; management, motivation and professional development of human resources; creation of flexible and transparent institutional environment.

What is observed are fragmented **administrative structures**, which makes the coordination and implementation of sectorial and horizontal policies difficult and requires optimization of structures, also based on the functional analyses carried out in 2007-2013. Within the Operational Programme "Administrative Capacity" functional analyses of 131 municipal administrations and 26 central ones, most of which are executive agencies and commissions, have been performed or are currently underway. A functional analysis of one regional administration has been made, given the fact that these types of administrations have similar functions and operate under single organizational rules, i.e. the analysis results are applicable to all regional administrations. The performed Functional analyses have a significant effect for the optimization of the structure of administrations, for increasing their efficiency and avoiding duplication of functions. Last but not least, in this way opportunities are identified for outsourcing of some unusual for the administration functions to other public entities. Considering the fact that almost half of the municipalities in Bulgaria are covered by functional analyses, efforts should continue to cover all of them, and especially the central administration, with an emphasis on individual ministries. Bulgaria should increase the quality and efficiency of the activities intrinsic to the general administration (financial and economic, human resource management, etc.) by concentrating them at a higher administrative level and through introduction of shared services. Modern technology would further facilitate this process, which will save significant financial resources and will enhance the development primarily of the specialized activities of the institutions.

The **capacity at municipal level**, for attracting foreign investment in the country remains a fundamental problem. The process of strategic planning at local level is underdeveloped as well as the preparedness of the municipal administration to procure and manage projects and contracts. Risk management is also a challenge for the Bulgarian municipalities, including joint actions with public bodies and voluntary groups. Standardization of the municipal administrative services provided in terms of procedures, documentation and deadlines is missing[[134]](#footnote-134). The different practices hamper business and increase the administrative burden. The majority of the administrative services are provided by municipalities and who own a significant portion of the primary information records. Therefore strengthening their capacity and implementation of information technology in their work is essential to accelerate and facilitate the provision of administrative services. However, in recent years the number of electronically delivered services has been growing, but each of them is provided by a particular administration, through its own electronic platforms. In practice, the single gateway is not used as a single entry point to e-services.

A major challenge for Bulgaria remains the allocation of functions among the central, regional and local levels, as well as the reform of the central government **territorial units**, which employ the majority of civil servants. Several units of a single ministry operate on the territory of one region, which prevents coordination among units and makes it difficult for individuals and businesses to make use of the services. Currently, the updated Decentralisation Strategy 2006-2015 is being implemented, however the results are not tangible enough. Based on a Decree of the Council of Ministers of 31 July 2013, a Council for the Decentralization of the state governance is functioning as a permanent consultative body to the Council of Ministers which will coordinate the implementation of the Decentralisation Strategy.

There is a strong fragmentation in the strategic planning in Bulgaria: there are nearly 200 national strategic documents, some of which are not financially secured. This creates problems because it is difficult to achieve unity and coherence of the planned initiatives. On the other hand, there is no effective system for monitoring the implementation of policies, and evaluation of the impact of the implemented policies is carried out sporadically. The **programme budgeting** introduced has yet not given the expected results for efficient use of public funds. Targeted efforts are needed for the actual implementation of result-oriented state budget that requires cooperation between institutions. Planning and execution of the state budget should be based on clear programmes aimed at achieving concrete results.

Delegation of activities which are atypical for the state to private contractors, and strengthening the role of public funding as a leverage mechanism for private funding is part of a modern market economy with an effectively functioning public sector. The potential for development of PPPs is great, and Bulgaria has not yet fully taken advantage of this form of cooperation in the implementation of initiatives. The outsourcing of functions by the administration to the business has a significant potential, which can be used more widely and which could lead to a simultaneous reduction of the cost and increase in service quality.

Another important element in the functioning of an effective institutional environment in Bulgaria is the development of **civil society** to participate fully in the processes of preparation, implementation and evaluation of public policies. There is a downward trend in sustainability for the civil society structures[[135]](#footnote-135) in Bulgaria, poor organizational and financial capacity, and insufficient influence on the development and implementation of policies. Bulgaria has over 34,000 non-governmental organizations registered, with more than 9,000 of them registered as legal non-profit entities. In general, however, there are no effective mechanisms to influence the development and implementation of policies. Stakeholders’ participation is inextricably linked to **transparency in the administration.** What often happens, for example, is that no information is published by the primary sources to enable stakeholders to analyse it by themselves. This limits the opportunities for effective citizen monitoring and control of the administration. Quick measures are needed to open up information sources and provide access to structured information, for the collection and generation of which public funds were used ("open data").

Another area to be addressed is the consistent introduction of practices and tools for **quality management, self-evaluation models, and assessment of the administrative structures**, which will help to improve internal efficiency. In the coming years, the administrative structures, particularly those with control and regulatory functions, must improve their systems of quality management and self-assessment, as well as the risk management systems.

Along with the measures to optimize the administration and increase its transparency, it is necessary to take appropriate measures for implementation of best practices in **human resources management**. In 2012 new models of appraisal and payment of civil servants were adopted. A new Classifier of administrative positions was adopted in order to properly classify positions as the basis for fair remuneration and other policies on human resources management in the public administration. The inconsistencies in the classification of positions only by the hierarchy of state bodies and the place of the respective administrations within it were overcome. The appraisal of positions allows the classifier to establish corresponding levels of managerial and expert positions within the same job level. Thus experts are motivated to develop professionally without having necessarily to occupy a managerial position. In general, requirements for work experience and rank are reduced and better opportunities are created for both young people with less experience to apply for jobs in the public administration and for a faster career for already appointed officials. There is a clear trend for the overall age of employees to increase as younger employees are less than 10%. It is necessary to build a system for planning the needs for public officials in the administration, as well as to introduce more rapid and effective selection methods, so as to ensure the recruitment of the most suitable and qualified candidates. On the other hand, the mobility of employees should be encouraged, and become a component of the professional and career development.

Under the project "Development of the planning system and mobility in public administration" financed by the OP "Administrative Capacity", a Portal (Gateway) for civil servants’ mobility was created and a methodology for identifying key positions and tools for competency assessment were developed. Thus, a good basis for promoting mobility in the administration is created as well as for identifying key positions in the administration, including the introduction of a system of continuity that allows experts with rich experience to pass on their knowledge and skills to younger colleagues. In relation to this, coaching and mentoring programmes should be developed. Concerted efforts to enhance the expertise of the administrative staff by conducting specialized trainings focused on the development of key competencies, in leading European educational institutions as well, should continue. In Bulgaria there is a need to improve the working environment of the employees and model it after contemporary transnational companies and best practices in Member States. It should be noted that as of mid-2013 OPAC started the development of an integrated information system of the public administration, thus creating a single source of information integrating the Administrative register, the Information system for completing the reports on the state of the administration, the System of unified names of administrative services, the System for self-assessment of administrative services. The unified human resource management information system in the public administration is being improved. The final result of both initiatives will be the development and introduction of an integrated information system that will provide an opportunity to reflect the state of the administration in real time. The construction of such a system is essential to making appropriate management decisions regarding the implementation of the administrative reform policy.

The two leading public institutions for staff training and qualification in the administration and the judiciary are the Institute of Public Administration and the National Institute of Justice. Their contribution is not yet sufficient to turn the administration and the judicial system into an engine for modernization and rapid development of the country. Under OPAC support was envisaged to strengthen the capacity of the IPA, update basic training modules and develop modern training forms, but was not mobilized due to significant delays and problems in launching the project. Consequently efforts to modernize and strengthen the primary training institution of the Bulgarian administration should continue. For this reason, additional investment in resource availability and proving of the IPA and the NIJ as reform tools is needed. In addition, the Diplomatic Institute of the Ministry of Foreign Affairs and other public training structures could also play a stronger role.

The review and evaluation of the existing **administrative capacity to manage the funds** and the implementation of programmes and projects co-financed by the EU shows overcoming of the negatives of the late start of the first ever programming period for the implementation of the Structural Instruments - 2007 - 2013[[136]](#footnote-136). In this context, the key to the further development of the process is: improving the capacity of the units responsible for the implementation and management of the programmes and of the beneficiaries; clear planning and prioritization of investments; timely preparation and improving the quality of project proposals; simplifying application, evaluation, implementation and reporting procedures; minimizing irregularities in the execution of projects; reducing the number of controls; use of financial instruments; assisting beneficiaries in raising the necessary resources for costs pre-financing and ensuring own co-funding; overcoming the difficulties associated with the preparation and implementation of public procurement, etc.[[137]](#footnote-137)

Particular attention will be given to investment in certain sectors such as ICT and innovation where the last programming period reported low absorption. In this regard, a package of measures will be developed aimed at increasing the administrative capacity to gain experience in the field of state aid, development of investment models and new financial instruments, etc.

The dynamics of the indicators related to funds contracted and paid by year shows that in the last three years the financial implementation of the programmes has been steadily accelerating and by the end of December 2012 the majority of the funds for all operational programmes were contracted. The system for co-ordination and management of EU funds provides the necessary stability, predictability and transparency of the processes. This circumstance is recognised by the EU institutions and maintaining the established balance is required for the effective functioning of the coordination, management and control system in the next programming period.

**Quality of the judiciary system**

The quality of the judiciary should be identified as an essential element both in the implementation of human rights, and in creating a favourable business climate. As an EU member Bulgaria has taken a number of steps in order to adequately fulfil its commitments to the EU in the areas of Justice and Home Affairs[[138]](#footnote-138) and to reforming the judiciary. Bulgaria has achieved results in the implementation of this new legal and institutional framework. Independent inspections of courts and prosecutors' offices were carried out for the first time, recommendations for the management of courts and practices in the judiciary were made and a more energetic approach to disciplinary action was taken[[139]](#footnote-139). Bulgaria has achieved some of the targets set under the Strategy on the reform of the judicial system. However, further efforts to improve the accountability and efficiency of the judicial system, the human resource management in the system, and the introduction of e-justice are required.

In terms of **capacity**, the Bulgarian judicial system considerably evolved in the period 2007-2012 both structurally and in terms of coordination and follow up and agreement upon a consolidated framework for reform. A permanent governing body of the judiciary was established, namely the Supreme Judicial Court, which carries out personnel policy and ensures resource availability of the judiciary. Among the powers of the SJC is the human resource management of the judiciary, including the appointment, promotion, performance appraisal and distribution of staff working in the system. The SJC is also given disciplinary powers and therefore - the task of ensuring accountability and compliance with the ethical standards of the judiciary, and of ensuring compliance with the highest professional standards in the judiciary[[140]](#footnote-140).

In 2012, civil councils were created with the SJC and the Prosecution, which is the first step towards a more effective cooperation and openness to the public. Public, open and transparent procedures for the selection of judges at senior management positions were launched in order to verify their integrity and get better transparency in the judiciary.

A number of measures were taken to overcome the problem of the length of proceedings, which is directly related to the management of magistrates’ workload. Bulgaria reported a substantial improvement in the timely closure of cases, especially in the areas of civil and administrative law[[141]](#footnote-141). A major investment is needed to build tools for workload management that are relevant to the needs. However, the results of EU Justice Scoreboard[[142]](#footnote-142) indicate areas where Bulgaria performs worse than other member states, such as the training of judges, the availability of adequate statistics, and alternative dispute resolution methods.

As far as courts are concerned, in recent years there has been a clear trend of increasing their workload, the total number of cases for proceeding in 2012 was 837,000, compared to 677,410 cases in 2010 and only 594,633 in 2007. This trend further underlines the need to make investments to develop alternative ways to proceed and resolve cases - mediation and arbitration; preparation of an adequate human resources strategy in the judicial system; the introduction of measures to manage workload by optimizing the structure of the various judicial districts; development and implementation of time standards for measuring the time used on different types of cases, as well as determining the workload rate of magistrates.

Criminal prosecution proceedings are often too long. There is no effective legal remedy, it is necessary to improve the capacity for efficient pre-trial investigation[[143]](#footnote-143). In addition, currently there is some disparity in workload between Sofia courts and other courts in the country. This imbalance leads to serious delays in many courts, especially in the reasoning of judgements. In this connection what is needed is human resource policy to ensure a balance between system requirements and magistrates’ workload.

The quality, independence and efficiency of the judiciary system are important building blocks for sustainable growth and social stability and are essential for the effective implementation of the EU legislation. In practice, there is a need for investment in new measures for judicial reform directly related to economic growth and improving the business environment[[144]](#footnote-144). The judiciary faces the following challenges:

* lack of qualitative, aggregated and unified statistical information;
* need for additional capacity to formulate and implement policies in the judiciary, including adequate update of the judicial map of Bulgaria;
* lack of transparency and accountability of the judicial process[[145]](#footnote-145), including ineffective dialogue between the judiciary and the public, including based on clear communication strategy;
* lack of readily available and promoted alternative dispute resolution methods (mediation and arbitration), including the need to reduce the workload of specific courts;
* insufficient coordination in the phases of justice process, especially in the fight against organized crime and prevention and anti-corruption at the highest levels of power;
* lack of consistency and financial resources for the implementation of the Strategy on the management of human resources in the sector, including the number of staff by regions, functions and duties of judicial clerks, assistants and others who provide technical support to the magistrates;
* lack of e-justice, ensuring faster judicial process and information security.

In terms of **human resources**, continued investment is required to improve the professional development of judges with special focus on strengthening the capacity of the NIJ, so as to create opportunities for exchange of experience with other Member States and participating in cooperation networks and specific training in management for heads of courts and prosecutors. The main focus of the strategic development of judicial training should be linked to the development and improvement of technology and information systems relating to judicial "e-learning" as well as strengthening the training of trainers and the implementation of best European practices. Therefore, additional capacity is needed to manage projects co-financed by the EU and other funding sources.

In addition, it is required that the measures for improving the structural, procedural and organizational aspects of the judicial system should be accompanied by effective implementation of **e-justice**. In the period 2007-2013 several projects are implemented to improve the Integrated information system to combat crime and improve the quality of services provided to citizens and businesses covering the Prosecutor of the Republic of Bulgaria and the Ministry of Justice, but the concept of ‘e-justice’ needs to be built upon to expand access to justice, as well as an anti-corruption measure. It will be necessary to ensure the development and provision to the judicial system of a centralized modular information system in the field of civil and criminal proceedings. By introducing information technologies in judiciary, accountability and transparency will improve, the random distribution of cases and time limits will be optimized, and a higher level of coordination and harmonization of judicial practice will be ensured. Of course, information technology has an important contribution only as an integral part of the overall reform.

**E-governance and e-services for citizens and businesses**

**The Strategy for e-government in the Republic of Bulgaria** **2011-2015[[146]](#footnote-146)** is aimed at turning the fragmented and bureaucratic structure of the administration into an integrated, efficiently functioning system through the provision of modern high-quality public e-services for citizens and businesses. It sets out objectives and measures in accordance with several European strategic documents such as the Malmö Ministerial Declaration 2009, "Europe 2020" Strategy, the European e-Government Action Plan 2011-2015, the European Interoperability Strategy and European Interoperability Framework.

The development of **e-government,** however, has so far been made at a slower pace and the capacity to provide services electronically is still unsatisfactory. At the same time this is the main mechanism to enhance trust and satisfaction of the public towards the administration, to ensure transparency in its actions and objective tools for monitoring and control, including the prevention of fraud and corruption practices. Two of the 13 objectives of the Digital Agenda of Europe affect e-government and public services: 50% of citizens should be using e-government services by 2015 and at least half of them returning filled in forms; all key cross-border public services should be available online by 2015.

According to data from the Digital Agenda Scoreboard in 2012, 27% of the citizens in Bulgaria have used e-government services, which, compared with the previous year (25%) shows little progress and puts the country last but one among EU member states, before Italy. Despite the high percentage of usability of electronic business services (83% compared to the EU average 87%), under this indicator the country is ahead of only two member states - Spain and Romania.

In the programming period 2007-2013 results have been achieved in improving the legal framework for provision of administrative services electronically and provision of the mandatory minimum of office administrative services, including provision of access through official channels to 34 of the most frequently demanded public administration registers. The Central Administration Cloud is being built based on common international standards (such as SOA, SAML, UML, BPMN, JEE, etc.), including 70 services, as well as the Local Administration Cloud, including 50 major administrative services for local administration. A number of e-government portals have been created, including portals for democratic decision-making, for management of the process of communication with citizens, for coordinating the work of public administration and for management of information associated with cyber security. Accompanying trainings have been conducted.

In addition, work is being done on the legislation and the technical solution of the system of unified electronic identification of all Bulgarian citizens, including the development of a prototype of this system and the issuance of the first 5 000 certificates of e-identity.

In 2012 a Single electronic communications network of the public administration and for national security needs was created, which brings together the National Network of Public Administration - established, maintained and managed by the Council of Ministers administration and the Electronic communications network, hosted and managed by the Executive Agency "Electronic Communications Networks and Information Systems”. The Single electronic communications network of the public administration offers its users free compatible and complementary services. In 2012, 96 (17.08%) of the administrations are linked to the Single electronic communications network and 466 (82.92%) are not linked to it and use alternative ISPs.

In terms of e-procurement considerable progress has been made on e-publication, which is the first phase of the overall process of e-procurement. Since 2004, Bulgaria has a Public Procurement Register, which is maintained by the PPA. The register is an electronic database containing information about all announced contracts and the results of their award, including information on their implementation. Information contained in it is entered by electronic samples. For completing them specialized software “Forms Editor” has been developed. Contracting authorities have the opportunity to send documents for publication in the PPR electronically. Progress has been made with regard to the next stage of e-procurement: through the Public Procurement Portal Contracting authorities are able to provide electronic documentation, to exchange questions and answers with the tenderers electronically and publish clarifications of the documentation. Through the Public Procurement Portal the opportunity for a fully electronic form of communication between the tenderers and contracting authorities up to the stage of preparation and submission of the tender is provided.

Bulgaria plans by the end of 2016 to ensure the full introduction of electronic communication at the next stage of e-procurement as well - electronic submission of bids by the participants in the procedure. For this purpose a study of the best practices in Europe will be done and a model tailored to the national circumstances will be offered.

In a longer term, Bulgaria intends to implement all phases of e-procurement in a manner consistent with the accepted European practices, the recommended standards ensuring interoperability and information security and the requirement about equality of Bulgarian and European participants in the procurement process.

In this respect, attention should be paid to the lack of provision of hardware and software upgrade of the Public Procurement Portal and the Public Procurement Register, including information security, which carries a risk for the functional state of the system and makes it impossible to develop modern electronic forms, facilitating the procurement process.

This progress (especially in that part concerning provision of the mandatory minimum of the administrative services) creates conditions for the rapid introduction of OGDI (Open Public Data Initiative) with the proper legal regulation of this issue. The implementation of projects, given their complexity and the need for coordination, however, is slow, with insufficient administrative capacity and constantly changing environment, which further aggravates the process. Regardless of the technically developed mandatory minimum of the administrative services, in many cases users are still required to provide paper documents issued by other administrations, where the circumstances would be verifiable through official channels. Problems are caused by lack of sufficient technical capacity (infrastructure and communications) in MTITC to meet the growing number of users of the access tools through official channels to the information, the not fully digitalized data bases of various administrations, as well as the slow pace at which the structures of public administration join the services. The completion of the process of connecting all the structures in a single state communications infrastructure is essential for the development of e-governance. This will speed up the access to information and data transfer, which will lead to increased efficiency. The use of paper documents will be reduced.

So although the way for the introduction of OGDI is paved, the following major barriers in e-government remain:

* organizational problems - lack of clear and regulated status of the ICT professionals in the state administration, lack of a unified methodology for the implementation of ICT projects, lack and/or a high turnover of ICT personnel (especially skilled) in the state administration, lack of funding / underfunding for the implementation of training plans for ICT personnel in the civil service, and lack of administrative capacity to control the quality of the implemented projects;
* technical problems - incomplete set of implementation tools for the Central Administration Cloud and the Local Administration Cloud, and the electronic services realized there, lack of a functioning mechanism to implement the inter-institutional exchange of unstructured information, poor quality and incomplete process of digitalization of the main registers of the public administration as well as underfunding for building for the Central Administration Cloud and the Local Administration Cloud;
* structural problems - incomplete broadband network for the public administration and citizens to the tools of the e-government, unestablished front offices or desks to serve citizens (for example, in post offices, libraries, municipalities, depending on the opportunities in the local community) which are to provide electronic services in areas at risk of digital exclusion and population with predominantly low ICT culture, lack of a single system integrator of the electronic government in the public service;
* problems arising from the condition of the specialized state administration - total or partial lack of sectoral working patterns in virtually all structures of the state administration, lack of above-sector working patterns to ensure the implementation of the complex administrative services (e.g. e-finance (MF, MEE), e-health (MH, MLSP), e-security (Ministry of Interior, Ministry of Justice, Ministry of Defence, Ministry of Foreign Affairs), and e-education (Ministry of Education, Ministry of Economy, the Bulgarian Academy of Science, the CoM Administration, Ministry of Culture);
* problems associated with the rapid introduction of innovation - lack of research, prototyping and training for rapid deployment of industry-leading solutions in the areas of software engineering automation, Cloud and Grid technologies and systems for knowledge processing and geographic information systems.

**Territorial dimension of growth**

**Analysis of specific territorial characteristics**

The results of the survey of socio-economic development of the 2nd level regions show that they are stable territorial structures with low inter-regional disparities - from 12% to 15% variation coefficient. The greatest impact on the differences has the significantly poorer evaluation of Severozapaden region. Best developed is Yugozapaden region (with summary assessment of 68.1% in 2010), which is competitive compared to the other European regions. Second is the Severoiztochen region (57.6%), which stands out as a second centre of development in the country. Yugoiztochen and the other three regions (Yuzhen Tsentralen, Severen Tsentralen and Severozapaden) follow behind: Severozapaden region being the one with the lowest performance score of 45.6%.

All analysed territorial units are divided into three groups: developed - with a level of summary assessment above the national average, moderately developed - a summary score about the national average, underdeveloped - with summary score significantly below average.

In Severozapaden region, moderately developed, with almost identical summary assessments are the districts of Pleven and Vratsa. Apart from them in the second group, with a score slightly above the critical comes Lovech. In the third group are Montana and Vidin - with relatively low scores. Regional differentiation within the region is very low - a variation coefficient of 8.5%. This is the only region that does not have a leading district in the first group.

Severen Tsentralen region comprises Ruse – a developed district with assessment above the average, two districts in the second group and two in the third. Moderately developed are Gabrovo and Veliko Tarnovo. Underdeveloped are Silistra and especially Razgrad - the district with the lowest summary evaluation. The variation coefficient for assessing the regional differences has a value of 16.7%.

Severoiztochen region has a summary score slightly better than the average. This is mainly due to the district of Varna. In the second group is Dobrich while in the third are the considerably lagging behind districts of Targovishte and Shumen. The inter-differentiation coefficient is equal to 21.0%.

Yugoiztochen region comprises two clearly defined poles - Burgas and Stara Zagora - developed districts within the first group. Between them are Sliven and Yambol - underdeveloped districts of the third group. The variation coefficient is equal to 19.5%.

Yuzhen Tsentralen region comprises a developed district - the District of Plovdiv. In the second group, with a score less than the critical is Kardzhali. In the third group fall Haskovo, as well as Pazardjik and Smolyan - with significantly lower scores. Regional differences are estimated to be 12.9%.

Yugozapaden region consists of Sofia-city – a district of the first group; the districts of Sofia, Blagoevgrad and Pernik – form the second group and Kyustendil – from the third group. The inter-regional variation coefficient has the relatively highest value - 25.5%.

During the reported period at the top of the list of districts ranked by level of socio-economic development is Sofia, followed by Varna, Burgas, Plovdiv. At the bottom of the list are invariably Montana, Vidin and Razgrad. There are also some shifts. The most significant are: towards improvement- Stara Zagora, Ruse, Dobrich, Silistra; towards deterioration- Veliko Tarnovo, Gabrovo, Shumen, Pazardjik, Yambol.

The development of model scenarios for spatial development in the National Spatial Development Concept 2013-2025 takes into consideration also the conclusions of the "Socio-economic analysis of the needs of the Operational Programme Regional Development 2014-2020", which explores the development of settlements and administrative units of different ranks and specifies two existing models of regional development - monocentric, with strong disparities between centre and periphery and bipolar. The first one can be seen at the national level, with the leading role of Yugozapaden region, at the regional level it is manifested in three regions of Level 2 - Yuzhen Tsentralen, Severen Tsentralen and Severoiztochen. At district level it is manifested by concentration of population, activities and investments in the central municipality where the district centre is located. The bipolar model at national level can be observed in the development of the two poles - Sofia and Varna, at regional level - in the development of the districts of Burgas and Stara Zagora in Yugoiztochen region from level 2. At district level there is prominent bipolarity in the districts of Kyustendil, Lovech, St. Zagora and Gabrovo.

**Urban development**

The analysis for the OPRD 2014-2020 identifies processes of agglomeration disintegration in the country, where typical agglomeration formations are only the agglomerations of Sofia, Varna, Burgas and Plovdiv. Agglomeration disintegration processes affect, to varying degrees, mainly mid-sized urban district centres. Agglomeration processes are replaced by the formation of a network of urban centres, where the cities are the engines of the economy and the main service centres in the country. At national level, the capital of Sofia has the leading socio-economic functions and only Varna can be recognized as the single counter-balance. At regional level, different patterns of urban development are established - polycentric and monocentric models with distinct urban centre. For Bulgaria differences between the regions in the country are not that characteristic as interregional differences in other regions in the EU. There is a tendency to manifest monocentrism regarding the capital city of Sofia and the largest cities in the country. Against this trend, several models of polycentric development have been observed, demonstrating the balancing effect of the secondary supporting centres and they can be replicated in order to achieve sustainable and balanced growth in the Bulgarian regions. This effect is observed with respect to the recent development of Varna as a counter balance of Sofia. Following at regional level at the level 2, after this model is being developed the Severozapaden region (Vratsa - Pleven) and Yugoiztochen region (Burgas - Stara Zagora). Examples at district level are Kyustendil - Dupnitsa, Lovech – Troyan, Stara Zagora - Kazanlak, Gabrovo - Sevlievo and others. [[147]](#footnote-147)

Therefore, it is necessary to support urban centres of national and regional importance in order to develop alternative centres of growth and development towards moderate polycentrism. Policy is formulated in accordance with the adopted National Spatial Development Concept for 2013-2025, which outlines a "moderate polycentric" model for spatial development and identifies cities to be supported for sustainable urban development under OPRD 2014-2020. The main objective is to stimulate the urban centres as key drivers of growth and achieve a model of polycentric development at national and regional level. Important in the selection of cities is the presence of a town counter-balancing the district centre in order to develop a polycentric model at lower territorial level.

The cities are playing an important role as a driving force of the economy, but at the same time they are the places where social problems are much more concentrated, such as unemployment, segregation, poverty, environmental challenges. This has been recognised in the Territorial Agenda Europe 2020 and Europe 2020[[148]](#footnote-148) Strategy which render necessary to allocate a considerable resource to the cities’ integrated regeneration and sustainable inclusive development.

The hierarchy of urban centres according to the adopted national classification[[149]](#footnote-149) includes four main hierarchical levels:

* **1-st level** – the capital of Sofia, a centre of European importance and "driver" of the economy with the greatest share in GDP amounting to 37%.
* **2-nd level** – the big cities, centres of national importance for the regions: Plovdiv, Varna, Burgas, Ruse, Pleven, Stara Zagora, Veliko Tarnovo and Blagoevgrad with share in GDP amounting to 20%. They are located evenly throughout the country. The key role of the cities – counter balances of the capital is the foundation of the regional development policy.
* **3-rd level** - medium cities, centres of regional importance for the territory – 30. Their main function is to be economic and service core, negatively affected by the crisis and requires support. They concentrate around 10% of GDP and therefore have a regional scope of influence.
* **4-th level** - small towns of micro-regional importance for the territory of a group of municipalities (counties) - 90. In towns from this level measures are needed to support the gap in socio-economic development and living standards. They have important service functions including for the neighbouring small municipalities. As support centres they will lead to the creation of conditions for more balanced regional distribution of social services and new opportunities for investment. Some of them are peripheral centres or deliver serves to remote and border areas where there is no close centre at a higher level.

The urban centres from level 1 to 3, and 28 towns from the 4th level with a trend and potential for promotion to a higher hierarchical level[[150]](#footnote-150) are essential for achieving investment focus and concentration effects, which is determined by the following characteristics:

* 82.3% of the urban population and 58.9% of the total population of Bulgaria live in these cities. The share of the working-age population (15-64) is higher (72%) compared to that of all the cities in Bulgaria (71.4%) and the country average (68.5%). The share of population over working-age (over 65) in the 67 cities is also favourable - 14.1% against 14.6% for all cities in Bulgaria and 17.7% average for the country. In these cities live two-thirds of all members of the Roma ethnic group living in urban areas and 36.1% of all Roma population in the country.
* The educational structure of the population is favourable, nearly 60% have a high educational level (secondary and tertiary education) and the share of university graduates is over 25%. In there are concentrated universities (100%) and public educational facilities, 38.5% of the schools and 38.6% of the kindergartens, as well as R&D infrastructure and innovative enterprises. The poor state of infrastructure determines the need of substantial investments.
* Urban areas have concentrated cultural infrastructure - 65% of the museums, 84.4% of the galleries, 100% of the theatres and institutes for music and dance, 84.1% of the regional and municipal libraries and 14% of the cultural centres whose development and maintenance is important for improving the quality of life of the population.
* The development of the communications and the digital society at a rapid rate is typical for cities - 50.6% of households in major cities use broadband, 42.5% - in medium cities.
* The condition of the technical infrastructure networks and the public works does not adequately meet the needs and impedes the normal functioning of cities. There is almost 100% completed water supply network and over 80% of the sewerage system in the cities, but in most cases they are outdated.
* The poor condition of the physical environment and the public works in cities in many cases reduces their attractiveness for investment and development. The physical environment and buildings are depreciated. There is a concentration of residential buildings with low energy efficiency and structural problems. The opportunities for sport, leisure and recreation are insufficient. Public works (roads, walkways, landscaping, and bicycle lanes) is one of the weaknesses of the settlements.
* The sports infrastructure in the country is concentrated in urban centres. Much of the facilities and equipment are old and outdated and do not meet modern standards. Furthermore, these facilities lack accessible environment for people with disabilities. Almost 90% of the sports infrastructure sites are managed by municipalities.
* Urban development, leading to a growth of urban trips in larger agglomerations in combination with the low quality of transport services is causing serious problems, such as increased use of cars, congestion and adverse environmental impacts. For these reasons, the development of sustainable urban transport systems, environmentally friendly and serving functional links with neighbouring settlements is essential.
* The main environmental problems relate to air pollution and noise pollution.
* In many cities there are derelict industrial areas with potential for development that require modernization and restructuring.

These data show that cities from 1st to 3rd level and the 28 towns of the 4th level with the potential to move into a higher level, represent the area of the country with the highest growth potential and the ability to draw the surrounding territory. At the same time, because of the unfavourable demographic trends and economic development of the country in recent years, the population in most of these cities is constantly decreasing and serious social and environmental problems are accumulated which impedes them to act as engines of growth.

The integrated plans for urban regeneration and development will play an important role in improving the urban environment in selected cities in the period 2014-2020, particularly with regard the access to EU funds.

**Rural Areas**

Since 2000 with the beginning of the implementation of the SAPARD Program there is a legal definition of “rural areas” set in the Law for Support of Agriculture Producers; the definition is used for the purposes of implementing the rural development policy. The definition plays a key role in determining the implementation scope of some of the EAFRD measures in view of achieving complementarity and synergy with the interventions from rest of the ESI funds and especially the ones financed under ERDF.

In the period 2007-2013 for the purposes of Bulgarian RDP 2007-2013 the definition of rural areas identified as such all municipalities (LAU 1) which had no settlement above 30000 people. This corresponded to 231 municipalities out of 264 total in Bulgaria. According to NSI data they cover 90 227 km2 (81% of total territory), 2 903 101 people (39% of population) and 4 128 settlements (78% of all settlements[[151]](#footnote-151)). Rural areas are situated relatively evenly throughout the country.

**Population density**[[152]](#footnote-152) of the rural areas is 32.1 people/km2 and is twice lower than the average for the country (66.4 people/km2). RDP 2007-2013 data shows that in 2004 the population density was 35.8 people/km2, a decrease from Population Census in 2001 – 37.4 people/km2. Negative demographic processes are more acute in the rural areas and cause worse age and education structure of rural population. The share of population in working age (15-64 y.o.) was 58.5% compared to 64.5% in urban areas.

Regarding the **education structure,** the share of population with tertiary (8.8%), or secondary education (36.5%) in the rural areas is significantly lower than in the urban areas: 24.5% и 43.3% respectively.

The major part of the labour force (population ≥15 y.o.) is concentrated in the urban areas (60%). The economic activity of the labour force is 45.7% in the rural areas and 56.4% in the urban areas. The share of unemployed out of the labour force is 9.2% in the rural areas compared to 6.8% in urban areas.

According to EUROSTAT data in 2011 on predominantly rural areas[[153]](#footnote-153) of Bulgaria, youth (15-24 y.o.) unemployment reached 30.1% compared to the average 27.9% for Bulgaria and 22.7% for the EU-27.

EUROSTAT data indicates that in 2012 that the tertiary sector had the leading importance in economy structure in 2012 when it generated 63.2% of GVA and provided 54.8% of employment. The biggest GVA share is produced in the predominantly urban areas (40.2%) and the biggest employment share is generated in the intermediate areas (42.2%).

**Table 6. Economy structure per major sectors and types of regions in 2012 [[154]](#footnote-154)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Total** | **Primary sector** | **Secondary sector** | **Tertiary sector** | **Predominantly rural** | **Intermediate** | **Predominantly urban** |
| **GVA** | € 34 074  Mln. | 6.4% | 30,4% | 63.2% | 24.5% \* | 35.4% \* | 40.2%\* |
| **Employment** | 3.282 Mln. employed | 19.4% | 25.7% | 54.8% | 33.0%\*\* | 42.2%\*\* | 24.8%\*\* |
| **Labour productivity** | € 10 382.4 /employed | € 3 417.6 /employed | € 12 253.6 /employed | € 11973.1 /employed | € 6 135.2 /employed | € 6 828.3 /employed | € 12 707.4 /employment |

\* Data for 2010

\*\* Data for 2009

Predominantly rural areas are obviously lagging behind in labour productivity and adding value; they provide jobs to 33% of the employed but generate under 25% of the GVA. This, together with the higher unemployment rates explains:

* The lower purchasing power of the rural population at 27.8% (EU27 = 100), at an average for the country 46%[[155]](#footnote-155);
* The higher poverty rates in the rural areas 57.7% compared to 49.1% on the average for Bulgaria[[156]](#footnote-156).

Information from the NAMRB revealed that local authorities are responsible for the provision of 2/3 of overall public services The municipal budgets finance the operations of 88% of schools; 95% of kindergartens; 100% the nurseries and the health points; 87% of the social services; 100% of the services associated with home-based social patronage; 100% of public cleaning and hygiene services, street upkeep, street lightning, water provision and sewerage, parks and green areas; upkeep and repair of 63% of all country roads network, etc.

The local authorities in the rural areas[[157]](#footnote-157) of Bulgaria:

* Manage 16 089 km of local road network, 30907 km. of streets and 12540 km of other – mainly dirt roads (i.e. servicing the forestry and agriculture). Of them, only 1000 km. municipal roads and 700 km. streets were rehabilitated in the 2007-2013 period.
* Are owners and responsible for the operations of 40246 km. of water supply pipe network (22 938 km of it is located in the villages) and for the functioning of 5614 km of sewage network (of them 1134 km. are in the villages). Only 5% of the water supply pipe network and approximately 20% of the sewage network had been rehabilitated in the current programming period;
* Are responsible for the schools of the rural areas which are 1497. More than 70% of the rural schools have not been renovated in the last 10 years; under 10% of the rural schools have been renovated with the support of Regional Development Programme 2007-2013.
* Are responsible for the upkeep of more than 4920 buildings and public amenities of local culture importance (community centres, museums, theatres, libraries, etc.). They provide the cultural events of the local communities. Barely 4% of them were rehabilitated under RDP 2007-2013;
* Are responsible for the functioning of 2450 sports facilities (local stadiums, sport halls, playgrounds). Less than 6% of them were covered under RDP 2007-2013;

Just 20% of the rural settlements have access to broadband internet; however, such access has 60% of the rural population because it is concentrated in the municipal centres.

Because of inadequate state financing of local budgets, the economic crisis and the policies for wide-scale layoffs in the areas of education and health, accompanied with limited EU funds (compared to the needs) in the rural areas is observed outflow and an accelerated concentration of major public services in the municipal centres; however, even their maintenance is problematic as:

* In the period 2007-2013 more than 200 village schools were closed;
* 500 settlements of 40 municipalities are currently not serviced by a doctor – general practitioner;
* Scarce financing and bad infrastructure leave without regular daily public transport more than 760 settlements of 92 municipalities;
* No drinking water or with common restriction of drinking water provision are almost 350 settlements from 73 municipalities;
* Almost 650 rural settlements do not have shops for foodstuffs and pharmacies.

The municipalities own 37% of the state agriculture lands, 9% of the forest areas and the majority of the still existing hydro-melioration infrastructure of the rural areas. The Law on irrigation associations gave the premises to transfer to municipality ownership 2257 small reservoirs which had been built in the past by the state agriculture cooperatives. At present 261municipaltiies own such reservoirs, and their number varies from 2 to 30 per municipal territory. The municipalities are interested in the rehabilitation of their reservoirs as the major part of them need solid rehabilitation works, including for purposes associated with safety – to prevent disaster floods like the one in the Biser village, Harmanli municipality. The management of these assets to the best interests of the local development explain the leading role of the municipalities and their active participation in RDP’s measures allowing the preservation of the natural resources.

The above explains the exceptionally high rate of participation of the local authorities of rural areas in the aid schemes provided by the RDP 2007-2013, and, respectively - the large number of approved municipal projects. The projects, however, comprise only 25% of the rural population and some 20% of the rural settlements (according to the RDP 2007-2013 territorial scope of rural areas).

According to data from EC financed study**[[158]](#footnote-158)** Bulgaria has very good coverage of access to standard broadband internet – both in view of the fixed and wireless networks.

**Table 7. Coverage of the access at combined mix of technologies[[159]](#footnote-159)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Total standard access** | **Total NGA** | **Total HSPA** | **Rural areas – standard access** | **Rural areas - NGA** | **Rural areas - HSPA** |
| **Bulgaria** | 91.5% | 71.4% | 98.0% | 32.8% | 7.8% | 88.3% |

The country lags significantly behind the average access to standard broadband internet in the EU as well as regarding the coverage with the next generation of access – NGA mainly in the predominantly rural areas[[160]](#footnote-160).

NSI data on internet use in 2012 indicates that it is lower among the elderly (25.9% of population 55-64 and 8.2% of population 65-74 y.o.), the unemployed (35.1%), and the economically inactive[[161]](#footnote-161) (14.1%). This means that the use of internet is lower than the average in the country not only because the coverage of broadband internet access is lower, but also because of economic reasons - the lower purchasing power, the lack of computer skills and lower rate of command of foreign languages – a premise for higher use of internet as well as for upgrading and upkeep of PCs using software with interface based on foreign languages.

Worse infrastructure, insufficient level of security on private property, and harder access to quality education and health, low mobility and lower levels of access and use of internet all contribute to low quality of life in the rural areas and put them into hard to reverse downward spiral of socio-economic degradation.

The effective implementation of RDP 2007-2013 was supported by the application of the Leader Approach – being an instrument for decentralized governance and integrated local development of the rural areas. The focus of the measures in the period was put on the creation of local capacity for the implementation of the LEADER Approach, and the improvement of local territorial governance via local development strategies to be elaborated and implemented by Local Action Groups. This was the first effective attempt and method for targeted policy in the creation of capacity and implementation of financial instruments locally - in the rural territories. After 50 years of applying strongly centralized government policies in the country, the implementation of the LEADER Approach boosted the interests, the needs and the abilities of the local communities to formulate and implement integrated approaches for development of the rural territories. One of the first RDP measures which was launched in 2008 was the measure for acquiring skills and enforcing the local communities, to create potential for establishment of local action groups and local strategies for integrated development[[162]](#footnote-162). By end 2011, more than 90 preparatory projects (out of 124 proposals) were carried out (covering 181 municipalities and 78% of rural communities.), aiming to inform local people and to enhance the capacity for the potential establishment of LAGs. The share of rural municipalities supported by the Leader approach is 60% of the total number of municipalities in rural areas in Bulgaria.

The preparation for LEADER implementation was finalized with the approval of 35 LAGs to administer the implementation of local development strategies on the territories of 57 municipalities (25% of all) which included 1112 settlements of combined territory close to 25 800 km2 where some 801 688[[163]](#footnote-163) people were living. Established LAGs are acting on territorial principle in the scope of the rural areas. Eighteen LAGs are acting on the territory of one municipality, 12 LAGs are covering the territory of two municipalities, 4 LAGs cover three municipalities and 1 LAGs – four municipalities. The municipality of Berkovitsa participates in 2 LAGs – (LAG Berkovitsa - Godech), as well as in a LAG comprising 4 municipalities (LAG Western Stara Planina – Kopren, Midjur). The 35 LAGs jointly cover almost 23% of country territory, 29% of the territory of the rural areas, 27.6% of rural population and 10.9 % of country population according to NSI data from 2011 Population Census. It should be noted the high interest to participate in the LEADER Approach from the rural municipalities which participated in the LEADER preparatory measure; a total of 141 rural municipalities actually applied for recognition of respective LAGs to implement intended local development strategies; this corresponded to coverage of 61% of country’s territory. It is also noteworthy that during the 2008-2013 implementation of the LDS by the recognized LAGs, a total of 21 proposals were submitted for support by the RDP by 16 LAGs for internal and external cooperation.

The analysis of the situation in rural areas reveals worsening socio-economic characteristics, especially when compared to the urban regions. The number of population and the population density is decreasing, the demographic structure per age and education levels is deteriorating, the rate of economic activity decreases as well as the employment rates; the levels of the youth unemployment remain significantly higher than the average in the EU. The economy of the rural areas is of lower diversification – prevailing are the enterprises in the sectors of agriculture and to a lesser degree in forestry and processing industry, which indicates that the employment is mainly seasonal. Labour productivity is low, as well as the added value to the primary materials. This is resulting in lower rates of purchasing power in the rural areas and higher levels of poverty compared to the country average. In view of limited demand, the growth potential for the tertiary sector of the economy is very limited.

Rural areas of Bulgaria have average levels of already built main and small infrastructure; the condition of the assets, however, is unsatisfactory due to the lacking planning and upkeep of this infrastructure. These bad conditions limit the possibilities to keep competitive to the urban regions levels of the local quality of life, and of the provided public services. The level of using the internet and ICT-based solutions is quite underdeveloped from the potential, and this causes lost potential benefits and failure to realize economic advantages as well as lower quality of life in the rural areas.

The analysis on LEADER implementation indicates the existence of capacity and attempt to revive of the local communities by implementing local development strategies on the rural territories. The efforts of 35 LAGs have produced operational local expertise, teams and offices which can support the revival processes within the communities towards the activation of various entrepreneurial activities and generation of employment opportunities, the sustainable use of resources and the development potential on the territories. The created capacity and the accrued experience should be supported in the years to come so that real progress via practical actions and investments in the development of the territories is achieved.

**Fishery Areas**

At present there is still no national set of criteria to identify the geographic location and scope of the fishery areas. The criteria should consider the regional number of the employed in the sector, the capacity to develop aquaculture – measured in terms of areas potentially suitable for aquaculture, as well as the number of the landings per ports, landing sites and shelters within the borders of particular settlements.

It is logically expected that the greater part of the identified fishery areas should be located within the rural areas as identified for the purposes of the present RDP 2007-2013. This means that the fishery areas shall suffer from the same socio-economic problems inherent to the rural areas, e.g. low population density, high average age of the population, low level of educational attainment, low economic activity and low purchasing power, low degree of diversification of the local economy, etc.

It is possible that the part of the fishery areas will have additional problems caused by their periphery location (near country borders), and/or because of belonging to isolated regions (e.g. semi-mountainous, mountainous regions)

The EFF supports local development in this programming period 2007-2013. Six FLAGs had been created and operate under Priority Axis 4 “Sustainable development of the fishery areas” of OP Fishery (2007-2013). The FLAGs cover the territories of 17 municipalities, most of which belong to the rural areas of the country. FLAGs cover a total territory of 4053 km2 and a population of 104467 people.

Due to the late start of local strategy implementation, and the lack of administrative capacity within the LAGs, very few project proposals had been submitted by end 2012. Despite this, if the lessons learnt in this programming period are used for guaranteeing the selection of quality local development strategies, which meet the needs of the local communities, the implementation of the CLLD in the fishery areas will be contributing to the improvement of the economic and social environment of the local communities.

**Territories of tourism potential**

Tourism development is considered as significant untapped potential of Bulgarian regions and as instrument for achieving one of the main goals of the Danube Strategy. There are over 40 thousand monuments of immovable cultural heritage registered in the country. The World Heritage List of UNESCO includes 9 sites. In consideration should be taken also the rich natural heritage of over 600 mineral water sources, the rich biodiversity (including 3 national parks and 11 natural ones) and 160 monasteries, more than 330 museums and galleries, the rich tradition of festivals and holidays, the preserved ethnographic heritage, the cuisine and quality wines, etc. The country has 142 resorts officially recognized, of which 58 spa, 56 mountain air and 28 sea resorts[[164]](#footnote-164).

Despite the natural resources and the cultural and historical heritage, the contribution of the tourism industry in the country is under the EU-27 average (5% of GDP and 5.2% of employment and indirect - 10% of GDP and 12% of employment) [[165]](#footnote-165). In 2011, tourism in Bulgaria contributed directly to 3.6% of GDP and 3.3% of employment (101 thousand jobs) and its indirect effects are evaluated respectively at - 12.9% of GDP and 11 8% of employment (364 thousand jobs)[[166]](#footnote-166). Currently, the national tourist product is dominated by mass tourism (sea and mountain/ski), where it is necessary to overcome the adverse effects of tourism expansion. Tourist inflow in Bulgaria is characterized with highly territorial, seasonal and product mono-structure, where 70% of the activities are concentrated in less than 5% of the national territory.

The National Strategy for Sustainable Tourism Development provides for:

* Increasing the share of specialised types of tourism - development and establishment of new tourism products (cultural, historical, spa - spa and wellness, eco and rural tourism, religious, congress, adventure, golf, yachting);
* Greater involvement in tourism supply of comprehensive, attractive and economically viable regional tourist products and destinations in the inland.

Despite the growing interest in alternative (specialised) types of tourism, local communities cannot benefit from the advantages. The main barriers are:

* Lack of good infrastructure to provide these types of tourism –75% of the tourist infrastructure is concentrated in seven areas (covering 8-10% of the country);
* Lack of quality information inside and outside the country - Bulgaria still has no specific and recognizable style to define its attractiveness from an outside perspective; insufficient strategic approach is applied to Bulgaria’s specialisation in certain types of tourism where the country has a strong competitive advantage (cultural monuments, caves, mineral water, etc.).

Based on the threshold criteria[[167]](#footnote-167) (over 100 thousand overnights) and based on 2009 data it may be indicated that there are only 20 municipalities in Bulgaria that could actually be identified as tourist developed - Velingrad, Burgas, Chepelare, Sandanski, Pomorie, Stara Zagora, Hisar, Smolyan, Ruse, Veliko Tarnovo, Pavel Banya, Sozopol, Primorsko, Samokov, Bansko, Plovdiv, Nessebar, Varna, Sofia Capital Municipality and Balchik.

Concentration of resources and targeted actions will be achieved through a limited number of pre-defined cultural and natural attractions of national and international significance and religious sites with the potential to attract tourist interest located throughout the country, which does not depend on the urban-rural distinction areas.

### Analysis of strengths, weaknesses, opportunities and threats by key factors for the development of Bulgaria (SWOT analysis)

|  |  |
| --- | --- |
| **Strengths** | **Weaknesses** |
| * Relatively stable macroeconomic environment * Comparatively low direct taxes * Biodiversity, conserved natural areas, including a high percentage of agricultural land with high natural value and rich cultural heritage * Developed sea and winter tourism and traditions in tourism * Favourable conditions for agriculture and tourism * Comparatively good level of density of technical and social infrastructure * Favourable conditions for the development of renewable energy for own purposes (domestic and industrial) * Developed economy in the country capital * Even distribution of medium-sized cities in the country's territory * Presence of basis for e-governance * Comparative advantages in the production of vegetables, some fruits, essential oil crops, viticulture and sheep breeding; preserved traditional varieties and domestic breeds of animals * Population and communities in rural areas with experience and traditions in agriculture * High degree of completeness of hydro-meliorative infrastructure * Availability of research and development and educational potential in the field of agriculture and forestry * Sustaining and preservation of cultural traditions and institutions (community centres) that retain the activity and identity of local communities * Traditions in the creation and cultivation of forests, logging and forest industry * Favourable conditions for aquaculture, including biological, and traditions in the production and processing of fish and fish products | * Unfavourable demographic trends * Remoteness of the country in terms of connectivity to the EU market * Comparatively unattractive administrative environment and judicial system, incl. in terms of share of shadow economy and corruption * Uncompleted reforms in the water, healthcare, education, judiciary and public administration sectors * Unqualified or inadequately qualified workforce for the needs of the business * High level of unemployment and low economic activity * Low resource efficiency in SMEs, public sector and households * Difficult access to finance for SMEs * Increasing disparities between Sofia-city and the other regions * Delay of the actual bringing into operation of e-governance * Poor health of the population and high risk of poverty and social exclusion * Low efficiency of public spending in healthcare, education and R&D sectors * Innovation deficiency * Insufficient dissemination of information technologies, especially in rural areas * Insufficient internal financial resources for investment in environmental protection, adaptation to climate change and resource efficiency * Unsatisfactory condition and maintenance of the existing infrastructure (transport, water, ICT, healthcare, education, etc.) * Imbalanced development of the subsectors in agriculture * Low adaptation of the existing irrigation systems to new conditions for land uses * The rural economy is heavily dependent on agriculture (not diversified) * Lack of a functioning working network for cooperation between rural communities * Inappropriate treatment of soil and water: pollution, disturbed water balance, etc. * Insufficient integration in municipal and regional strategies of targeted policies for protected areas and ensuring their relation to the Natura 2000 network * The fishing fleet is outdated, inefficient and unsuitable for the conservation of fishery resources and marine ecosystems; the outdated fishing infrastructure * Low degree of mechanization, automation and working conditions in aquaculture sector |
| **Opportunities** | **Threats** |
| * Increase of the investment in high value added productions * Development of modern R&D infrastructure and establishing centres of excellence in key areas of the economy * Quick penetration of ICT in all sectors of the economy * Growing market for ICT services * Improving broadband network, improving access to Internet-based services and e-governance of public services, including social, healthcare and economic services * Common energy policy of the European Union * Interest in the country as a tourist destination for alternative tourism * Opportunities to introduce new crops in agriculture and species with high value added in aquaculture * Exploiting the potential of cities for development of the regions * Diversification of the rural economy by promoting entrepreneurship and foreign investment; opportunities for development of tourism in the rural areas and forests * Increasing consumer demand for food products with guaranteed quality and origin and for organic products * Development of ecosystem services * Restructuring and balancing fishing capacity towards fishing opportunities and modernization of the fleet * Diversification of cultivated species, introduction of aquaculture species with high foreign market value; growing new organisms for industries other than the food industry | * Continuing effects of the global financial and economic crisis, especially increase of food prices (due to climate change and fuel prices) and effects on poverty * Enhanced competition from other countries and regions in the field of ICT services * Deepening the negative demographic processes and immigration as a challenge to the sustainability of public finances * Depopulation of large parts of the country * Risks caused by climate change, incl. serious damages from natural disasters and accidents due to not maintained infrastructure; presence of a large number of unaddressed natural risks such as landslides * Loss of multifunctionality of soils caused by water and wind erosion; reduction of the humus layer of the soil; monoculture production model; lack of crop rotation, salinization, acidification and mechanical destruction of soil * Increase of the import of fish and fishery products from third countries |

### STRATEGIC PRIORITIES FOR FUNDING FROM THE ESIF

The Common Strategic Framework EU Cohesion policy for the 2014-2020 period provides a single source of guidance for all five European funds (ERDF, ESF, Cohesion funds, EAFRD and EMFF). In compliance with the partnership principle, the national, regional and local authorities used this reference framework as basis for the preparation of the Partnership Agreement’s strategy, with commitment to achievement of common European targets of the Europe 2020 Strategy[[168]](#footnote-168) and the EU Strategy for the Danube Region. Some of new moments of EU Cohesion Policy, which are closely related to PA strategy, are as follows:

* Cohesion Policy will continue to operate as a solidarity instrument, as well as a key instrument for improving the overall competitiveness of the EU and meeting social, economic and environmental challenges. In accordance with this, the ESIF will focus on 11 common thematic objectives[[169]](#footnote-169).
* Cohesion Policy will also become a key instrument for conducting reforms, as the effective spending of financial resources is tied with the so-called ex-ante conditionalities.
* Support[[170]](#footnote-170) should focus on a limited number of funding priorities in accordance with specific national and regional development needs and contributing to the achievement of national targets in accordance with the Europe 2020 Strategy.
* The funding capacity of the EU is limited as compared to needs. With regard to this, the effective and efficient use of EU funds, national resources, funding or loans from the IFIs, as well as the mobilization of other capital, including private funding, will be crucial for achieving sustainable impact.
* Stronger emphasis will be placed on achieving concrete results of planned interventions defined by SMART indicators with clear targets.
* Based on the 2009 Barca Report, the Fifth Cohesion Report and art. 174 of the Treaty on the Functioning of the EU, the special emphasis on the place-based approach in development policies is an explicit requirement of the new Cohesion Policy. The goal is maximum mobilization of internal potential for the purposes of regional, municipal and specific areas’ development.
* The CSF assist the sectorial and territorial coordination of ESIF support and of other European policies and instruments with the aim of achieving the EU targets of smart, sustainable and inclusive growth in view of territorial challenges.
* Similarly, integrated approaches should be sought to combat poverty and meet the needs of target groups with the highest risk of discrimination or exclusion, with special emphasis on marginalized communities.
* The significance of the EU Strategy for the Danube Region for Cohesion policy is recognized and is considered particularly relevant to cooperation at macro-regional level aimed at overcoming transnational challenges in the four main directions: “connectivity”, “environmental protection”, “prosperity development” and “enhancing the security in the region” in an integrated manner.

The main strategic documents outlining the development policies of Bulgaria for the next years, including the vision and the specific development objectives of the country, are the **National Development Programme of Bulgaria 2020,** the **National Reform Programme,** the **National Strategy for Regional Development 2012-2022** and the **National Spatial Development Concept 2013-2025**.

NDP: Bulgaria 2020 is based on a detailed socio-economic analysis and broad public debate with regard to the partnership principle, which is why the NDP: Bulgaria 2020 is an integrated framework document which covers the full range of areas of Bulgaria’s socio-economic development and determines the interventions necessary to achieve the development objectives. The Programme serves as a basis for the development of programming documents for the purposes of the access to specific financial resources. Eight priorities of the national development policy have been identified:

1. Improving access to and quality of education and training and quality characteristics of workforce;
2. Reducing poverty and promoting social inclusion;
3. Achieving sustainable integrated regional development and using local potential;
4. Development of the agricultural sector to ensure food safety and production of products with high added value through sustainable management of natural resources;
5. Support for innovation and investment activities to increase the competitiveness of the economy;
6. Strengthening the institutional environment to achieve higher efficiency of public services for the citizens and business;
7. Energy security and increasing resource efficiency;
8. Improving transport connectivity and access to markets.

The National Reform Programme is prepared following to the Europe 2020 Strategy and in accordance with the new instrument for better coordination of economic policies within the European Union, i.e. the European Semester. The document takes into account the new procedures for prevention and correction of macroeconomic imbalances and the thematic coordination within the European semester in response to the EU Integrated Guidelines. The Programme is closely related to the Convergence Programme of the Republic of Bulgaria (2013-2016) and directly addresses the Council recommendations within the framework of the European Semester, reflecting the conclusions of the report of the EC on the Annual Growth Survey. The NRP outlines the national targets related to Europe 2020 and presents the priority areas that mostly contribute to the higher living standard as the ultimate objective of economic policy, namely: better infrastructure, competitive youth, better business environment and greater trust in state institutions. These areas are complemented by targeted measures to improve the effectiveness of public spending in favour of growth, and to provide institutional and financial support for enterprises to reduce unemployment among the most vulnerable groups in society (young people, people with law qualification, discouraged persons and the elderly).

The Country Specific Recommendations of the Council, based on a detailed assessment of the EC on the NRP and the Convergence Programme/stability programmes relate to structural challenges that need to be addressed at national level. These recommendations are in line with the overall guidelines of the 2013 Annual Growth Survey. In November 2012 EC defined 5 key priorities, which remains in 2013 as well: differentiated and growth-enhancing fiscal consolidation, restoring normal lending to the economy, enhancing growth and competitiveness, tackling unemployment and the social consequences of the crisis and modernization of public administration.

**Logics behind the identification of funding priorities in the PA**

Based on the conclusions of the analysis of disparities, development needs and growth potential in the Partnership Agreement of Bulgaria, **four strategic complementary funding priorities** can be formulated: three under the objectives of Europe 2020 strategy for inclusive, smart and sustainable growth, one horizontal priority and **one** strategic territorial dimension:

1. Strategic priority 1: Education, qualification and employment for **inclusive growth**
2. Strategic priority 2: Scientific research, innovation and investments for **smart growth**
3. Strategic priority 3: Connectivity and green economy for **sustainable growth**
4. Strategic priority 4 (horizontal): Good governance and access to quality public services.
5. Strategic dimension (territorial): Spatial dimension and place-based policies:

а) interventions according to the territorial specifics (towns, rural areas and such depending on fishery, territories with tourism potential);

b) additional territorial dimension of the sector policies in the programming process, applicable to a certain degree to all funding priorities (e.g.: health, educational, social, environmental infrastructure with regional and local importance).

The identified areas of intervention covered and co-funded by the ESI funds[[171]](#footnote-171) within the Partnership Agreement and the related programmes, based on the main challenges (Table 8) are complementary to the national efforts of the Bulgarian government for implementation of the main objectives of the NDP: Bulgaria 2020[[172]](#footnote-172) and the National Reform programme. In this respect, the strategic priorities of the PA stem from the eight priorities of the NDP: Bulgaria 2020 and will contribute to the achievement of the national targets with reference to Europe 2020 (Table 9).

Table 8. Relation between the challenges from the analysis, strategic priorities, thematic objectives and the list of Programmes

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Key challenge** | **Data from the analysis [[173]](#footnote-173)** | **PA funding priority** | **ESIF**  **Thematic objective** | **Leading sectorial programmes** | **Complementary programmes and territorial dimension** |
| Insufficient share of the employed (20-64 years of age)    Insufficient economic activity of the population (youths, elderly people, women)    Insufficient quality of education system, increasing the illiterate population and the share of not attending school population    Last but one ranking in Europe for healthcare  One of the highest standardized rates for mortality caused by all reasons  First place ranking for poverty in Europe | 62.9% - 2011[[174]](#footnote-174)  Reproduction of the labour force – 68/100  61.4% of employed in the service sector – 2011    First place of NEET youth’s share – 2011  41 % of pupils with insufficient results for reading, writing and counting skills  73-rd ranking out of 145 countries for the healthiest nations worldwide    14.7‰ – 2011 г.  22.34% - 2011 г. | 1. Education, qualification and employment for **inclusive growth** | 8) Promoting employment and supporting labour mobility  9) Promoting social inclusion and combating poverty  10) Investing in education, skills and lifelong learning | Operational programme Human Resources Development  Operational programme Science and education for smart growth | Operational programme Regions in Growth  Rural development programme  Programme for Maritime Affairs and Fishery |
| Low labour productivity    Low share of R&D investments      Low innovativeness      Low penetration of high-speed broadband    Low share of households with broadband connectivity     Low efficiency of the scientific system | 43.5% compared to ЕU27 = 100 – 2011      0.57% total costs of GDP for R&D – 2011 г. (0.3% of GDP is from state budget[[175]](#footnote-175))    283 patent (inventions) requests - 2011    17.7% of the population compared to 28.2% EU 27  51% of households compared to EU 27 – 73%    27th place – Innovation Union Scoreboard 2011 | 1. Scientific research, innovation and investments for **smart growth** | 1) Strengthening research, technological development and innovation  2) Enhancing access to, use and quality of information and communication technologies  3) Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fishery and aquaculture sector (for the EMFF) | Operational programme Innovations and Competitiveness  Operational programme Science and education for smart growth  Rural development programme | Operational programme Regions in Growth  Operational programme Human Resources Development  Programme for Maritime Affairs and Fisheries |
| Inefficient use of resources and energy    Inefficient application of EU legislation in the field of water, ambient air and waste    Inefficient application of EU legislation in the field of water, ambient air and waste | Energy dependence of the economy – approx. 40% - 2010    Approx. 70% above EU27 | 1. Connectivity and green economy for **sustainable growth** | 4) Supporting the shift towards a low-carbon economy in all sectors  5) Promoting climate change adaptation, risk prevention and management  6) Protecting the environment and promoting resource efficiency | Operational programme Environment  Operational programme Innovations and Competitiveness | Operational programme Regions in Growth  Rural development programme  Programme for Maritime Affairs and Fisheries |
| Limited internal and external connectivity          Limited freight transportation (by rail and water) | roads – 0.003 km/per capita – 2011  highways – 2.35 km/1000 km – 2011  railways < 0.001 km/per capita – 2011      87.4 mln. tons – 2010 | 3) Connectivity and green economy for **sustainable growth** | 7) Promoting sustainable transport and removing bottlenecks in key network infrastructures | Operational programme Transport and transport infrastructure | Operational programme Regions in Growth |
| Uncompleted modernization of public services system and reform in the state administration    Insufficient capacity for planning and realization of ICT infrastructure projects    Low absorption of Funds    Uncompleted reform of the judiciary system | 32.3% share of shadow economy – 2011    Corruption index –  -1.5 - 2010    Rule of law index –  -2.1 - 2010 | 1. Good governance and access to quality public services | 2) Enhancing access to, and use and quality of, information and communication technologies  11) Enhancing institutional capacity and an efficient public administration | Operational programme Good Governance | Operational programme Human Resources Development |
| Increasing development gaps between Bulgarian regions and other EU regions | GDP per capita – 2012 г Eurostat  Sofia: 105% compared to EU27 average  Severozapaden region: 27.3% compared to EU27 average   |  |  |  |  |  | | --- | --- | --- | --- | --- | | Year | 2007 | 2008 | 2009 | 2010 | | SZR | 27 | 28 | 27 | 26 | | SCR | 28 | 30 | 29 | 29 | | SIR | 34 | 37 | 36 | 36 | | YIR | 33 | 36 | 36 | 36 | | YZR | 66 | 73 | 75 | 75 | | YCR | 29 | 30 | 30 | 30 | | Spatial dimension and place-based policies | place-based approach according to BARKA Report (2009), the Fifth Cohesion Report and art. 174 of the Treaty on the Functioning of the EU  Territorial Agenda | Operational programme Regions in Growth  Rural development programme  Programme for Maritime Affairs and Fisheries |  |

Figure 2. Relationship between the priorities of the NDP: Bulgaria 2020, national objectives in NRP PA strategic priorities and national targets in compliance with Europe 2020 Strategy[[176]](#footnote-176)

Reducing poverty and encouraging **social inclusion**

|  |  |
| --- | --- |
| **Indicator** | **Target** |
| Share of early school leavers | 11% |
| Share of the 30-34 years old with third level education | 36% |
| Employment of population aged 20-64 | 76% |
| Reducing the number of people living in poverty | 260 000 |

|  |  |
| --- | --- |
| R&D costs, % of GDP | 1,5% |

|  |  |
| --- | --- |
| Limiting the increase in the levels of greenhouse gases (GHG) non-EST | with no more than 20% until 2020 as compared to 2005 |
| Mandatory national target for renewable energy in gross final energy consumption | 16% |
| Mandatory share of renewable energy in transport | 10% |
| Increase in energy efficiency | 25% |

**Priorities and sub-priorities**

Improving access to and quality of **education and training** and the better quality of the workforce

Development of the agricultural sector to ensure food safety and production of products with high added value in the **sustainable management of natural resources**

Achieving **sustainable integrated regional development** and using local potential

Strengthening the institutional environment to achieve better **efficiency of public services** for the citizens and business

Energy safety and **increasing resource efficiency**

Support **innovation** and investment activities to increase the **competitiveness** of the economy

Improving transport **connectivity** and access to markets

**Strategic dimension (territorial):**

**Spatial dimension of the strategic priorities for smart, sustainable and inclusive growth + place-based policies**

The table below illustrates the logic of the content of the four PA priorities and their respective sub-priorities which complement and reinforce their effect

Table 9. Relation between the PA strategic priorities for funding and the sub-priorities and the factors of growth

|  |  |  |
| --- | --- | --- |
| **PA strategic priorities for funding** | **Sub-priorities** | **Factors of sustainable economic growth[[177]](#footnote-177)** |
| Strategic priority 1: Education, qualification and employment for inclusive growth | Employment and labour mobility | **GF 2** : Ensuring Better and More Efficient Utilisation of the Economy’s Labour Potential  **GF 4**: Improving the Quality and Efficiency of Education and Training Systems. |
| Social inclusion |
| Education, training and lifelong learning |
| Strategic priority 2: Scientific research, innovation and investments for smart growth | Increase in competitiveness and resource efficiency of SMEs | **GF 3** Addressing the weaknesses in the business environment and improving administrative efficiency, including at regional and local level |
| R&D and innovation |
| Access to and use of ICT |
| Strategic priority 3: Connectivity and green economy for sustainable growth | Connectivity (external and internal) | **GF 5**: Infrastructure to Improve the Access to the Single Market. |
| Shift to low-carbon economy, energy and resource efficiency |
| Climate and climate change, risk prevention and management |
| Environment and protection of natural resources |
| Strategic priority 4 (horizontal): Good governance and access to quality public services | Administrative effectiveness and quality of the judiciary system | **GF 1 –** Factor to sustainable economic growth 1: Improving the Efficiency of Public Spending and Ensuring a Reallocation of Public Expenditure towards Growth-enhancing items.  **GF 3** – Factor to sustainable economic growth 3: Addressing the Weaknesses in the Business Environment and Enhancing the Administrative Efficiency, including at Regional and Local Level. |
| Access to qualitative public services and effective application of electronic governance and justice |
| Strategic dimension (territorial): Spatial dimension and place-based policies | Location-based policies:   * Sustainable and integrated urban development * Rural development * Fishing area development * Areas with potential for tourism development | **GF 1-5** |
| Spatial dimension of the strategic priorities for smart, sustainable and inclusive growth |

**Priority: Education, qualification and employment for inclusive growth**

The main purpose of this priority within the scope of TO8, TO9 and TO10 is to promote inclusive growth in the period 2014-2020 in all three types of its policies, which determine the sub-priorities for its achievement:

* Increase the employment rate (of the working-age population) and economic activity (with focus on women, young people, elderly and disabled people) through alternative, distance and flexible employment and modernization of the labour market;
* Increase the quality of life and social systems;
* Improve the knowledge, skills and qualifications of the population, including support for workforce adaptability.

Ensuring a high quality of the human capital (education, qualification and skills, health status) is a key strategic objective of the updated National Strategy for Demographic Development of the Republic of Bulgaria 2012-2030. According to the analysis of the national development needs, there is a high potential to improve the quality of life of the population and the profile of the workforce, however coupled with a growth in labour productivity at a rate faster than in the EU. The analysis further outlines: the high level unemployment among youths, people from vulnerable groups, long-term unemployed persons; the limitations to reconciling family and business lives (in particular with regard to women in the labour market); the inefficiency of the healthcare system and the quality of the health and education of the population. Other challenges include the need to implement the measures planned in the National Strategy for Reducing Poverty and Promoting Social Inclusion 2020 and the National Concept for Promotion of Active Aging of the Elderly People in Bulgaria 2012-2030, and the need to provide employment opportunities to disabled people, marginalized groups and people at high risk of poverty.

**Sub-priority: Employment and labour mobility**

If the economy is to continue its accelerated growth and become more competitive, a higher number of jobs will have to be created. All options to promote the creation of new jobs and the investment in human capital should be explored with a view to improve the balance between the supply and demand of labour. One of the key areas of intervention under this sub-priority is providing new opportunities to the workforce (e.g. job seekers and economically inactive people with business ideas) to develop and adapt to the changes associated with labour market competition, technological development and innovation. Applying mechanisms for flexibility and security in the labour market will be of key importance. Therefore, it is essential to encourage the economic activity, productivity and employability of the population through a lifelong development of knowledge and skills and creation of conditions for a better coordination of the supply and demand in the labour market, including labour mobility, career guidance services etc. The resources of the ESF will be used to support the improvement and adaptation of the knowledge and skills of the workforce to the new requirements and opportunities of environmental policies. Support will be offered for the creation of “green” jobs and the acquisition of the corresponding new skills in view of the latest trends in the field of environmental protection and resource efficiency.

Efforts will be made to promote initiatives and measures for: facilitating access to employment; improving working conditions and the quality of jobs; combining family and business lives by finding new forms of balance between work and family life; measures enabling older workers to remain longer in the labour market.[[178]](#footnote-178) Improving employers’ adaptability and social responsibility towards workers and staff, better coordination of the supply and demand in the labour market, including tools for declaring employers’ staffing needs, will be another priority.

The main focus of the promotion of employment will be directed at youths, the elderly and disadvantaged population[[179]](#footnote-179), people with special needs and people at risk of social exclusion. The implementation of measures to promote innovative practices, self-employment, entrepreneurship and mobility for youths[[180]](#footnote-180) and people with specific needs[[181]](#footnote-181), among others, will significantly increase the opportunities available to the economically inactive population and the employment of people with limited mobility or people living in rural, mountain or remote areas. Measures to promote economic diversification, creation of jobs in value-added sectors and transition to a low carbon economy, and development of alternative employment (more specifically in SMEs) as a form of support to individual and social entrepreneurship will be funded. Special emphasis will be placed on youth and Roma employability in the labour market, focusing on support for a rapid transition from school to work, successful integration in active economic life, internships, vocational, non-formal and self-dependent learning, and development of transversal skills (especially for young people in rural areas in support of local employment). Emphasis will also be put on measures aiming at labour market integration of people with disabilities, into account of the specific needs of the target group. Besides providing support for starting a job and encouraging employers to hire people with disabilities, an access to trainings, adapted to the needs and capabilities, will be provided. Also a targeted support for specialized enterprises and cooperatives of people with disabilities is envisaged. Opportunities will be created for employment of people with disabilities in the sector of social economy.

Another priority area for funding will be the measures aimed at improving the work safety and conditions and extending the active working life in good health, as well as measures related to the specific needs of the vulnerable population in the labour market, including provision of a set of mediation services for employment, delivery of training for acquiring vocational qualification and key competences (apprenticeships) and re-qualification, including training for mastering skills for working with ICTs and immediate creation of jobs.

The measures to promote employment in rural areas will be divided into two main areas:

* Retain the relatively high share of agriculture in the structure of employment – This will be achieved by means of targeted investment support for the development of agricultural sectors with traditions and potential to provide new year-round employment, such as animal husbandry, vegetable farming, horticulture and viticulture, oil-bearing crops and support for sustainable structures of young and small farms.
* Create new jobs outside agriculture – diversification of the rural economy through promotion of entrepreneurship with focus on rural and forest tourism, renewable energy and other sectors with potential for growth. In addition, production of foods with specific local characteristics based on processing of traditional raw materials will also be made a priority.

The interventions will be implemented mainly through measures in support of: (1) Strengthening of farms, especially in the priority branches of animal husbandry and farming of fruit (including table grapes), vegetables and oil-bearing crops; (2) Admission of young farmers into the sector; (3) Strengthening of small farms for achieving economic and social sustainability; (4) Launch of micro-enterprises in rural areas in the country.

These objectives will be further supported through measures for: (1) Providing training, information services and innovation transfers to the beneficiaries of the above measures; (2) Adding value inside of agricultural farms; (3) Organizing better food chains; (4) Improving local market conditions, incl. through shortening of sale chains; (5) Improving access to ICT-based services; (6) Improving the availability and affordability of irrigation water through optimization of the irrigation system; (7) Raising the overall quality of life of the rural population, including farmers’ families, through improvement of the small infrastructure as basis for increasing the quality of local public services.

The main initiatives that will contribute to promote and increase employment in the fisheries sector will be: increasing the diversity of species; establishing new aquatic farms and expanding the existing ones; adding value to primary production and stimulating processing. The above interventions could be supplemented with ESF-funded initiatives to enhance the qualification and managing skills of the employed in the sector through lifelong learning etc.

To increase the attractiveness of the sector, initiatives should be promoted which: provide opportunities for acquiring new skills; facilitate diversification and creation of new jobs in regions dependent on fisheries; improve labour conditions in terms of health, safety and hygiene. The interventions for diversification of the activities of aquatic farms outside the sector include investment support for launching new activities. Where tourism development is being promoted, the support will involve gentrification of farms and their adjacent territories. In addition to fishing, new jobs will be created by diversifying the activity of small-size coastal fish farms, to which support will be given for starting activities beyond commercial fishing, mostly related to provision of ecological services, training activities or tourism.

Further emphasis will be placed on measures to bridge the gap between the supply and demand of labour through strengthening institutional capacities and providing instruments for more efficient public services in the field of employment and timely and adequate response to the structural changes in the labour market etc. The major tasks in this direction will include better forecasting of business needs for workers with specific knowledge and skills as a key to improve the coordination between education, training and businesses on the one hand, and strengthen the cooperation between labour market institutions, education and training systems, and employers on the other. The efficiency of the employment policy is dependent on the timely update and the corresponding adaptation of training and employment programmes and measures in view of the dynamics of the processes and changes in the labour market. In this regard, ESF support has been planned for reviewing, updating and monitoring policies, capacity strengthening, improving the performance and assessing the efficiency of mediation institutions in the labour market, including the national employment service, developing institutions that could help bridge the gap between the supply and demand of labour.

Despite the complexity and the depth of the problems, the planned synchronized interventions under this sub-priority are expected not only to address the challenges related to the low levels of employment and labour productivity, but also to contribute to the sustainability of the social systems, improve labour flexibility and safety, reduce the disparities between the supply and demand in the labour market, enhance the performance of the public employment service[[182]](#footnote-182) and achieve the national target[[183]](#footnote-183) for 76% employment rate.[[184]](#footnote-184)

**Sub-priority: Social inclusion**

The support of the EU funds under this sub-priority will aim to reduce poverty among the population, improve the quality of life and promote an active social inclusion and integration of disadvantaged groups and groups of people with special needs.[[185]](#footnote-185)

In accordance with the national strategic and sectorial documents[[186]](#footnote-186), the efforts and mechanisms to **reduce poverty and promote social inclusion** will focus on:

* Joint and coordinated measures to prevent and fight the causes of poverty and social exclusion;
* Improving access to employment and active inclusion of those furthest from the labour market: economically inactive people; youths; long-term unemployed; people on social benefits; people with elementary or lower education, no professional qualification or insufficient key competences; permanently disabled people; elderly workers etc. Special measures will be taken to improve the quality of life of the Roma minority;
* Initiatives promoting active living for elderly people and securing accessible environment (physical, institutional, information) and transport;
* Integrated measures for investing in early childhood development - support children and their families from very early age to prevent risks to development; access to childcare, nurseries, kindergartens through improving their infrastructure and facilities etc.; parental support for employment, training and reconciling personal and business life;
* Elimination of the institutional model of care and development of integrated cross-sectorial services for social inclusion: deinstitutionalization of childcare through closing existing specialized institutions and developing preventive and alternative forms of care and services; elimination of the institutional model of care for elderly and disabled people through development of long-term care and cross-sectorial services; provision of sustainable, quality and affordable community services meeting individual needs; development of a network of services in a family or similar environment for children, disabled and elderly people dependent on professional care; development of innovative cross-sectorial services for children and families, and other vulnerable groups; development of integrated services for early childhood development for children aged 0-7 and their families; provision of comprehensive support to families caring for disabled and elderly people; provision of sufficient financial resources to reduce poverty and social exclusion; provision of inclusive social and architectural environment;
* Development of innovative cross-sectorial services for prevention, risk assessment and social reintegration for children in conflict with the law;
* Provision of basic services (healthcare and social services, housing, services for homeless people and people living in poor housing conditions; internet services) and education;
* Promotion of innovation in the social sector for finding smart solutions for a more effective and efficient social support and reform of support systems with a view to promoting active social and economic life for their target groups and eliminating passive support - social enterprises, social innovation;
* Initiatives to promote social responsibility and cooperation with social partners and other stakeholder.

The development of the components of the social infrastructure is contingent upon the geographic location, the density of the settlement network, the concentration of the population and the government policy. In turn, the components of the social infrastructure at national/regional or above regional levels play a major role in improving the socio-economic development in the different regions of the country and making better use of the potential of the national territory. To this end, investing in construction, reconstruction, incl. energy efficiency measures, renovation and furnishing of social infrastructure has been planned.

Under this sub-priority special attention will be given to the **healthcare** system and the quality of the health, healthcare services and health culture of the population. The problems in the healthcare sector highlight the need of undertaking key structural reforms and fundamental initiatives in health policy, such as:

* Improving the access to and the efficiency of health services through reorganization and optimized financing of services, including by investing in emergency services etc. The reorganization of the hospital sector is a priority that will be implemented on the basis of the best European and other international practices and which will direct the necessary investment to emergency services and long-term care. The reorganization will also be supported through a reform of the payment and incentive system in the field of inpatient and outpatient service provision;
* Implementing programmes for health strengthening and protection through promotion and disease prevention, maternal and child health, mental health, health of vulnerable groups, oral health, rare diseases, establishing health mediator models etc;
* Improving the quality of services through investing in human resources - increasing both the capacity and the responsibility for providing quality services according to needs through developing the necessary tools and processes, improving the professional knowledge and skills and increasing staff motivation;
* Improving the management of health services through investment in e-health - to date, the data available in the health sector is not adequately used for monitoring, evaluation and decision making. This is partly due to the limitations of the existing information systems, which cannot generate the information required and the lack of inter-connectedness. These systems should be adapted to allow Bulgaria to implement the Directive on Trans-Border Healthcare. Investment in e-health will be needed to enhance the management of the system and allow for better monitoring of the services provided, as well as access to healthcare for patients.

The national objectives can be achieved through certain actions and supported by relevant policies including the following appropriate initiatives:

* Improving the health of children aged 0-1 and reducing child mortality by 20% by 2020 – prophylaxis of child morbidity and mortality in the antenatal period; prophylaxis of child morbidity and mortality in the early neonatal period; prophylaxis of child morbidity and mortality in the late neonatal and the postneonatal periods with a view to reducing neonatal mortality rate from 5.3% in 2011 to 4.2% in 2020 and postneonatal mortality from 3.2% in 2011 to 2.6% in 2020;
* Improving the health of children aged 1-9 and reducing child mortality by 20% by 2020 – increasing the physical development and activity of children aged 1-9 in the family, nursery, kindergarten and primary school; improving and expanding familial and social care for better mental development of children; rationalizing the nutrition of children aged 1-9 in accordance with scientifically based health norms and requirements; prevention and treatment of the most common diseases in the age group 1-9;
* Improving the health of children aged 10-19 and reducing child mortality by 20% by 2020 – bringing school facilities and equipment in compliance with health norms and requirements regardless of students’ age; increasing the physical development and activity of students; improving the nutrition of students at home and in the school; prevention of trauma in school age; prevention and treatment of typical school-age diseases and traumas; appropriate guidance for schoolboys and girls to suitable vocations or training and solving the medical and social problems of educational and vocational guidance; provision of priority health care for young people; prophylaxis and treatment of the most common diseases in the age group 10-19;
* Improving the health and work efficiency of people in the economically active age groups (ages 20-65) and reducing mortality by 20% by 2020 – improving health-affecting factors of the work environment; eliminating adverse health factors of the work environment; eliminating adverse health factors of the home environment; rationalizing the nutrition of the population in accordance with scientifically based health norms; eliminating stress factors; prevention and treatment of the diseases with the highest relative share in the structure of the general morbidity and the morbidity with temporary disability; prevention and treatment of the diseases with the highest relative share among the causes of death in the age group 20-65;
* Improving the health of people over the age of 65, creating opportunities for active living for the elderly and reducing the hospitalization rate by 20% by 2020 – providing a healthy lifestyle for the elderly by adding years to life and health to years; increasing the relative share of the elderly who are able to look after themselves; prevention of influenza and pneumonia as the most common causes of premature death among the elderly; organizing integrated structures for looking after the elderly.

Work under policies for environmental protection and climate change in the field of healthcare will include:

* Environmentally friendly management of hazardous waste to prevent risks to patients, staff, visitors and the environment through optimization of waste sorting; reducing the amount of generated waste through use of supplies from recyclable and/or reusable materials; environmentally friendly treatment of waste from health establishments;
* Measures to reduce the level of mercury in the environment and its impact on the human health and the environment – a gradual reduction and eventual ban on the use of mercury-containing amalgam in dentistry and its separate collection;
* Increasing safety for doctors through use of modern imaging and radiotherapy equipment in a secure environment, which will reduce harmful impacts on patients and the environment. Modern imaging and radiotherapy equipment meets the standards and requirements for the protection of the environment;
* Refurbishment and insulation measures for the buildings of hospitals and health establishments and replacement of current light fittings in these establishments with new energy-efficient fittings as key factors to cut heating, cooling and power costs and thus also reduce greenhouse gas emissions and the CO2 concentration;
* Imposing strict control on compliance with the technological requirements for construction activities which will not result in danger of pollution and negative impact on the environment.

A further key focus within sub-priority “Social inclusion” will be the use of community-led local development, which will aim to respond to place-based and local challenges to poverty reduction and social inclusion, as well as the active participation of local communities in the making and implementation of strategic decisions for development and achievement of better quality of life. A bottom-up approach will be used as well to support capacity building and the use of the experience gained and the lessons learned from the implementation of the LEADER approach in the current programming period.

This sub-priority is directly aimed at achieving one of the national objectives for Bulgaria in the context of the Europe 2020 Strategy, i.e. to reduce the number of the population living in poverty by 260 thousand. The effect of the supported areas of intervention and the measures for the implementation of the national objective will be measured by systems for monitoring, control of the efficiency and effectiveness, and assessment of the impact of the services offered, for whose creation and implementation ESI funding has also been planned.

The main measures in rural areas will be aimed at building public infrastructure and developing basic services ensuring quality of life for the population. On the basis of the selected polycentric model of spatial development in the NCSD, infrastructure investments will be concentrated in selected localities with potential to provide the necessary basic services to the surrounding settlements. Another priority will be investment in broadband networks for next generation access and in front offices of the e-government in rural areas, not just because of ICT’s capacity to guarantee social inclusion of remote localities but also because of the possibility to use ICT to promote initiatives in new internet-based business models. The interventions for small-scale infrastructure and investment in ICT services will be implemented mostly through the measures of Priority Areas 6B and 6C under Priority 6 of the RDP.

A further key focus related to social inclusion will be the use of community-led local development through the LEADER approach of the RDP and the FLAGs of the PMAF. A bottom-up approach will be used to activate local communities and their involvement in the processes of formulation and implementation of local development strategies. The need has been identified to support capacity building and use the experience gained and the lessons learned for continuous development, retention and stimulation of locally based experts and LAG teams from the implementation of the LEADER approach in the current programming period and the LAGs under the RDP 2007-2013. The interventions will be implemented through the measures of Priority Area 6B under Priority 6 of the RDP and the Sustainable Development of Fisheries Areas Priority of the PMAF.

**Sub-priority: Education, training and lifelong learning**

Bulgaria is facing the challenge to improve the overall quality and efficiency of the education and training system in the context of the implementation of the European Rethinking Education Strategy: Investing in Skills for Better Socio-Economic Outcomes[[187]](#footnote-187) by setting specific objectives for: key competences and transversal skills; attainment of all levels of the education system; knowledge of foreign languages; vocational education and training and practical learning; recognition of qualifications and skills, etc.

The ESI-funded efforts and investment in the education sector will proceed with the implementation of the **structural reform** and changes through:

* Significantly increasing efficiency in the education sector and furthering measures promoting the reduction of the number of early school leavers in the secondary education system[[188]](#footnote-188), as well as improving the general education culture of the population, particularly among marginalized groups[[189]](#footnote-189);
* Improving the access to and the quality of pre-school education, particularly among disadvantaged children;
* Enhancing the quality, efficiency and compatibility of the tertiary education[[190]](#footnote-190) with the needs of the labour market to better reflect the dynamic economic environment through “modernization” and improvement of the access to tertiary or equivalent education; professional development and motivation of the staff in the tertiary education system and the academia; improving the effectiveness of teaching and scientific research in the tertiary education and strategic cooperation among tertiary education establishments, R&D centres and businesses;
* Promoting integrated approaches for and professional development of the staff in the education sector and developing appropriate syllabi and curricula; promoting the international accreditation of Bulgarian educational establishments;
* Building accessible environment, including architectural and information environment (specialized applications and services for use of computers and the internet), and providing equal access for members of vulnerable groups and children with special educational needs to quality education in a general education environment and development of adequate social skills;
* Significantly increasing the supply and demand of educational services for people of all age groups to satisfy the needs of the labour market and individual preferences;
* Adapting the proposed secondary education and training to estimated labour demand and opportunities for finding employment and supporting vocational guidance in schools;
* Establishing and strengthening partnerships between the tertiary education system, businesses and the research and investment sector for creating conditions for R&D in secondary and tertiary educational establishments;
* Ensuring sufficient staffing with degrees in science, mathematics and engineering and focusing school curricula on creativity, innovation and entrepreneurship with a view to creating prerequisites for an active and productive social and economic life of the future members of society;
* Modernization, energy efficiency and improving the conditions in educational and research establishments and promoting the use of ICT in the educational process. The interventions in the education infrastructure will be implemented on the basis of a strategy and prioritization criteria developed by the MES;
* Increasing the capacity for management of educational and research establishments; transferring experience and good practices in the education and research sector; establishing centres of learning and excellence and research units in secondary and tertiary educational establishments; developing educational partnerships.

The concept of **lifelong learning** is connected with the personal and professional development of each individual regardless of age, and is a key ESIF area of intervention in Bulgaria which will be supported through:

* Joint action of all stakeholders to promote involvement of the population in all forms of LLL;
* Improving mobility at all education and training levels;
* Improving the overall educational culture and key competences among students and adults; reducing the percentage of 15-year olds with poor educational performance;
* Applying mechanisms to ensure the quality and improve the qualification of teachers, trainers and other specialists in education and training; attracting young professionals to the teaching profession; professional development of teachers/lecturers and managers of training institutions;
* Improving ICT skills and large-scale introduction of new ICT-based training methods (e-education) at all levels of the education system and the system for training and re-training of employees, unemployed and disadvantaged persons and groups;
* Further development of educational ICT infrastructure – upgrading computer facilities in the general, vocational and tertiary education with minimum 10,000 new computerized workstations; further completion of the Bulgarian educational and research network and provision of high-speed connectivity for schools and universities to the internet and the European educational space; building cloud infrastructure and provision of e-content for the purposes of e-learning;
* Encouraging educational and training establishments to provide training services outside of their infrastructural frames based on cooperating with employers, state/municipal institutions and other stakeholders; promoting non-formal training and self-dependent learning.

With a view to improving the quality of the human resource in the agriculture and forestry sectors, support for training has been planned under Priority 1 of the RDP to ensure an adequate level of technical and economic knowledge and management skills, implementation of new technologies for a low-carbon economy in the agricultural sector, production quality and safety and sustainable management of natural resources and environmental protection. As part of the place-based dimension in accordance with the NCSD and in addition to the identified sectorial needs, the **state and municipal educational infrastructure** contributes to reducing interregional imbalances related to the access to tertiary and secondary education – universities; colleges; comprehensive, community and protected schools; vocational gymnasia and schools; schools for the arts. In view of the above, the support should be directed to educational and research centres of national and regional significance. The concept of the OPRD is to fund pre-identified priority projects of state and tertiary schools on the basis of a methodology and in accordance with the principle of balanced regional development, as well as projects of municipal schools in accordance with the integrated urban reconstruction and development plans.

The demographic changes and the aging of the population require urgent changes in human resources development and employment policies. The effective utilization of the funding opportunities of the EU in the field of education and training, the implementation of active measures in the labour market and the reform of social and healthcare services under the priority “Education, qualification and employment for inclusive growth” are expected to open up new opportunities to support the objectives for growth through productive labour, relevant qualification and social inclusion.

**Priority: Scientific research, innovation and investments for smart growth**

In line with the scope of TO 1, TO 2 and TO 3, ESIF support will focus on addressing the most serious challenges to the achievement of smart growth of the Bulgarian economy, namely: low competitiveness and productivity of SMEs in sectors with high added value to the economy and export potential, lagging R&D and innovation, market-oriented activities, lack of effective educational and research environment and working interaction with the business, allowing high-quality research, and inadequate access to and use of ICT.

Low productivity and competitiveness of the national economy, especially SMEs, continue to provide major challenges for the country. In the field of research and innovation in the design of innovative strategies for smart specialization[[191]](#footnote-191), priorities are defined which should receive funding to establish and develop the absolute and relative competitive advantages of the Bulgarian economy which are currently lacking and which are necessary for long-term economic growth and increased GDP per capita. Bulgaria[[192]](#footnote-192) will focus on improvement in four areas: entrepreneurship, innovation[[193]](#footnote-193), internationalization and the environment (energy and resource efficiency and green technologies). In order to concentrate the resources for effective and efficient allocation of ERDF funds, sectorial approach was adopted towards promoting entrepreneurship and business development and internationalization of enterprises. Within these priority areas, priority will be given to enterprises in priority sectors for the country, but support will not be limited to them only. A horizontal approach is provided towards innovation, taking into account the low level of development of innovation in all sectors of the Bulgarian economy.

The draft Strategy for smart specialization and the draft National Strategy for Promotion of SMEs 2014-2020, identified the following sectors: mechatronics; ICT; transport and logistics; agriculture and food processing; health care; creative industries; automobiles and components; tourism; furniture production; textile and clothing industry. Considering the dynamics of the economic development of Bulgaria, the country will watch out for other areas that meet the criteria to be export-oriented (without exploiting basic raw materials such as timber, etc.); have a high added value or potential for their significant increase; have the potential to revive the regional and local development in areas with slow or negative economic growth; are starting-up and have a high degree of innovation and competitiveness.

ESIF support will be targeted at encouraging innovation of enterprises and support for innovative start-ups, development of partnerships between business and academia, development of infrastructure for innovation and research, innovation and technological improvements in enterprises through the implementation of leading technology solutions and improvement of their access to new national and international markets and advanced business services. An important part of the support for internalization of innovative activities is the process of improving access and active participation of Bulgaria in European Technology Platforms and the European Institute of Innovation and Technology, which are a major catalyst for European innovation policies and strategies.

The policy, carried out to promote investments, is aimed at increasing the economic activity and the technological development in production and services with high added value and creating new productive jobs, as well as at reduction of regional disparities in the socio-economic development.

Investment is a key driver of growth and an important factor for improving the competitiveness of the economy by improving productivity due to technological innovation and optimization of business processes, improving resource efficiency, expanding opportunities for exports, particularly as a result of FDI.

Strong investment activity is positively reflected in macroeconomic indicators: GDP growth, GVA, Gross fixed capital, fixed assets and cost of acquisition. FDI are important for maintaining a stable external financial position of the country.

The possibility to implement incentive measures - administrative and financial is essential in view of achieving the policy objectives of promoting investment.

Financial incentives applied mainly under the specialized legislation acts: Law on Investment Promotion and Regulations for its implementation in the period 2008-2012 are provided with limited financial resources from the state budget, which does not allow the reporting of positive macroeconomic effect. Financial measures allow investors to provide support in the implementation phase of the investment project and envisage mainly opportunities for financial support for the construction of infrastructure, specialized training of new employees, grants for investments in manufacturing and research.

At the beginning of 2013 the scope of the law was extended, and the thresholds for class investment are reduced, new economic activity is included in the service sector, a new incentive measure in support of employers creating new jobs through reimbursement of health and social security contributions for a period of 24 months is provided.

The Law on Investment Promotion provides for the funding of the incentives of the OPs in the next programming period (2014-2020).

Projects that have received a certificate under the Investment Promotion Law foresee investments in assets (durable intangible assets) to create new or expand existing industries and services and create new jobs. Creating opportunities for the implementation of incentives for certified projects under the operational programmes for the next programming period will reduce the negative impact of the global financial crisis on the Bulgarian economy and bring about real growth in economic activity.

Opportunities for funding from the ERDF will be sought for in pursuance of Priority 5 of the National Development Programme "Bulgaria 2020" objective of promoting investment in the industry and in high-tech industries and services. Additionally, the National Development Programme includes the measure "Proactive marketing investment to attract investors from targeted sectors and countries." This activity in the current programming period is run under the Bulgarian Investment Agency and includes organizing investment forums, advertising Bulgaria as an investment destination, and media campaigns funded by the OPDCBE. The active work for targeted investment attraction of the BIA should continue in the next programming period with a focus on the objectives of the marketing strategy for attracting investment from target sectors of target countries. Proactive marketing investment is a necessary condition for attracting new investment in the recovery period following the global economic crisis.

The implementation of the policy objectives of promoting investment requires increased economic activity at local and regional level. The Law on Investment Promotion and the regulations for its implementation provide for several times lower thresholds for investment in municipalities with unemployment rates above the national average. This is a prerequisite for certification and promotion of a wider range of investment projects at local level. On the other hand, with the amendments to the Law on Investment Promotion and the regulations for its implementation from March 2013, an opportunity for certification and promotion of projects of local importance was created.

Essential for the promotion of local economic activity is the opportunity to apply financial measures to support the implementation of investment projects locally.

Financial support for the construction of components of the technical infrastructure is one of the main incentives for investors, and is especially important for projects "in the green" in the manufacturing sector. Targeted funds are provided mainly to municipalities where projects in class A (or two projects in Class B in the industrial zone) are being implemented as well as priority projects for the construction of incoming public infrastructure (through a public procurement procedure) on the investor’s property.

Successful examples can be pointed out where the application of this measure with respect to a certified project has led to a strong increase in economic activity in the region and the formation of industrial zones, which were subsequently populated by other companies as well (Ruse Municipality, Yambol Municipality, Maritsa Municipality, Plovdiv district, Lovech municipality, etc.).

For the purpose of integrated implementation of the objectives of the investment and regional policies, opportunities may be provided for establishing economic zones within the integrated urban rehabilitation and development plans, and building incoming infrastructure for new and existing industrial areas, incl. implementation of investment projects certified under the Law on Investment Promotion as well as targeted construction of infrastructure elements for the implementation of priority investment projects under the Law on Investment Promotion, especially in the industrial sector.

The current policy of increasing investment activity is in accordance with the main objectives of the "Europe 2020" Strategy for smart, sustainable and inclusive growth and employment generation. The emphasis is on investment in high-tech sectors of the economy and "smart investment" to focus on the "knowledge triangle" - education, research and innovation. The NRP "Bulgaria 2020" envisages for priority stimulating investments in manufacturing and services with high added value, creating new productive jobs mainly for highly qualified personnel.

The abilities of the employer to provide competitive salaries and vocational training will be key to attracting young people in their transition from school to work, keeping them in the Bulgarian business and attracting them back from abroad. Employer initiatives for vocational training and lifelong learning build on the highly appreciated qualities of the workforce in the country. At the same time, international companies that are established in the country continue to compete on the world market, which requires constant training of Bulgarian staff and maintenance on a global scale and thus requires investing considerable resources in training.

In relation to this is the newly introduced incentive measure under the Law on Investment Promotion for targeted grants for reimbursement of part of the labour costs of the investor for employees occupying the new jobs opened as a result of the project. Together with the existing rehabilitation measure for reimbursement of costs for specific training of newly hired employees, the development of economic sectors based on knowledge where personnel costs are significant is intended to be supported. These incentives can be financed under the European Social Fund.

In conclusion, it can be said that the successful attraction of strategic investors in Bulgaria and the encouragement of local economic activity to achieve the objectives of the investment policy are essential to ensure adequate financial resources for the implementation of the financial incentives under the Law on Investment Promotion and for consistent proactive investment marketing for targeted attraction of investments.

In combination with the favourable tax environment and the comparative competitive advantages of Bulgaria as an investment destination, these actions will contribute to significant macroeconomic effects of the implemented investment policy - improving the competitiveness of the economy through increased productivity due to technological innovation and process optimization in enterprises, improving resource efficiency, expanding opportunities for exports, especially due to FDI and generating significant employment, especially important in a period of slow growth.

**Sub-priority: Increase in competitiveness and resource efficiency of SMEs**

Bulgaria's capacity to create new jobs and generate greater added value, particularly in the context of suffering the severe consequences of the global economic crisis and the need to improve the standard of living depends mainly on the efficient, sustainable and competitive development of SMEs. Therefore financial support under ESIF for the competitiveness of Bulgarian SMEs based on knowledge, innovation and optimization of production chains is mandatory, especially for those in key sectors involved in innovation activities and sectors with high added economic value and export potential. Funding should contribute to the development of a favourable business environment[[194]](#footnote-194) that stimulates sustainable economic growth through measures to: promote the implementation of new markets and markets with developed potential and internationalization of small and medium businesses and farms; financing new tools for promoting economy of higher value-added and realized export; support for the optimization of production chains and shortening the path to the end users, especially farmers and the food industry; offering an effective and alternative funding mechanisms (through EU programmes, through National Instruments, venture capital); and technological innovation and development of technologies to improve resource efficiency and capacity of enterprises.

The definition of specific measures to support the Bulgarian enterprises takes into consideration the lessons of the 2007-2013 programming period, and what will be sought for is: (1) simplify the measures in terms of administrative burden (focus on the effectiveness of projects), and (2) maximum use of the expertise of partnerships with existing and operating businesses and financial institutions in the evaluation of investment and/or innovation potential of projects.

Creating more companies, entering into foreign markets and improving the efficiency require the elaboration of a series of tools that promote access to funding, improvement of the environment for business incubation and introduction of new technologies and standardization.

Bulgaria is at the stage of development when there is still considerable potential and need to increase the efficiency of enterprises through the implementation of technological solutions that are new for the country and/or the industry and/or the company. In respect of investments in companies to reduce resource- and energy intensity of production processes and their activities as a whole, priority will be the support to SMEs to invest in energy efficient production technologies, innovation and improvement of technology in order to improve productivity and increase the efficiency of resource use through the introduction of leading technological solutions, meeting the requirements for quality certification, and obtaining internationally recognized certificates, ICT based applications, introduction of internationally recognized standards and integrated business management systems and computer aided design systems, engineering and production, improving the efficiency of management and production processes in order to create real competitive advantage for local and export markets. Typified procedure for financing energy efficient business investments will be sought, which enables efficient and result-oriented investment of ESIF aid.

Significant potential for improving the competitiveness of enterprises exists in the development of advanced and innovative services in support of business such as programmes for internationalization of enterprises, support for national exhibitions and programmes to attract foreign investors, support to the development of standardisation systems, patents, management of intellectual property, services and measures for energy efficiency and renewable energy promotion, promotion and marketing of tourism, etc. Promoting the development of systems to support the business as one of the elements of the business environment allows for the provision of better information of the business to make informed and reasoned decisions and improving their access to national and international markets.

Access to funding is essential for SMEs and has a direct impact on total factor productivity. Taking into account the needs of Bulgarian enterprises and lessons learned from current programming period will be sought balance and appropriate forms for appropriate combination between financial instruments and grants. Financial instruments will be facilitating access of small and medium business and innovative entrepreneurship to appropriate forms of finance[[195]](#footnote-195).

Equity financing and seed funds will be used mainly for development of innovative enterprises. Loan financing, including loans, guarantees, micro-loans, and others will be to the benefit of small and medium-sized enterprises which do not have sufficient financial resources for guarantees, for engaging themselves on their own in international and major domestic orders and experience severe problems with rapid liquidation of their claims.

Support should be directed also towards diversification of economic activities, products and services to SMEs in rural areas and farms in response to changing needs and market demand. Restructuring in the agricultural sector should continue as priority support will be directed towards the development of small farms, young farmers and the subsectors “livestock”, “fruit and vegetables”, “organic production, essential oils and medicinal plants”. The measures for farms in relation to setting up producer groups, short supply chains, development of markets locally, as well as risk management will be enhanced. Emphasis in agricultural production to enhance the competitiveness of farms is also the support directed to irrigation infrastructure. These measures will be funded under Priority 2 and 3 of the RDP.

In view of the need to enhance the competitiveness of the fisheries sector, measures will be taken to solve the structural problem of the Bulgarian fishing fleet in terms of supporting the permanent cessation of fishing activities and in support of eligible investments for modernization of fishing vessels that do not lead to an increase in fishing capacity. Promoting innovation, aiming at the development or introduction of new or significantly improved fisheries products, new or improved processes and techniques, new or improved management and organization will also encourage the competitiveness of the sector. Support is also needed for investments that add value to fishery products, in particular by allowing fishermen to perform the processing, marketing and direct sales of their own catch.

Aquaculture development will be supported primarily through investment in the expansion and modernization of existing farms and diversification of the production of new species, and a number of activities will be supported related to the improvement of production efficiency - adding value to production, utilization of waste, improving the working conditions, improving the adjacent areas, including protection against loss of production from predators and poachers. Support for start-up SMEs in freshwater and saltwater aquaculture will be provided if it is in accordance with the multiannual national strategic plan for aquaculture (2014-2020). Support is needed for the development of technical innovations and knowledge in the field of aquaculture, for increasing the support to processing of aquaculture products and the opportunity to insure aquaculture stock in order to prevent losses from natural and other disasters. Priority support for sustainable aquaculture will contribute to achieving the objectives of the EU strategy for "blue growth".

Support for creating and improving infrastructure for the needs of the fisheries will also contribute to increase in the competitiveness of the sector.

In terms of challenges to the fish and fish products market it is necessary to encourage and support the establishment of producer organizations in fisheries and aquaculture, which then should to be able to better manage their activities, better sell their produce and raise awareness of their products. In regard to this, the development production and marketing plans will be supported. The successful operation of the producer organisations depends on the existence of complete market information and the possibility of carrying out joint promotional or advertising campaigns on the Bulgarian market: such activities are envisaged to be supported both within the priorities of the Programme for Maritime Affairs and Fisheries (2014-2020) and the technical assistance programme.

**Sub-priority: R&D and innovation**

Research, technological development and innovation are the basis for smart growth and competitiveness of economy, the global economy structure. To accelerate growth and improve the quality of life, concentrated impact and implementation of specific policies in the areas of media innovation, oriented towards technological catch-up, adoption and diffusion of knowledge is needed. Research and innovation and their transfer to business can help the Bulgarian industry to move up the value chain in the industry of knowledge, thereby increasing the share of high-tech value added in the economy. Through the effective and efficient application of scientific knowledge and R&D outcomes, the improvement of quality of life, the urban environment and new solutions will be stimulated.

The areas and interventions of the targeted impact through ESIF, providing smart and sustainable growth based on knowledge and conditions to create economic value added, include: strengthening innovation in enterprises by supporting the development of innovative products, processes and business models, development of social innovation, strengthening the partnership between business and academia, development of international business cooperation and initiatives for research and innovation, development of infrastructure for innovation and research, valorisation and commercialization of intellectual property and innovative ideas; increase in R&D spending in order to achieve a bigger volume of significant research, raising the level of research institutions and modernization of infrastructure and equipment to carry out R&D (by selecting a limited number of institutions and supporting them as centres of excellence and centres of competence); promoting innovation in energy efficiency and subsequent introduction into production; ensuring a sound financial portfolio to support R&D, including introduction of alternative funding sources and tools to support R&D and innovation development; construction of innovation networks, technology transfer centres[[196]](#footnote-196) and the promotion of applied research and cooperation among educational institutions, research centres and businesses; transfer of international "know-how" and obtaining patents internationally; creating conditions for public-private partnerships in R&D; accelerating the process of market realisation of innovations, at international markets as well; mobility of researchers to exchange experience and improving the environment for R&D in Bulgaria.

**Innovative entrepreneurship** requires specialized platforms and tools for proper development, the most important of which are co-financing, early-stage financing through seed funds and at a later stage - venture capital funds. Major emphasis will be placed on supporting entrepreneurs, start-ups and already registered SMEs[[197]](#footnote-197), oriented towards development, implementation in manufacturing and sustainable marketing of innovation.

In the field of **innovation partnership**, funding under the ESIF will work towards ensuring synergy with the activities of Horizon 2020, the common programming initiatives (European Institute of Innovation and Technology; European innovation partnerships), other donors and PPP. It is crucial that Bulgaria participate in R&D sector pan-European initiatives, technology platforms and programmes in the field of R&D. Support for innovative SMEs and start-ups will be carried out by facilitating their access to finance and transfer of advanced technologies and innovative services, also in relation to patents and licenses, access to electronic platforms and databases of scientific information. It will also promote forms of collaboration between farmers, research and consultancy organizations and SMEs in the agricultural sector within the European Innovation Partnership for agricultural productivity and sustainability in order to quickly bring innovation and research results to practice. As far as modernization of farms is concerned, priority will be given also to investment in physical assets (including non-productive investments related to the environment), which are drivers of innovative technologies and approaches. Interventions to achieve these actions will be implemented under Priority 1 of the RDP.

An important focus of the interventions financed by the ESIF will be put on the development and **efficiency of research and innovation**, creating sufficient incentives for the consolidation of research structures and research potential. The goal is by pooling financial resources, innovation infrastructure and research staff, to build and establish strong research units that conduct qualitative research and compete at European and world level. Effective platforms for cooperation will be sought between these units and the priority sectors listed above, incl. cooperation in innovation parks, mechanisms for joint projects using scientific evidence and their implementation in practice by the Bulgarian SMEs, technology transfer, etc.

In the area of capacity building and **human resource development**, interventions under ESIF will focus on attracting, improvement and promotion of human resources in the creation and management of R&D and innovation; promoting the attractiveness of scientific careers by funding programmes to retain and attract high-level scientists and young researchers; creating conditions for acquiring modern knowledge by the younger generation and preparation of a new generation of scientists, limiting the "brain drain"; stimulating research productivity and the development of academic careers. These activities will achieve significant synergies if planned in line with the development of clusters and priority business sectors.

**Sub-priority: Access to and use of ICT**

**Digital Agenda of Europe** aims at contributing to the economic growth and helping individuals and businesses in the EU to make the most of the development of digital technologies. The programme is the first of the seven initiatives in the Europe 2020 Strategy for smart, sustainable and inclusive growth.

Therefore, investment under ESIF to support the creation, access, and use of services based on ICT is crucial for all sectors and regions of Bulgaria and for the country objectives by the key indicators of Digital Agenda Scoreboard, and especially for rural, less developed and populated areas, and aiming at the poor and vulnerable groups of special needs people. The main planned areas of intervention are building infrastructure for next generation access, digital (electronic) access and promoting the development and widespread adoption of ICT products and services, including Internet-based ones.

The introduction of ultra-high-speed open and competitive networks will stimulate a favourable cycle of development of the digital economy that will enable new and demanding broadband services to develop and meet the need for accelerated development of backward areas. In order to address the challenges identified in the analysis of the PA it is necessary that investments in ICT be focused on the following areas: solving the problem of the construction of broadband next generation access in remote, sparsely populated and rural areas; digitization of existing records and archives in the administration; building of new NGA networks and improvement of existing broadband infrastructure; providing better deployed broadband technology to ensure the successful operation of e-government in Bulgaria; creation and implementation of information systems for management, monitoring and control in key sectors; providing the necessary equipment for the operation of e-government in the state and municipal authorities, education, health and social services.

In accordance with the ex-ante conditionalities, Bulgarian authorities will draw up a national plan for next generation access, aimed at achieving the objectives of the Digital Agenda of Europe, namely:

* 98% coverage with connectivity speed of 30 Mbps;
* 50% coverage with connectivity speed of 100 Mbps

In the document, based on an economic analysis, a plan of investments in the infrastructure will be developed, taking into account the existing one. This process will be fully in line with the draft Regulation to reduce the cost of deploying high-speed electronic communications networks, and measures will be introduced to improve the regulatory and legal framework in order to facilitate the investment process and reduce investment costs, through sharing passive infrastructure as well.

Envisaged is the development of sustainable investment models that enhance competition and provide access to infrastructure and consequently to affordable and quality services. Balancing support for supply and demand of ICT will focus on the development and wide use of ICT-based products and services, through the Internet, through the development and introduction of new methods of production and distribution, based on the application of ICT - for example, e-commerce applications, e-banking, e-learning, etc. The ICT sector itself has been identified as a priority for development in the World Bank Report on the Development of Smart Specialization Strategies (3S).

Administrative capacity will be expanded to allow for successful strategic planning, coordination, management and implementation of infrastructure projects in the field of ICT and innovation. In particular, increasing the efficiency in the application of state aid rules, the capacity of employees, as well as the cooperation and communication with the European Commission, will provide practical training for the national, regional and local authorities and exchange of experience and best practices with other Member States taking into account the complexity and specificity of the ICT sector. Investment in e-government in Bulgaria as part of the horizontal strategic priority for achieving good governance will actually contribute to further digital growth as well.

A key area of support is also the introduction and use of advanced ICT solutions in the field of applied research, development and innovation activities of SMEs and public administration[[198]](#footnote-198). Investments are needed to secure the adequate "Lifelong Learning" of producers and consumers of ICT services, including vulnerable groups, and acquire different levels of digital competence in ICT.

Development of measures to stimulate demand and use of ICT services will give a strong impetus to bridging the digital disparity and an opportunity to realize one of the pillars of Europe 2020 - namely using the potential of ICT for the benefit of society.

As far as the priority "Research, innovation and investment for smart growth" is concerned, the introduction of advanced ICT applications and the development of competitive and productive SMEs creates potential synergies between the areas of intervention (creation of market-based innovations and their implementation at the national and international markets). This approach can be applied to other interventions, such as improving the quality of education, the local ICT infrastructure, e-business services. It should be noted that the productive interaction between the various actors in the 'knowledge triangle' (education-science-business) stands out as a key prerequisite for achieving the set national objectives which relate to smart growth[[199]](#footnote-199) and a modern knowledge-based economy.

In rural areas, within the RDP framework, improving the access to reliable Internet as the basis for the development and use of ICT-based services and solutions that contribute to the competitiveness of local businesses and quality of life of local people will be pursued.

**Priority: Connectivity and green economy for sustainable growth**

This priority falls within the scope of TO4, TO5, TO6 and TO7 and addresses the challenges related to connectivity and accessibility (national and regional) and their associated base infrastructure, as well as the national commitments to the EU in the water and waste sectors undertaken by the government, which are capital-intensive and whose implementation would be impossible without substantial support from the ESI Funds. The analysis of development needs has identified as key problems the high energy and resource consumption of the economy and the levels of risk and sensitivity to climate change, especially in rural regions and specific areas.

**Sub-priority: Connectivity (external and internal)**

Through the modernization and construction of absent road and rail sectors along the routes of the TEN-T network the so-called bottlenecks will be eliminated and this will ensure the connectivity between regions[[200]](#footnote-200) and the neighbouring countries. In order to achieve efficiency in the railway sector and of the state of the railway infrastructure, the priorities for funding and implementation in the new programming period will include: adapting the parameters of the railway infrastructure to fit EU requirements; introducing technical specifications for interoperability and traffic management systems (ERTMS) and enhancing the overall transportation capacity of the railway network (including the rail link with Serbia). In accordance with the European requirements for interoperability and transport safety, ESI funding will focus on the modernization and enhancement of movement speeds across the rail network (especially in the directions Sofia-Varna, Sofia-Burgas, Vidin-Sofia (section Vidin-Medkovets) and Plovdiv-Burgas (section Plovdiv-Mihaylovo)), construction and development of fiber-optic networks of existing railway lines and lines under construction, automation and mechanization of railway facilities, renewal and upgrade of security equipment, telecommunications and power supply, adoption of measures and technologies to ensure travel safety and transport security, overall enhancement of the quality of the railway infrastructure and services.

Ensuring intermodality and developing combined transport (connections between sea and inland water ports and airports and the national railway network), which is a prerequisite for developing efficient and environmentally friendly transport, will be a priority for ESI funding. Primary attention will be given to interoperability, intelligent transport systems (e.g. European Rail Traffic Management System; ticketing systems; automatic speed control systems; modernization of information systems to ensure safety and security; improving the organization of urban traffic), cross-border connections, etc. On routes that cannot be fully completed by the end of 2020 priority will be given to the construction of sections connecting the existing infrastructure with larger urban centres. These interventions will benefit inclusive growth by improving connectivity between regions and creating new jobs, especially in underdeveloped areas of the country.

Improving the technical parameters of the waterways along the Danube (elimination of critical sections of the waterway[[201]](#footnote-201)), increasing the safety of maritime and inland waterways, and the construction of an intermodal terminal in Ruse are national priorities together with improving the connectivity of regional ports. This will create conditions for optimal combination and integration of the different modes of transport (inland waterway, railway and road) and facilitate the development of international trade. Also of national importance are the measures to support maritime connectivity and the maritime and coastal economy; investment in berthing infrastructure, port facilities, transport links with remoter areas; and investment related to the policy for modernizing fishing ports. The completion of the Struma Motorway (Lot 3), Hemus Motorway and the construction of the road sections “Mezdra-Botevgrad” and “Vidin-Vratza” are other planned priorities.

The construction, rehabilitation and reconstruction of the national road network of regional importance regardless of road class to improve the connectivity and accessibility of the urban network and the network of cultural and natural heritage sites with the TEN-T network is essential to the integration of the national territory through improved access and mobility – a critical factor for increasing regional competitiveness and growth and creating new jobs[[202]](#footnote-202).

The development of environmentally friendly transport systems to promote sustainable urban mobility is another area that will continue to receive priority funding from the ESIFs (e.g. the third metro diameter “Depot Botevgradsko Shose-Boulevard Vladimir Vazov-City Centre-j.k. Ovcha Kupel). The interventions will focus on the development of efficient urban transport systems, especially in larger urban areas, including optimization of infrastructure and connections with other transport modes. Funding will also be used for the measures for integrated urban transport and enhanced urban mobility in cities, especially for ensuring access for people with special needs.

On the other hand, measures should be taken to determine and reduce the impact of transport on the environment through mainstreaming of environmental policies and climate change policies in the transport sector. In this respect, investing in the development of rail transport, in particular the Sofia Metro – an intervention leading to improved air quality and reduced greenhouse gas emissions, has been planned. Another intervention for integrating environmental policies and climate change policies in the sector are the measures for developing and implementation of sector strategic documents for planning environmental and climate change policies in the transport sector. At the same time, road traffic affects the quality of the ambient air, changes global climate and generates noise and waste. In order to reduce carbon emissions in the atmosphere, measures must be taken such as renewing the vehicle fleet and promoting the use of public transport and processing and storage of waste from depreciated vehicles. There is also a need to prevent and minimize the negative impact of the development of transport and transport infrastructure on the environment and human health, which is one of the chief challenges of the programming period 2014-2020.

Meanwhile, the application of the user-pays-for-the-operation-and-maintenance-of-infrastructure and polluter-pays principles raises the issue of adequate infrastructural charges and related investment to support infrastructure and at the same time promote the use of different modes of transport. In the medium- and long-term perspective, it is important to rationalize infrastructure networks and optimize their maintenance.

**Sub-priority: Shift to low-carbon economy, energy and resource efficiency**

This sub-priority addresses the main needs for the development of "green" economy identified and will contribute to improving the environment and access to finance for innovative SMEs, especially those developing economic activities in the field of low-carbon economy[[203]](#footnote-203).. Given the high energy intensity of the Bulgarian economy compared to the EU average and the potential for introduction of eco-innovation, energy efficiency and environmentally friendly production technologies in all sectors of the Bulgarian economy a horizontal approach has been adopted to support the transition to a green and energy-efficient economy (energy and resource efficiency and green technologies).

The main areas of intervention will promote energy and resource efficiencyand increase in the use of renewable energy for its own consumption. In addition to measures for sustainable urban transport under ‘connectivity’ sub-priority investments will be made in improving the urban environment, in particular the green rolling stock. Intervention for the development of sustainable urban mobility should be seen in a coordinated framework of integrated projects for the development of sustainable transport systems. As part of the efforts to boost economic growth based on innovation and entrepreneurship, steps have been taken to promote innovative industries in areas of particular interest in which our country has certain competitive advantages. An example is the adopted National Action Plan of measures to promote the production and accelerated introduction of cleaner vehicles, including electric mobility, in the Republic of Bulgaria for the period until 2014. Observing the adopted EU strategic documents in this promising field an integrated approach is applied, where alongside with promotion, production measures are realized to stimulate demand/use of new green vehicles among which priority is occupied by electric cars. The measures in this area should be seen as an approach to integrate industrial development with the principles of sustainable development. In line with the European perspective of the sustainability of this process and our successful positioning on the European map of electromobility, these efforts should be supported and developed in the forthcoming period to 2020.

Additional measures based on intelligent technologies will be applied to encourage lower water consumption in public and private buildings, businesses and agriculture, the introduction of new models and facilities for water savings (including parallel measures for energy efficiency and the use of financial tools), the development and implementation of standards for water use in different sectors, and a "culture of water saving" will be developed to achieve the goals of sustainable growth.

The main priority for funding in agriculture will be investments for efficient use of water resources for irrigation infrastructure, aiming at preventing excessive loss of irrigation water. Development and acquisition of energy-efficient buildings and equipment in agriculture and manufacturing will be encouraged, as well as production of renewable energy by developers for their own consumption or for power supply to sites managed by local authorities. Support will cover the use of residues from agriculture (plant and animal waste) and the processing of waste wood for energy purposes. The support envisaged for afforestation and conservation of forests will contribute to reducing carbon emissions. The investment provided for in agriculture includes also investments for reduction and/or optimization of greenhouse gas emissions from the agricultural sector. The main activities will be supported especially in the interventions under Priority area 5B and 5C of the EAFRD, but also within the priority area 6B (small-scale infrastructure).

Promoting energy and resource efficiency is mandatory for increasing the competitiveness of the Bulgarian economy. In relation to this and in order to achieve the Europe 2020 objectives it is necessary to promote the importance and benefits of energy and resource efficiency and invest in reducing energy inefficiency, energy intensity and energy dependence, increasing the proportion of energy from renewable sources for own consumption and measures related to building and improvement of the efficiency of sustainable heat supply networks and systems and development of "smart grid" of low and medium voltage.

In connection with the mainstreaming of Environmental Policy and Climate Change Policy in the process of planning interventions for reduction of energy consumption and increase efficiency in the use of natural resources, support is foreseen for the implementation of eco-innovation, energy efficiency in enterprises, implementation of waste-free technologies and advanced technologies for use of waste as raw material in new production and/or alternative applications. The aim is to optimize the cost of doing business and increase resource efficiency. Introduction of eco-innovation, energy efficiency and environmentally friendly production technologies, the introduction of renewable energy sources for their own use and application of technologies for the production of environmentally friendly products that reduce negative impacts on the environment constitute a powerful tool for solving a number of problems and for the shift to low carbon economy, opening of new market opportunities, creation and development of competitive advantages of higher rank, reduction of raw material and energy costs, reducing emissions, etc. These initiatives have the potential to create new jobs, increase labour productivity, incomes and living standards, i.e. are leading to sustainability.

Interventions are foreseen for the implementation of eco-innovation, reducing the impact of the agriculture and fisheries sector on the quality of the environment, and the development of solutions and technologies for recycling and reducing waste. There is as well the need for integration of interventions that focus on the competitiveness of farms, providing additional incentives for activities to restore, protect and enhance ecosystems, and for effective use of resources and support for the transition to a low carbon and sustainable in terms of climate change economy in the agriculture and fisheries and the food sector.

A funding emphasis in agriculture will be the investment in infrastructure for irrigation, aiming to prevent excessive loss of irrigation water. The development and acquisition of energy-efficient buildings and equipment in agriculture and manufacturing will be encouraged, as well as the production of renewable energy for own consumption. Assistance will cover the use of residues from the processing of wood for energy purposes. The support provided for afforestation and conservation of forests will contribute to reducing carbon emissions.

To reduce the impact of fishing on the marine environment and to promote the transition to MSY and phasing out of discards, the following is envisaged:

* Supporting the permanent cessation of fishing activities;
* Innovation, focused on the development and implementation of improved fishing techniques and higher selectivity of fishing gear/facilities;
* Investment in equipment to improve the selectivity of fishing gear, limiting the impact of the fishery, reduction of bycatch, protecting fishing gear from protected mammals and birds.

In addition, investments will be supported for implementation of low-carbon technologies and solutions, and increase in the energy efficiency of the activities in the fisheries and aquaculture sectors, including fishing vessels, aquaculture farms and processing of fishery and aquaculture products. Activities for rehabilitation and reconstruction of existing fishing harbours will be undertaken to improve their energy efficiency and modernization of facilities, which will encourage the landing of all catches. These measures will contribute to one of the specific objectives of the Programme for Maritime Affairs and Fisheries (2014-2020) - Mitigating the effects of climate change, and thus take into account the Guidelines on Mainstreaming of Environmental Policy and Climate Change Policy.

A key area of intervention by ESIF funds will be the support and promotion of energy efficiency in public and private buildings, the use of renewable energy sources for heating and cooling, energy savings in production and local distribution of energy (including modernization of regional networks for heating/cooling, smart grids and meters), which will assist the country in meeting and adapting to international standards for environmental quality. The fuel switch in public and residential buildings and commercial companies will also improve air quality in cities, because atmospheric emissions from heating with solid fuel will be reduced.

The benefits of the interventions in energy efficiency will be enhanced by supporting the creation of a suitable environment and financial incentives to increase the proportion of households using renewable energy for their own consumption; development and implementation of sustainable energy action plans in urban areas, including lighting systems and smart grids. The use of "good practices" will be encouraged in the utilization and transfer of energy from renewable sources by appropriate support schemes for SMEs.

In order to multiply the effects of energy efficiency and use of renewable energy, investments will be aimed at reducing greenhouse gas emissions, especially generated in agriculture and fisheries. Eco-innovative industries, technologies, services and products will be encouraged by promoting economically viable approaches to recycling. The construction of plants for recovery of biogas from landfills for non-hazardous waste will be supported. Subject to intervention will also be the construction of installations/facilities for treatment of sewage sludge for utilization of methane from sediments in already constructed WWTP and facilities for reducing the water content of the stabilized sludge for use as fuel in industrial installations, respecting the hierarchy of waste management.

**Sub-priority: Climate and climate change, risk prevention and management**

Managing the risks of climate change and the development of public policies, strategies and action plans to address natural hazards and to prevent damage from natural disasters is a priority of the country[[204]](#footnote-204). In this regard, support from ESIF will finance measures aimed at:

* performing the necessary studies for the development of the second Flood Risk Management Plans;
* assessing the impact of climate change on water resources and providing the information necessary for a regular assessment of indicators of drought and water shortages;
* flood prevention/protection through the implementation of the measures of the Flood Risk Management Plan as measures to reduce the possibility of flooding and reduce the potential negative impacts of floods in all areas of human activity such as restoring old meanders, thickening and modernization of the network for meteorological and hydrometric monitoring for getting more and more reliable data on water levels, reducing the flow in natural or artificial drainage systems, like dispensing, redundancy, increase in infiltration, etc., including canals, floodplain areas (floodplains - polders), reforestation of banks, construction, modification or removal of equipment to store water (dams and other areas to preserve water, change or remove equipment or change canals; manage the dynamics of sediments, dikes, etc.; planning, design and construction of early warning systems for flood risk; improving institutional planning for emergencies; changes in land use and planning; building defences and retention volumes; planning, design and development of information systems, incl. such for improving the forecasting of flood risk, etc. Support will be provided both for investments in the construction of natural retention, protection and other facilities to prevent flooding and reduce damage: under OPRD - in urban areas and settlements, RDP - in rural areas, the OPE and OPRD - for the construction of early warning systems, respectively, in the watersheds and in endangered areas. During the implementation of these tasks, some of the measures envisaged in the Danube Strategy will be implemented;
* adapting agriculture to climate change, preventing water pollution by nitrates, phosphates and pesticides, creating and implementing better technologies/practices for the treatment of soil, creation and maintenance of buffer zones;
* encouraging less use of nitrogen fertilizers and pesticides, improving livestock management practices to improve animal waste treatment and support crop rotation depending on the climate; investing in organic farming;
* reducing the pressures affecting land: land take and soil sealing (e.g. in "hot areas" such as the urban agglomeration of Sofia, the south coast and the mountain resorts of Bansko, Borovets, Pamporovo, etc.), water erosion, wind erosion, deforestation and soil acidification; and support for management and improvement of soil quality, also through the use of less intensive agricultural practices;
* construction of facilities for utilization of biogas;
* support for the maintenance and conservation of forest resources and forest management through the establishment and management of protective forest belts against erosion and fires;
* measures to address the environmental risks in the Danube region for achieving the objectives set out in priority 4 "Restore and maintain water quality" of the Danube strategy to reduce food (nutritious) levels of the Danube and to recover Black Sea ecosystems to conditions similar to those of 1960;
* in the process of establishing is a Joint Committee to prepare the macro-regional programme for capacity building and regional network on integrated and sustainable risk management policy and territorial development of the Danube region and the region of Southeast Europe on the basis of the forthcoming signing of a draft Memorandum of Understanding between the Ministry of Regional Development of the Republic of Bulgaria, the Ministry of Regional Development and Public Administration of Romania and the Minister for Federal, European and International Affairs of the Federal State of Baden-Württemberg for this purpose;
* improving disaster risk management through the creation of a single database of the main types of disasters and the damage they cause on the territory of the Republic of Bulgaria and by modernizing the equipment and systems for storage and dissemination of data and maps of disaster risk;
* enhancing the resilience of the country to disasters, by means of carrying out analysis, evaluation and mapping of seismic, geological risks (landslides, rockfalls and active faults) and the risk of forest fires, including development of methodologies for the assessment of these risks;
* carrying out supervisions to make technical passports and implementing the prescribed measures for improving the resistance to seismic impact of buildings of the organizations for protection of people from disasters, buildings used for accommodation in case of evacuation and disaster deconcentration, buildings of education and science, buildings of public health services, sites of public social services, buildings of public transport and electronic communications services, buildings of public culture and arts services, dams and adjacent facilities - municipal property;
* improving the monitoring of seismic hazard by expanding the network of seismic stations for detailed study of seismicity in Bulgaria and the adjacent foreign territory for the purpose of periodic updating of maps of seismic zones in the country;
* reducing the impact of disasters and industrial accidents by conducting specialized training and courses for the first responders and the population in the sites of emergency planning and emergency response of facilities operating with and/or storing hazardous substances and materials;
* strengthening the administrative capacity to reduce disaster risk by developing and implementing programmes for establishing of expertise for analysis and risk assessment of the main types of disasters and continuous improvement of the knowledge and skills of the responsible staff;
* promoting civic participation in activities to reduce disaster risk by providing easily understandable and accessible information on disaster risk and the protection of people and conducting information campaigns;
* strengthening the administrative capacity of the Secretariat of the Advisory Council to improve coordination between the various stakeholders in determining specific priority activities related to risk management;
* promoting the participation of local communities in activities to reduce disaster risk by investing in the development of well-equipped volunteer units, in their training and qualifications.

Projects contributing to the management of the risks of landslides, erosion and abrasion processes through mapping and evaluation of scenarios for the likely risks associated with climate change will be realized, adequate administrative capacity to cope with natural disasters will be established, systems for detection and early warning will be introduced, as well as infrastructural measures.

Special attention will be paid to projects under the Danube River Basin Management Plan (EUSDR). Last but not least, the problems associated with the introduction of invasive species which are a particular threat to the health and food industry will also be addressed. Risks associated with fire and hail, which can have a negative impact on agriculture will be addressed as well.

**Sub-priority: Environment and protection of natural resources**

Bulgaria is in dire need of investment to improve water management in order to achieve a better environmental condition, higher efficiency of water resources and to deal with the consequences of climate change for the waters, as well as in order to comply with the EU legislation. Detailed description of the integrated approach is presented in the “Guidelines [on Mainstreaming of Environmental Policy and Climate Change Policy for the period 2014 - 2020](http://ope.moew.government.bg/files/useruploads/files/Programirane/2013_02__22_guidelines_mainstreaming_en_t_ms.pdf)”.

**Water management**

Key institutions responsible for the implementation of policies in the water sector are the Ministry of Environment and Water and the Ministry of Regional Development. The MEW is responsible for water quality protection and reports on the implementation of EU legislation in the sector, incl. Directive 91/271/EEC concerning urban waste water from settlements. Basin Directorates are responsible for the preparation of River Basin Management Plans and Flood Risk Management Plans. The MRD is responsible for the implementation of the legislation relating to the design of water supply and sanitation (WSS) infrastructure, and for the strategic planning in the water supply and sanitation sector (including the development of strategies for managing the WSS sector and the development of regional master plans). The Minister of Regional Development designates with an order the separate areas and is the principal and owner of the assets of the water operators with state participation. The Water associations established by the Water Act include representatives of the local, regional and state authorities and are responsible for asset management and assigning operation to a selected water operator. In turn, water operators are responsible for the operation and maintenance of assets under the signed management contracts. They collect the fees from the users of their services. The State Energy and Water Regulatory Commission is the official regulatory body in the sector, which approves business plans of operators and proposed pricing for the service.

The focus in the water sector will be placed on investments in construction of infrastructure, which is a commitment of the country to fulfill the legal requirements and which is in line with the Roadmap for Resource Efficiency and the Action Plan for the conservation of water resources in Europe (Blueprint to Safeguard Europe's Water Resources), as well as to carry out the necessary activities in connection with the planning of measures to achieve good status of fresh and marine waters.

A challenge for the country in the coming years will be not only the implementation of the measures planned in the first River Basin Management Plans for the four regions (the Danube, the Black Sea, East Aegean and West Aegean Regions) but also the implementation of a number of studies and assessments to provide the necessary information for carrying out accurate and transparent evaluations of the water status and the impact of human activity on it in the development of the second RBMP (2015-2021) and the third RBMP (2021-2027) and the integration of the water policy in the agricultural, energy, regional and other policies, in the implementation of which conditions are created for failure to achieve good water status. In performing these studies and the project related to the Floods Directive, coordination between the second RBMP and the first Flood Risk Management Plans will be ensured.

A regional approach will be applied in systems management and their planning and design, in line with the regional master plans for water supply and sewerage and the industrial strategy for water and sanitation, which are currently being developed and are at an advanced stage of readiness. Master plans are the basis for setting up the priority measures and actions under Bulgaria’s commitments to the European legislation and the agreed transition periods under the Treaty of Accession of Bulgaria to the European Union.

**The first set** of essential basic measures in the RBMP, that will improve the condition of the waters is the treatment of wastewater from settlements. This group of measures requires significant financial resources, therefore will need support from EU funds. The obligations for construction of sewerage systems in settlements are laid down in Directive 91/271/EEC concerning urban waste water from settlements. The Directive requires that Member States build sewage networks and provide biological or more stringent treatment in all agglomerations above 2,000 p.e. and ensure proper collection and treatment for agglomerations with less than 2,000 p.e. with existing sewerage network. The fulfilment of this obligation of Bulgaria is consistent with the commitments under the accession terms and is intended to receive assistance in the programming period 2014-2020 under OPE 2014-2020 for agglomerations above 2,000 p.e. and under RDP - for agglomerations with less than 2,000 p.e. situated in rural areas. A priority in the construction of infrastructure will be agglomerations with over 10,000 p.e. while completion of the sewerage network, in addition to providing the appropriate level of treatment, for all agglomerations will also be a priority.

With the implementation of the construction of sewer systems under OPE, activities under the priority area "Conservation and restoration of the waters" of the EU Strategy for the Danube Region will be carried out, which provide for construction and modernization of WWTPs, as well as alternative technologies for wastewater collection and treatment in rural areas that can serve as buffer strips for retaining nutrients. In implementing the measures in this group innovative solutions will be applied with modern, economically sound ways of treatment, as well as establishing decentralized systems for water treatment to demonstrate their effectiveness and efficiency. In 2012 the National Action Plan on Climate Change for 2013 – 2020 was approved (approved by Decree of the CoM No. 439/01.06.2012), which provides for the treatment of municipal wastewater in large wastewater treatment plants (with a capacity of over 50,000 p.e.) where building facilities for utilization of biogas is technically and economically feasible, and is also intended to be supported by funds under the OPE.

**The second set** of essential basic measures in the RBMP are the ones to provide clean and safe drinking water to the population, through fulfilling the obligations under Directive 98/83/EC on the quality of water intended for human consumption. Performance of obligations under the Directive requires the installation of drinking water treatment plants (DWTP), construction, reconstruction and modernization of the water supply system, or if it is economically more efficient - building new water supply facilities. Complementary are the measures for increasing the efficiency of water consumption by reducing water losses in water supply networks and the construction of facilities, including green infrastructure for the provision of drinking water in the dry periods of the year, thus reducing the number of settlements with water regime will be achieved as well as fulfilment of the objectives of the Europe 2020 strategy for efficient use of resources and the challenge of adaptation to climate change. The implementation of these measures is to be supported by the RDP in rural areas and by OPE - within the Integrated Water Projects. There is also support envisaged under the OPRD for improving the resource efficiency in the area of ​​water as well, within the investment for improving the environment in urban areas. In implementing the measures in this group, focus will be set on: providing conditions for the implementation of a regional approach to systems management as well as regional approach to their planning and design in accordance with the requirements of the EU legislation; the implementation of programmes to reduce water losses, rehabilitation of existing and construction of new pipelines and facilities in and outside urban areas using modern materials and technological solutions; construction of drinking water treatment plants; focusing the investments in areas with established or projected water stress; application of innovative solutions in the sector, etc.

Essential for the implementation of all the planned activities for construction and modernization of water supply and sewerage systems is the successful completion of the water sector reform and ensuring sustainable management of water and wastewater infrastructure in the country. Basis for the water secor reform, including the "Water Supply and Sanitation" sector was established with the adopted by the National Assembly in 2012 National Strategy for the management and development of the water sector. Adoption of a Branch Water Strategy is expected. In this regard OPE 2007-2013 is funding the preparation of a number of documents (strategy, regulations) and measures necessary for the implementation of the reform (creation of a unified information system for strengthening the capacity, etc.) which will be implemented in the current and subsequent years.

The **third set** of measures comprises all measures in rural areas for mitigation of the impact of agricultural activities on water. These are measures to prevent and reduce pollution caused by nitrates from agricultural sources, pesticides and other plant protection products, as well as measures related to hydro-morphological changes of surface water bodies as a result of or for the purpose of agricultural production. This set of measures is intended to be supported under the RDP.

The **fourth set** of measures includes those related to ensuring resource efficiency both in the water sector and in agriculture and industry, which are part of the measures for adaptation to climate change. This group of measures relates to reducing the loss of water in the existing water supply (including irrigation) systems and networks and the introduction of water saving technologies and other innovative solutions; and these are planned to be supported by the RDP in rural areas, by OPIC in the industry and by OPE in the water sector.

The **fifth set** of measures that will help to reduce water pollution from industry is focused on the collection and treatment of wastewater from industry, including the introduction of innovative technologies for reducing emitted pollutants on-the-spot in the enterprise. This set of measures is intended to be supported by OPIC.

The **sixth set** of measures is associated with providing the necessary information for improving water management - both for assessing the impact of human activities and the status of water and for the planning of accurate measures at the appropriate location and evaluation of the effect of the implementation of the measures. These are measures related to building and equipping, in compliance with the requirements of the Directives, systems for water monitoring and technological support for monitoring studies, as well as measures related to the development of information systems and water management models. This set of measures is intended to be supported under the OPE.

The **seventh set** of measures (last but not least) for implementing the water policy is to carry out studies and assessments of the state of water and the significant effects of human activities on it, which, together with the monitoring of water are the basis for the development of coordinated and integrated River Basin Management Plans and Flood Risk Management Plants (in the next planning cycle) and for integration of measures under the Maritime Strategy to achieve good status of the Black Sea, which is under development and which will commence action as of the end of 2015.

The Marine Strategy Framework Directive builds on the requirements of the WFD to achieve "good status" of sea waters and establish a policy aimed at achieving and maintaining a "healthy marine environment" through the development and adoption no later than 2015 of a Maritime Strategic Plan for the Black Sea (national maritime strategy) with programmes of measures to achieve and maintain "a healthy marine environment" by 2020 at the latest. The Directive sets an objective of European scale - definition and development of a representative network of protected areas in marine areas under Natura 2000. In connection with the development of these documents, support from the OPE[[205]](#footnote-205) is envisaged. The implementation of the concrete measures to be included in the marine strategic plan for the Black Sea (concerning ship-source pollution, pollution from port facilities and other marine debris, as well as from oil and gas production) will be supported by the Cohesion Fund (OP Transport). In addition, activities for improving knowledge of the marine environment in order to establish monitoring programmes and programmes of measures envisaged in the Maritine Strategy Framework Directive and activities for protection of the marine environment can be supported by the EMFF.

The aforementioned measures include ones for ensuring the improvement of the state of water in all river basin management districts shared with neighbouring countries, including the necessary cross-border coordination - within the development of plans in implementation of the WFD and the Floods Directive.

**Waste management**

Future challenges in the sector are mainly related to achieving the objectives of:

* prevention of waste generation,
* increase in the proportion of waste that has undergone preparation for reuse and/or recycling
* reducing the amount of biodegradable waste going to landfills.

Efforts will focus primarily on providing financing measures to improve these components of the systems for household waste management, as well as on measures to ensure proper treatment, recovery and disposal of household waste in compliance with the requirements of Directive 2008/98/EO (Waste Framework Directive) establishing a hierarchy of waste management in pursuit of the objectives set out in the national and EU legislation.

Essential resource of ESIF funds will focus on interventions for better waste management, according to their hierarchy of management and with view of achieving higher efficiency of the resource. Investments will be directed towards activities for expanding/renovating the collection of household waste as a priority for the municipal systems for separate collection of biodegradable waste. Investments will be made in the construction of training centres for reuse of household waste, construction of installations for pre-treatment of municipal and hazardous waste (from municipal waste flow), construction of anaerobic and/or composting facilities for biodegradable waste and anaerobic and/or composting plants for green waste. ESIF will finance also the construction of facilities for utilization of biogas in regional landfills and old landfills for non-hazardous waste through production of electricity or by capturing and burning, as well as general measures aimed at preventing and reducing waste generation.

**Biodiversity and NATURA 2000**

Another area of support will be the protection and restoration of biodiversity in the NATURA 2000 network. Activities for exploration and mapping of the distribution and the status of species and habitats in the protected under NATURA 2000 areas in the Black Sea aquatory, as well as for their conservation, will continue. Funds will be granted also for the implementation of the measures identified in the National Framework for Priority Action for Natura 2000 (PAF), such as developing/updating and implementation of the Plan/priority plans or other relevant tools for the management of protected areas in order to support implementation of the commitments under the Directive 92/43/EEC on the conservation of natural habitats, conservation, maintenance and restoration of habitats and species (e.g., building green infrastructure), for studying the distribution, assessing the status and conservation of species and habitats in PA of Natura 2000 in the Black Sea aquatory, measures to support the management structures of the Natura 2000 network, measures to support employment of the population in protected areas, etc. There is support envisaged for biodiversity monitoring and reporting systems[[206]](#footnote-206), incl. investment in equipment.

Last but not least, support is planned for information and communication measures for the Natura 2000 network, as well as measures related to the implementation of the EU Strategy on Biodiversity 2020 (combating invasive species, building information system on genetic resources and traditional knowledge of them, improving knowledge about ecosystem services, etc.).

In order to protect and restore marine biodiversity and ecosystems under sustainable fishing activities, support will be granted for: collection of waste from fishermen; construction and modernization of facilities for conservation of marine flora and fauna; preparation of conservation plans for Natura 2000 sites, raising awareness of environmental issues, etc. Support to these activities contributes to the implementation of the Guidelines for Mainstreaming Environmental Policy and Climate Change Policy. Improving the financial security of data collection operations on fisheries management and fisheries control, as well as increasing the administrative capacity in this area will also contribute to the restoration of the marine environment.

Mainstreaming of environmental policy and policy on climate change for the sector will be achieved by providing support for investment in (eco) innovative and other solutions that reduce the impact of aquaculture on the environment such as: extensive aquaculture providing ecosystem services, incl. protection and improvement of the environment, biodiversity and landscape management and the traditional characteristics of areas, recovery of existing ponds/lagoons used for aquaculture production by removing sediments or possible measures to prevent the deposition of sediments, improving and updating related to animal health and welfare, including purchase of equipment to protect farms from wild predators. An emphasis on the promotion of aquaculture development in the period 2014-2020 will be support to organic aquaculture.

Within the agro-environmental objectives, the main priority will be the conservation of biodiversity in agricultural lands with high natural value and Natura 2000 sites. Farmers will be encouraged to maintain the landscape and exercise agricultural activity in disadvantaged areas. The support will be directed towards maintaining traditional extensive farming practices, prevention of soil erosion and conservation of soil fertility. Support is envisaged to unproductive investment and investment for the construction of facilities for storage of manure and its proper utilization. Priority will be the utilization of the country's potential for development of organic farming. Afforestation will be promoted as well as the sustainable management of forest resources with emphasis on prevention of forest fires and protection of biodiversity in accordance with the requirements of Natura 2000 concerning forests. In order to ensure the implementation of agri-environmental measures, focus will be set on raising awareness, training and advice to farmers on the requirements for sustainable management of natural resources. Finance is provided to measures related to the protection, promotion and development of cultural and natural heritage and measures for strategic and investment planning. Funding is also envisaged for pilot and demo projects in relation to the implementation of agricultural activities aimed at protecting the environment. These actions will be implemented under Priority 1, 4 and 6 of the RDP.

**Ambient Air Quality**

Improving air quality in urban areas (in terms of pollutants) is a major challenge. An analysis prepared by the local municipal programmes on reduction of the levels of pollutants and achieving the established standards of art. 27 of the Clean Air Act, shows a predominant impact from residential heating with solid fuels and from transportation. According to the Guidelines for Mainstreaming Environmental Policy and Climate Change Policy in the CP, the CAP and the CFP funds for the period 2014 -2020, funding has been provided for the implementation of measures related to the renewal and extension of sustainable urban transport systems, development of the railway system (rail TEN-T network) and other measures according to local programmes to reduce the levels of pollutants and achieve the established standards. OPRD will provide funding for interventions related primarily to sustainable and integrated urban transport which is in compliance with the European legislation on hazardous emissions from engines and using alternative energy sources in public transportation (vehicles that do not emit or emit smaller quantities of particulate matter and reduce energy consumption), and combining them with other measures of the municipal programmes (e.g. creation of appropriate traffic models in urban areas, where appropriate). OPTTI will provide funding of activities related to the development of the railway system, incl. also measures relating to the metropolitan subway. OPE will support measures related to strengthening the capacity of institutions responsible for implementing the environmental policy and implementation of legal obligations and requirements. Within the focus are also activities for technical support to the monitoring and control of environmental components – air monitoring system incl. investment in equipment and inventory system for greenhouse gases, including studies to identify country-specific emission factors and indicators. This will ensure meeting the requirements of the United Nations Framework Convention on Climate Change and the Kyoto Protocol.

Other priority measures for funding under the OPE are associated with the construction of facilities for utilization of biogas (with WWTP, landfills). The requirements are in accordance with the Waste Framework Directive 2008/98/EC and are associated with the implementation of the commitments of Member States to reduce carbon dioxide emissions.

In connection with the Guidelines for Mainstreaming Environmental Policy and Policy on Climate Change funding is provided for activities under gasification projects funded by OPRD when recommended in the energy audit. OPRD, OPIC and RDP are also envisaged to provide funding for such activities as per the decision on their scope. OPRD will support also measures for reconstruction and modernization of road and street network and pavements within settlements, incl. construction of bike lanes, but only within an integrated plan for urban development and regeneration and then only within the construction limits of the city and the identified zones of influence. All these measures are necessary to meet the commitments and requirements for Member States to improve air quality.

Part of the needed interventions is aimed at reducing the industrial emissions and as a result - improving the quality of the environment, the air, in particular (including dust from large combustion plants to improve air quality). Pollution by particulate matter is a very serious problem, characterized by traditionally high levels throughout the country. In this regard, funding is provided under the RDP for companies covered by Directive 2010/75/EU on industrial emissions that are from the agricultural sector, and under OPIC for other businesses within the scope of the Directive.

**Strengthening of the administrative capacity of authorities involved in the implementation of environmental policy**

During the 2014-2020 programming period efforts for ensuring the effective management of the ‘Environment’ Sector will continue. Priority will be given to support measures for strengthening the capacity of institutions responsible for the implementation of the environmental policy through provision of specialized technical equipment, introduction of information systems necessary for effective control of environmental protection, training of employees, exchange of experience and others.

**Priority: Good governance and access to quality public services**

The development and implementation of the concept of "good governance" in the country is a key factor for achieving inclusive, smart and sustainable growth. Within this priority, covered for in TO 2 and TO 11, investments under ESIF will be used to achieve optimal institutional environment and provision of quality public services by the administration and the judiciary, in support of the overall efforts to improve the economic growth, competitiveness and quality of life. As key elements, where the ESIF funds will be invested, the following have been outlined: transparency and partnership, efficiency and effectiveness of the administration and the judiciary[[207]](#footnote-207), and orientation towards the needs of citizens and businesses, including reduction of the administrative burden; e-government and justice, capacity for development, coordination and implementation, monitoring and evaluation of policies at all levels of governance as well as the professionalism and motivation of human resources in the administration and the judicial system (institutional capacity).

**Sub-priority: Administrative effectiveness and quality of the judiciary system**

The administrative reform in the period 2014-2020 will complement the already taken measures to optimize the structures and to avoid duplication of functions with new measures to improve the internal organization, coordination and management practices, to enhance the process of development and conducting of policies and their implementation, monitoring, control and evaluation. In this area, the ESIF funds will be directed to finance measures for optimization of the interaction and coordination between the central, regional and municipal administrations, the introduction of practices and standards for quality management and development of result-oriented administration; improvement of the quality and accessibility of public services to citizens and businesses, where priority will be given to reduction in the administrative burden; implementation of tools and procedures for monitoring and evaluation of public policies, and the management and development of human resources in the administration as well as implementation of the relevant strategies. Focus will be set on continuing the reform of the judiciary and improving its quality, efficiency and effectiveness.

Bulgaria will support the **consolidation of administrative structures** at central and regional levels as one of the most important steps in the process of optimizing administrative activities, saving budget expenditures and more effective implementation of public policies. With the integration of the structures at the territorial level the conditions for the gradual decentralization of government will be improved. In this area, under the ESIF initiatives for performing general reviews of public policies which will improve the government structure for their implementation, and building capacity **for better policy making and strategic planning** and their financial managementwill be supported. The central government will carry out concentration of the functions typical of the general administration, which will save considerable resources of the state and will increase the administrative efficiency. In the work of municipal administration support will be provided for the introduction of mechanisms to increase the uniformity of the structures and work processes and consequently to accelerate the process of building local capacity to manage decentralized functions in the field of education, health and social services. Municipalities will be supported for better management of programmes and projects, as well as for attracting foreign investment and providing a favourable business climate locally. The most frequently provided services for business at the municipal level will be standardized, which will further reduce administrative burdens and improve the business environment. Effective approaches will be sought at regional and especially at local level to the risk prevention and management and dealing with the consequences of natural and other disasters.

The major challenge in Bulgaria is better linking the processes of **strategic planning and programme budgeting**. With the support of EU funds, staged introduction of systems for management and evaluation of the performance of the administration is envisaged which are based on clear performance indicators at all levels - key indicators at the organizational level, indicators at directorate level and indicators at unit level. The administration in the Republic of Bulgaria will put investments in the introduction of results-driven state budget. In connection to this, it is planned to conduct regular reviews of the effectiveness and efficiency of programmes and strategies. With the ESIF support the administration will consistently implement practices and standards for quality management and increase of transparency. In order to improve internal efficiency, the introduction of models of self-evaluation and assessment of the administration structures will be encouraged.

Increased participation of economic and social partners and the civil society in the governance by funding integrated partnership projects in the development, implementation, monitoring and evaluation of policies for improving the process of public consultation will be encouraged. With the support of EU funds the opening up of information sources will be sped up and access to information will be provided, also about funding sources such as the state budget or European funds (open data). Increased transparency will help to increase the opportunities for effective civil control over the administration, which is crucial for the implementation of the principles of good governance in Bulgaria. With the support of EU funds outsourcing activities can be identified that will lead to fewer resources for their implementation and better quality. Detailed evaluation of possible transfer of public functions to entities outside the administration will be carried out. An important element of good governance is the implementation of measures to reduce the administrative burden on citizens and businesses, including for the purposes of the fight against corruption and addressing the informal economy. In this regard, the support of EU funds is essential and will be aimed at **introducing smart regulation and improving the business environment** as well as **practices** **for combating corruption and addressing the informal economy**. Administrative burden will be minimized, also through reducing excessive regulation (gold plating) in the transposition of EU legislation. Steps will be taken to reduce red tape by creating and using common information systems and introducing practices for data exchange between administrations. Active support will be provided for the introduction of impact assessment as a key tool for measuring the effect of the introduction of new regulations and implementation of policies, as well as a mechanism for a higher level of resistance to existing norms.

Creation of sustainable practices for joint inspections by control and inspection bodies will also be encouraged. Measures for more effective functioning of the regulatory bodies, the Commissions for Protection of Competition and Consumer Rights, etc. will be promoted. In the area of ​​proper and effective procurement, measures will be encouraged for introduction of e-procurement, including hardware and software upgrade of the Public Procurement Register and the Public Procurement Portal, improving transparency and preventing irregularities in its implementation, increasing the quality and sustainability of the administrative capacity of the Public Procurement Agency.

Particular emphasis will be placed on continuing the reform of the judiciary and improving its efficiency and effectiveness. This will be achieved through interventions aiming at:

* ensuring the availability of affordable, reliable and unified court statistics;
* building capacity for strategic planning, process management in the judiciary, including adequate judicial map and unification of case law;
* operation of quality human resource and workload management systems, including the promotion of alternative dispute resolution methods (mediation and arbitration);
* improving the coordination between the judiciary, the courts and law enforcement agencies;
* improving cooperation with the civil society, leading to its more active involvement in the development of policies concerning the judiciary, including transparency and communication;
* building capacity for managing projects funded by the EU and other funding sources.

ESIF funding will also be used to improve the management of human resources in the administration and the judiciary, considering the experience of other Member States as well. Better planning of the needs for employees, the introduction of faster and more efficient selection methods will be supported. Investments will be made in training, exchange programmes and internships, participation in collaborative networks and partnerships that will contribute to improving the staff expertise, their career development and motivation. Efforts will be put in the introduction of a system for continuity, expansion of mobility, development of mentoring, coaching and mentoring programs. The institutions will get support in the implementation of innovative practices to improve the working environment and to attract, motivate and retain qualified employees.

Interventions will be aimed at encouraging the development of administrative capacity and the judiciary, including the management, coordination, monitoring, control and audit of EU funds; coordination for the implementation of the country's commitments arising from EU membership and the increased participation of Bulgaria in the process of decision-making in the EU. The leading public institutions for training of the administration and its officials and magistrates in the judicial system - IPA and NIJ will be further reformed by strengthening their research capacity and improving their programmes and teaching methods. Initiatives will be encouraged to introduce "green" administration.

**Sub-priority: Access to qualitative public services and effective application of electronic governance and justice**

Ensuring efficiency, transparency and quality of service is linked to the need of providing the necessary conditions for electronic exchange of data and documents to citizens and businesses within the administration and the judiciary, adapted to the needs of consumers and ensuring access to registers, databases and information. The full computerization and provision of easier access to services for individuals and businesses will be priority for Bulgaria, including administrative services through the creation of integrated centres for administrative services at municipal and regional levels, as well as the introduction of e-justice.

The administration will focus on simplification and streamlining of administrative procedures to ensure interoperability between the existing systems, business information exchange and documentation and implementation of integrated public services. Integrated administrative services will be provided after a thorough optimization and reengineering of business processes in the provision of administrative services. The introduction of services such as "life episodes" and "business events" will be encouraged. Implementation of initiatives for improving the processes of care for individuals and legal entities is envisaged.

Investment in e-governance in Bulgaria, as part of the horizontal strategic priority for achieving good governance, will support growth. These investments will be directed towards the development of methodologies and tools for the management of the e-government, the completion of the "cloud" infrastructure, front offices on the spot and a single system integrator of electronic governance, quality assurance, structured information in all bodies of public administration, the development of sectorial and integrated electronic services for citizens and businesses, as well as measures to ensure the development of e-health, e-education, e-procurement and e-justice, front offices following the “one stop shop” model for citizens and businesses. Creation and completion of the development of e-services and sector information systems require additional measures for design and redesign of processes according to the sector strategies of the various sector ministries. Part of the investment will be directed towards the design and prototyping of innovative tools for electronic governance, in particular the automation of software engineering, Cloud and Grid technologies, knowledge processing, geographic information systems.

Provision of easy and convenient access to the administration for members of vulnerable groups and those living in remote areas is envisaged, where in addition to physical access points for services, initiatives will be implemented to create mobile groups of employees to carry out visits in order to provide services. In relation to this, innovative and collaborative projects between several administrations will be encouraged. The focus of interventions for the achievement and development of e-government will be placed on the real needs of users, by identifying preferred services, methods of delivering and providing opportunities for feedback and interaction, taking into account the willingness and capacity of the public administration to provide them. Priority will be given to the implementation of central information systems (the Central Administration Cloud and the Local Administration Cloud) of the e-government, the necessary cross-systems and key systems in some sectors (such as e-health, e-education, e-customs and e-identification).

Thus duplication of functions will be eliminated and the cost of administration will be significantly reduced, transparency and traceability of the processes will be ensured, the quality and accessibility of services for citizens, and businesses in the respective sectors will be improved, real conditions for reducing corruption will be created, also through the use of modern models and best practices from other member states. A key group of the anti-corruption measures will be interventions in the field of public procurement. The development of technical capacity for e-procurement will be supported. The introduction of a high degree of computerization in public procurement is envisaged, which will help prevent irregularities, will enhance transparency and improve the entrepreneurship environment.

The introduction of e-justice will bring about not only increase in the access to effective justice and quality of the work of the judiciary in response to the needs of citizens and businesses, but will also speed up the reforms in terms of accountability and transparency, ‘blind’ distribution of cases, management of magistrates’ workload and time limits. Information technology could also contribute to the fight against corruption and conflict of interest, internal coordination and unification of case law.

E-government and e-justice, quality and efficient services to citizens and businesses, as well as the high level of professionalism and motivation of human resources in the administration and the judiciary, represent significant challenges for the country[[208]](#footnote-208). In this context, interventions for “Good governance and access to quality public services” priority will address not only the needs identified in the analysis, but also the country-specific recommendations of the Council[[209]](#footnote-209).

In programming and implementation of measures associated with the objectives set out in “Good governance and access to quality public services” priority the requirements for the mainstreaming of the environmental policy and the policy on climate change will be met. In accordance with the new trends in the field of the environmental policy and the policy on climate change (resource efficiency, mitigation of the effects of climate change and adaptation, resistance to natural disasters, as well as risk prevention and management), the measures concerning administrative efficiency and quality judiciary will include the establishment of culture and the creation of an organization to reduce the use of paper, to introduce separate waste collection, use of recycled paper and conducting other green initiatives. Ensuring the supply of low-energy equipment in the introduction of e-government and justice will increase energy efficiency and reduce CO2 emissions. By introducing electronic access to information for official use and e-services for citizens the use of paper will be reduced.

**Spatial dimension and place-based policies**

The territorial dimension of the Cohesion policy has a stronger focus in the next programming period. According to Art. 16 of the Draft General Regulation, Member States must comply with the thematic concentration and the recommendations of the Council, but should take advantage of specific territorial potentials and take into account the national and regional needs.

Having considered the need to accelerate the development of the Bulgarian regions, using the untapped potential of the area and to ensure a balanced and sustainable nature of this development in order to achieve long-term growth and employment, the Partnership Agreement formulates strategic spatial dimension aimed at territorial concentration and coordination including policies for urban, rural, fisheries areas and the territorial dimensions of the priority sectorial policies. The objective is to accelerate the development of the Bulgarian regions using the untapped potential of the area and to ensure a balanced and sustainable development in order to achieve long-term growth and employment.

**Spatial dimension**

The strategic framework of the government policy to achieve balanced and sustainable development of the regions in the country and to address the intra- and inter-regional differences/disparities is defined in the National Regional Development Strategy (NRDS) for the period 2012-2022. The NRDS sets the long-term goals and priorities for the regional development policy which is of integral nature and allows for the coordination of the sectorial territorial policies and promotes their synchronization. A huge role in strengthening the territorial approach, besides the National Strategy for Regional Development has the National Spatial Development Concept for 2012-2025. It sets guidelines for the spatial development, management and conservation of the national territory and creates prerequisites for spatial orientation and coordination of sectorial policies.

In order to achieve the strategic objectives of these documents interventions in the following areas are provided:

* Development of policies for social services with a clear regional significance and impact that exceed and complement the urban and the specific rural dimension and development. Such are the state education and health infrastructure and the social infrastructure of national and regional importance, which will run horizontally across the country after strategic pre-determination. Education, health, culture, administrative and social services sites play an important role in determining the support centres of the polycentric system of settlements. Accessibility of these services, cultural and educational trips and connections are the basis of the criteria system for the selection of specific support actions.
* Completion, rehabilitation and reconstruction of the national road network, regardless of its class, infrastructure of regional importance to improve connectivity and accessibility of the network of cities and sites of cultural and natural heritage with the TEN-T and integration of the territory of the country through better accessibility and mobility - a decisive factor for increasing regional competitiveness, development and growth and job creation. A certain number of road sections of national and regional importance that provide access and connection to the TEN-T network, sites of natural and cultural heritage, pre-identified on the basis of the National Road Strategy for 2014-2020 and the methodology for fund prioritization of "Road Infrastructure" Agency will be funded.
* Tourism development by supporting the protection, promotion and development of cultural and natural heritage as an opportunity to achieve a high added value of the investments made, use of the specific local territorial potential and creation of new jobs. Natural and cultural heritage can be defined as one of the most pronounced comparative advantages of the Bulgarian regions in a globalizing world. The vision is for funding a limited number of pre-defined cultural and natural attractions of national and global importance

The aim is through the adopted approach for support of the territorial dimension of sectorial policies, to contribute to the successful implementation of the reforms in the respective sectors, such as education, health, social policy, transport infrastructure, risk prevention, tourism.

**Place-based policies**

**Urban development** policy plays an important part in the Cohesion policy of the EU. In accordance with the Territorial Agenda of the EU 2020, the NSRF 2012-2022 and the NSDC 2013-2025 the approach of ‘moderate polycentrism’ is adopted in the urban development policy in Bulgaria.

The evaluation in the NSDC of the possible options for limited, moderately developed and highly developed polycentrism prove that most suitable for the country is the spatial model of moderate polycentrism in order to overcome the risk of deepening monocentrism that creates serious regional imbalances. The adopted model is in full compliance with Priority 1 "Promote polycentric and balanced territorial development" of the Territorial Agenda 2020, according to which polarization between capitals, metropolitan and medium cities at national level should be avoided. In this regard, small and medium-sized towns play an important role.

In determining the target cities to support under the urban development policy, the "moderate polycentrism" approach seeks to protect the existing network of locations in the country, relatively evenly distributed, with primary and secondary centres linked to the major and minor axes of development and smaller towns which are also important centres in this backbone network. Furthermore, the spatial pattern of moderate polycentrism has been proven as the most appropriate for the country to overcome the risk of deepening monocentrism that creates serious regional imbalances.

The importance of the cities identified as supporting centres for development justifies the need for targeted measures for sustainable and integrated urban development, and/or have strategic location with view of cross-border development. As a basis for the implementation of an integrated territorial approach to the cities, the integrated plans for urban regeneration and development (IPURD) will be used to support 67 cities.Covered are all the cities of the first, second and third level, as well as part of the cities of level 4 (28), which have the trend and potential to move to a higher hierarchical level.

IPURD are developed based on the existing strategic documents – spatial development plans, national, regional and local strategies and programmes,which contribute to the realization of their objectives and priorities and define the role of cities in a broader spatial context. IPURD are a combination of time and space bound projects, actions and investment proposals which contribute to the implementation of the urban development strategy, as well as to the development priorities identified in existing strategic documents. IPURD aim at lasting improvement in the economic, social and environmental conditions of the urban areas, integrated development and a clear synergistic effect. Concentration of support is achieved by focusing on pre-defined influence zones in the towns: social zones, public functions zones and zones with potential for economic development.

According to the needs and role of each city investments will be prioritized to stimulate the cities and urban development based on IPURD. Activities for improvement of municipal educational and social infrastructure development of sports infrastructure in order to provide opportunities for physical activity and social inclusion; provision of opportunities for active participation in social life and improving the quality of cultural services by investing in cultural infrastructure; energy efficiency of residential buildings and office buildings of the state and municipal administration will be funded. Substantial support for growth will be given to regeneration and renewal of old industrial zones in cities through investments in promising areas for economic development.

In view of the specific problems of the marginalized groups, including the Roma population in the cities, associated with inner-city establishments and social isolation of public life, a special focus is provided on the provision of modern social housing for vulnerable, minority and low-income populations and other disadvantaged groups; through the ESF complementary measures to supply equipment/furniture for the educational and social infrastructure funded by ERDF and the supporting social services provided in impact zones will be ensured.

Investment in public transport will be implemented through comprehensive projects for integrated urban transport and will include also functional links with neighbouring settlements, which are part of the system of public transport. Special focus will be put on measures to protect and restore the urban environment. Some of these activities in support of the urban development will be implemented by means of financial engineering.

Cities can contribute to inclusive growth, in particular in the fight against poverty and social polarization, in solving the problems arising from an aging population, in becoming an attractive place to live, providing alternative employment and job creation and minimizing and eliminating the on-going negative demographic trends reducing migration to larger cities, creating evenly distributed support centres in the country.

Tourism development by supporting the preservation, promotion and development of the cultural and natural heritage has been identified as one of the key opportunities for achieving higher added value of the investments, the use of the local specific territorial potential and creating new jobs. Nature and cultural heritage can be defined as one of the most prominent advantages of the Bulgarian regions in a globalizing world. The vision is to finance a limited number of predetermined cultural and natural attractions of national and global significance[[210]](#footnote-210).

The orientation of national level policies is not towards the area but rather to the population, therefore the distinction between rural and urban areas is not considered in terms of the size of the area of the national territory covered, but as a proportion of the population. Within the 67 cities under OPRD live about 60% of Bulgarians, i.e. in the other areas live 40% of the population. Thus the number of the supported population is retained, against the definition used for the 2007-2013 period.

In compliance with the new requirements for the mainstreaming of the Environmental Policy and the Climate Change Policy in EU funds for the next programming period, the OPRD implements the principle of mainstreaming the Environmental Policy and the Climate Change Policy in the programming process through the selection of thematic objectives and investment priorities within the field of environment and climate. The mainstreaming of the Environmental and the Climate Change Policies has been achieved with a clear thematic concentration in thematic objectives 6 "Protecting the environment and promoting resource efficiency" and 4 "Supporting the shift towards a low carbon economy". In particular, using its own measures OPRD contributes to the fulfilment of the following interventions from the guidelines:

Intervention 1 "Interventions required for better water management to achieve better environmental status, higher efficiency of the resource and to address climate change effects": under Description 1.9. "More efficient water use, including ecoinnovations, new water technologies and methods for status assessment, monitoring and management, water treatment", the OPRD will contribute when it comes to measures that are part of the repair and reconstruction of buildings subject to funding by OPRD.

Intervention 3 "Climate change interventions: Energy Efficiency and RES": under descriptions 3.1. "Energy efficiency improvement and replacement of the fuel in: 3.1.1. Public buildings (state and municipal); 3.1.2. Residential buildings. 3.1.3. Health and social institutions (commercial companies); the OPRD contributes by Priority Axis 1: "Sustainable and Integrated Urban Development", Priority Axis 2: "State Educational Infrastructure" and Priority Axis 3 "Regional health infrastructure" and Priority Axis 4 Regional Social infrastructure with the implementation of energy efficiency measures implemented in public and residential buildings, subject to funding by the OPRD.

Intervention 4 "Climate change interventions: Improvement of the ambient air quality and reduction of the greenhouse gas emissions": under Descriptions 4.1. Implementation of measures for improvement of ambient air quality: 4.1.1. Renewal and extension of the sustainable urban transport systems; 4.1.2. Other measures under the municipal programmes for reducing the levels of air pollutants and achieving the established standards; the OPRD contributes by Priority Axis 1 "Sustainable and Integrated Urban Development" and through the implementation of activities related to the development and improvement of integrated urban transport. The activities support TO 7 "Promoting sustainable transport and removing bottlenecks in key network infrastructures." Along description 4.5. “Reconstruction and modernization of the road and street network and the pavements in the urban areas, construction of bike lanes”, the contribution by OPRD is under Priority Axis 1 "Sustainable and Integrated Urban Development" with activities for improving the urban environment within the designated impact zones under IPURD. Support is provided to TO 6 "Protecting the environment and promoting resource efficiency".

In assessing the projects under the OPRD, environmental criteria agreed with the MEW will be used.

In order to build upon and further develop the effect of regional development impacts on rural areas in the Rural Development Programme 2007-2013, for the period 2014-2020 preservation of the territorial coverage of rural areas for the purposes of RDP is planned. The policy for **rural development** in the period 2014-2020 recognizes that the economic development in rural areas should be aimed at creating conditions for the diversification of economic activities, increasing employment opportunities and improving the quality of life. It will address the main problems in the rural areas - reducing poverty and social exclusion, limiting the process of depopulation by maintaining agricultural employment and job creation outside agriculture, by improving access to basic services and infrastructure, including access to the Internet.

The support will focus on three areas:

* Facilitation of the diversification, creation and development of small businesses and job creation;
* Promotion of local development in rural areas; and
* Improving the access to, the use and quality of information and communication technologies in rural areas.

The need for support in the first area is particularly important in rural areas because of the high unemployment rate, and especially young people up to 25 years. RDP interventions should promote further restructuring and age upgrading of the uncompetitive agricultural sectors, taking into account the social and environmental needs of the rural development policies. Start-up of micro-enterprises in the rural areas with priority in the processing of agricultural and forestry products, the creation of a functioning network for exchange of information on innovations and best practices, technologies, markets, and specialized exchange visits and trips, providing consultation, and continuous training for entrepreneurs in the field of business development and marketing of products and services, training, acquisition and continuous maintenance of skills in computer literacy, foreign languages for the supported entrepreneurs, easier access to financial tools for investment funds and investment insurance in the riskier business environment in rural areas are the main requirements for reducing poverty and social exclusion and retention of rural depopulation.

The development of agriculture has significant potential to contribute to the economic growth and employment in Bulgaria, especially in the rural areas of the country. Taking advantage of this potential can be achieved on the basis of rapid and orderly restructuring of small and subsistence family farms, producing in these agricultural sectors the competitiveness of which has been lagging behind in recent years, and more precisely in the production of fruits and vegetables, meat and milk. Production of those can easily be combined with farms producing essential oils and herbs and plants, providing spices for the food industry and active substances for the pharmaceutical industry. Due to its geographical location, the existing combination of soil and climate conditions and the potential for organic farming, Bulgaria has a competitive advantage in those industries. Gradually, with the increase in their economic size, farms in the process of economic restructuring will not only create full employment for family members, but will also maintain jobs.

Encouraging the young to start-up a business and marketing support for its sustainable operation and growth are essential for creating and maintaining jobs in rural areas and for retaining depopulation there. Another important focus along the line is the measures for strengthening and sustainable economic and social development of small farms and SMEs.

Achieving synergy effects at farm level will not only increase their overall competitiveness, but will improve the water and soil management, water losses in irrigated agriculture will be reduced as well as greenhouse gas emissions from agriculture in the atmosphere.

Support in the second area focuses on improving the basic services for the rural population and the local business. Better access to water supply should be provided as well as drinking water and wastewater treatment, settlements should be renewed and a pleasant and accessible living environment should be provided, as well as access to sports and cultural events. The administrative, social, health, educational and consulting services should become available locally, also for people from vulnerable groups, and access to information and communication services should be ensured. Investments under the RDP should be targeted at certain localities and small urban centres from rural areas which with their improved small-scale infrastructure and improved transport and communication links with the surrounding villages have the potential to provide the necessary basic services and jobs for the quality of life in the adjacent areas. In line with these objectives the development of services and infrastructure that lead to social inclusion should be promoted and trends towards economic and social decline and depopulation of rural areas should be reversed. Small-size infrastructure should contribute to activities related to environmental protection and mitigation of climate change. In order to achieve maximum efficiency with this support, the activities covered should be implemented in accordance with the municipal development plans and their basic services.

Support in the third area is needed because of the lower quality, access to and use of Internet-based services in the rural areas. The RDP investments need to focus on ensuring access to reliable internet and the development of ICT-based solutions for the particular area in the field of security, disaster and emergency protection, promoting the development of local tourism and local business as a whole, focusing on administrative, health, social and educational services and the development of ICT-based systems for local spatial planning and territorial management (based on the cadastre) of the settlements in the rural areas.

The main contribution to local development for reviving local communities and initiative of different groups of people, for promoting entrepreneurship and preserving local traditions, belongs to the 'community-led local development’ approach applied in rural areas. Applying this approach to a wider territorial base in the rural areas of the country is planned to be deliberately supported by the RDP, with a focus on investments in capacity building and the already created in the current planning period capacity for preparing and implementing local development strategies to be supported and strengthened.

These measures will be achieved primarily by interventions under Priority 6, but the interventions under Priority 2, 3, 4 and 5 of the RDP will also contribute to the regional development.

In order to build upon and further develop the effect of the regional development impacts in fisheries areas in the Operational Programme for Development of the Fisheries Sector 2007-2013, for the period 2014-2020 the implementation of the community-led local development approach is planned to continue. Interventions for the development of fisheries areas will allow for focusing to additional resources in the regions of Bulgaria where fisheries have significant share in the local economy, generate employment and generate significant potential for the development of specific fishing tourism.

Support for local development in **fisheries areas** will be focused on creating new jobs by promoting activities outside fishing as tourism, introduction of energy efficiency and use of renewable energy, cooperation between fishing communities and research organizations and the promotion of environmental protection in the region.

## Summary of the ex-ante evaluation

Although there is no specific obligation under the Draft Regulations for the next programming period, the Republic of Bulgaria has adopted the approach of performing an ex-ante evaluation of the Partnership Agreement. The evaluator’s recommendations, summarised in this chapter, are reflected in the current version of the PA.

The opinion of the independent evaluator is that the draft PA is based on the objectives, which the European Commission and Bulgaria aim to achieve by 2020. It is indicated that information from official national and European statistical sources, academic publications and reports by international institutions about the development of Bulgaria is being analysed, with an emphasis on 2010 and 2011, since there is final data available for these years.

The analysis is evaluated to be exhaustive, reflecting statistical information correctly, grouping problems in the areas that could be covered by the programmes. Recommendations are being presented for the further development of the analysis with respect to sectorial policies and for the refinement of the parts relating to healthcare, innovation and agriculture[[211]](#footnote-211).

It is indicated that although a lot of statistical data is being presented in the Draft Analysis yet not all indicators are interpreted in specific conclusions and recommendations, that can consequently be incorporated and further developed in the Rationale for the selection of thematic objectives and in the Strategy for the purpose of the PA. The interrelationship between tendency – conclusion – recommendations is assessed as insufficient. The evaluator points out that there is no high level of compliance between the first draft of the analysis, the rationale for selection of the thematic objectives and the strategy.

The evaluator has presented the discrepancies, spheres with insufficient information and conclusions in the analysis, as well as recommendations and additions for measures under the thematic objectives and respective priorities. Below, the above mentioned are presented at the level of PA priorities.

* **Priority 1: Education, qualification and employment for inclusive growth**

The evaluator considers necessary to be identified more opportunities for integrated interventions, as well as for better coordination of measures within the two thematic objectives and in the field of education.

* **Priority** **2**: **Scientific research, innovation and investments for smart growth**

**Sub-priority: R&D and innovation.** This sub-priority is well justified, while more specific measures for funding is still necessary to be identified. A potential weakness is identified in the lack of enough justified linkage with educational sector (especially tertiary education), without which R&D and innovations cannot be developed.

**Sub-priority: Access to and use of ICT.** Certain issues raise the priority funding of broadband access in undeveloped regions of the country, which are however seriously depopulated, comprised predominantly of retired people. In this respect, it would be appropriate if this sub-priority and in particular the support for the above mentioned sector are concentrated on investments in basic infrastructure, directed toward creation of conditions for attracting economic activities and people in these regions.

* **Priority 3: Connectivity and green economy for sustainable growth**

**In sub-priority: Climate and climate change, risk prevention and management** – beside climate change and adaptation, risk prevention and management to be elaborated. At present the focus is on flood prevention/protection through implementation of investment measures.

**In sub-priority:** Environment and protection of natural resources the aspects of biodiversity and NATURA 2000 areas need to be better covered.

**Sub-priority: Connectivity (external and internal).** The necessity of development of the connecting infrastructure, composed of low-category roads, is very well substantiated, with clear and irrefutable argumentation. The accessibility within the country and the imposed spatial configuration model require the road network to be in good condition, furthermore – the latter is substantial for the overall development of the country. It is important also the needs to be relevant to the available resources, i.e. an additional prioritization might be required.

* **Priority 4: Good governance and access to quality public services**

Measures to be specified, related to the judiciary card and e-justice, including trainings of magistrates and officials of the judiciary. For example, measures to improve and develop the system and the centralized portal for e-justice; provision of data and documentary exchange with the relevant EU systems.

* **Spatial dimension and place-based policies**

The opinion of the evaluator is that this part of section 2 is considering the spatial dimension and the place-based development policies as a separate horizontal priority, with clear territorial dimensions of comprehensive development. In general, this approach is correct and in compliance with the Cohesion policy principles, as well as the NSRD, where the main objective is largely related to the mitigation of cross-regional and intraregional disparities. The NSRD is set to be the main strategic document that has to determine the regional development priorities in the next programming period. In compliance with the recommendations of the ex-ante evaluation, the National Spatial Development Concept is recognized as supporting and specifying document, which mostly reflects the spatial organization and imposing of appointed models of this organization on the national territory.

In accordance with the evaluator’s recommendations, the analytical and strategic parts of the Partnership Agreement with respect to main financing priorities are further developed in the field of healthcare[[212]](#footnote-212); the sectors of agriculture, forestry and fishing; determining labour market tendencies and the congruence between supply and demand of labour; the lack of a link between the three main pillars: education, science and business; the quality of secondary and tertiary education; groups with special needs and risk of poverty and social exclusion, with an emphasis on the Roma population and its specifics; identifying the basic causes for the lack of competitive SME; development of civil society.

The quality of the analytical and strategic parts is significantly improved in terms of evaluation and interpretation of available data and information, drawing logical conclusions and needs to be addressed during the 2014-2020 programming period. Integration has been achieved between defined needs and proposed investment areas for overcoming differences and stimulating existing growth and sustainability potential.

In the strategic part, there has been an additional focus on investments that will have an effect on the creation of job opportunities for people with special needs, development of social innovations, effective integration of older individuals in the labour market, qualification and motivation of teachers and professors at universities, encouraging civil society, raising the quality of the water in rivers and seas. In relation to the regional approach, there is a further development of the idea of emphasizing the role of the cities as primary and secondary axis centres, around which to organise regional development in the country.

## Selection and rationale of thematic objectives, main results by thematic objectives and for each of the ESI Funds

Council of Ministers Decision №328 from 25 April 2012 lays out the thematic objectives, through which Bulgaria will contribute to the Cohesion policy, the Common Agricultural Policy (CAP) and the Common Fisheries Policy for the 2014 – 2020 period. The national strategic documents[[213]](#footnote-213) consider **all of the eleven thematic objectives**. Three main criteria are identified for the choice of Bulgaria to apply all 11 thematic objectives for funding under ESIF: **development needs**, (legislative) **requirements and commitments** as EU MS and **potential for growth**, and the combination between them forms the justification behind the thematic objectives in relation to the funding possibilities under the ESI Funds.

**Rationale of the Thematic objectives and main results**

| **Thematic Objective** | **Strategic Priority for Funding (PA)** | **Rationale/Identified bottlenecks** | **Major funding areas** | **Main results** |
| --- | --- | --- | --- | --- |
| **1). Strengthening research, technological development and innovation** | **2). Scientific research, innovation and investment for smart growth** | Identified as national development priority under NDP: Bulgaria 2020 and according to Council Recommendations on NRP, 2013  Identified bottlenecks:   * + - **Inadequate institutional environment -** there are no comprehensive long-term and specific national sector policies on research and development; insufficient inter-institutional and financial support for the creation and promotion of innovation and the creation and protection of intellectual property; fragmented administrative capacity and excessive administrative costs related with the implementation of R&D.     - **Low and ineffective investments in R&D -** low share of GDP in R&D expenditure in the long term; ineffective incentives for the private sector to invest and perform R&D and/or to use the results of the research activities of academia; lack of consistent mechanisms for distributing the support for R&D and targeted at achieving the national strategic objectives for public expenses for R&D.     - **Low level of cooperation between the stakeholders in the field of R&D** and low value added of innovation.     - **Human resources** - lack of human resources for R&D and innovation, including human resources in the management of R&D and innovation; presence of significant brain drain of highly educated and skilled professionals in R&D; low social status and prestige of working in R&D. | * + - **Investments in R&D and Innovation -** investment in opportunities for research and innovation (including eco innovation), modernization of infrastructure and equipment for innovation, and creating jobs for researches; support for basic research projects, activities for cooperation and mobility of researchers; support to innovative SMEs and start-ups, provision of easier access to funding (co-funding, seed funds, risk capital funds); provide incentives for increased public and private investment in R&D and innovation.     - **Partnerships for innovation** - strengthening cooperation in R&D and innovation between the government, academia and the private sector; strengthening the human potential in the field of R&D; promoting cooperation in research between the Member States in the Danube region.     - **Capacity building and Human Resource Management** - development and implementation of research and innovation strategies for smart specialization; improvement of the quality of university curricula, oriented towards R&D; creation of new incentives for employment in research; provision of possibilities for research enterprises to create research programmes with attractive working conditions. | National target according to "Europe 2020" strategy: R&D costs, % of GDP: 1.5% in 2020  ERDF   * + - Increase in gross value added in the economy, based on raised number of innovative SMEs in comparison with the 2007-2013 period     - Implemented strategic and integrated R&D and innovation activities between research centres and the business sector, and increased volume of gross private investments in R&D and innovation     - Acting institutional environment for realization and protection of R&D and innovation   EAFRD   * + - Increased value added and higher competitiveness in comparison with the 2007-2013 period of the agriculture, based on R&D and innovation |
| **2). Enhancing access to, and use and quality of, information and communication technologies** | **2) Scientific research, innovation and investments for smart growth**  **4) Good governance and access to quality public services** | Identified as national development priority under NDP: Bulgaria 2020 and according to Council Recommendations on NRP, 2013  Identified bottlenecks:   * + - **Low levels of access to information and communication technologies**, insufficient access to broadband networks, especially for certain geographic areas and target disadvantaged groups;     - In general, **low levels of use of the Internet** by the population and small and medium enterprises;     - **Insufficient penetration of digital services**, inadequate and undiversified in an adequate manner supply of ICT products;     - Insufficient development of **e-government** services;     - **Unjustified restrictions on the market entry of network sectors**, including telecommunications. | * + - **Access to information and communication technologies** – building of a better infrastructure in information and communication technologies (ICT) as a key factor for social and economic development and enhancing competitiveness of business and creating new perspectives both in work organization and in creating new and attractive jobs; expansion and spread of broadband networks and introduction of high-speed Next Generation Access (NGA) networks in areas suffering from market failure (especially in rural areas); establishment of an adequate network connectivity, the required communication equipment, computers and the required software to support all state institutions.     - **Promoting the development and wider use of ICT products and services inclueding the Internet** - improving the distribution of and support for ICT demand, also among disadvantaged groups and develop various levels of digital competence; enabling and encouraging the use of ICT by citizens, who no longer benefit from general education through professional training and educational institutions for adults; support for enterprises that want to exploit R&D and innovation in ICT; development and introduction of new ICT-based services, manufacturing and distribution methods, e-commerce applications requiring adequate ICT training.     - **E-government and e-justice -** strengthen the implementation of ICT applications that help to create effective and inclusive e-government and e-justice services in all spheres; ensuring the interoperability of information systems in public administration; digitalization of the public administration through the implementation of infrastructure necessary for the development of common databases and electronic records; Provide at national level access to public electronic communications infrastructure, databases, and modern libraries; development of integrated administrative e-services for the citizens and the business, including e-health, e-education, e-procurement and e-justice; development and modernization of sector information systems and data-bases; elaboration of approaches for administrative e-services. | ERDF   * + - Implemented widely and in full range, accessible and operational “e-government’, providing qualitative electronic public services for citizens and business   EAFRD   * + - Improved accessibility and quality of ICT in the rural areas, including digital farms |
| **3). Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)** | **2) Scientific research, innovation and investments for smart growth** | Identified as national development priority under NDP: Bulgaria 2020 and according to Council Recommendations on NRP, 2013  Identified bottlenecks:   * + - **Low level of investment** (financial and human resources);     - **Insufficient possibilities for modernizaton**     - Insufficient capability to rapidly adapt **best practices** in the industry;     - Insufficient degree of transition to **green and resource-efficient** production technologies;     - High level of **exposure to natural hazards**, including climate change (EAFRD and EMFF);     - **Insufficiently high quality of life** for young families particularly in peripheral rural /fishing areas (EAFRD and EMFF);     - **Excessive administrative burden**;     - Missing access and use of professional consulting services;     - Lack of access to international markets;     - **Shadow economy** harms the competitiveness of legitimate producers (e.g. in certain sectors of agriculture). | * + - **Investing in SMEs, agriculture and forestry, fishery and aquaculture** – promoting realization on new and potential markets and internationalization of SMEs; supporting diversification of economic activities and entrepreneurial spirit, especially in rural, remote and undeveloped areas; supporting the businesses that create competitive advantage for Bulgaria and the industry, clusters of geographic areas with potential for development and export; strengthening and further development of traditional economic activities in the regions; overcoming structural imbalances in livestock-breeding, promoting equal development of the different branches of the plant-growing; encouraging investments in tangible and intangible assets; promoting cooperation among farmers and involving the participants in the production chain /food industry; supporting the commercialization of new technical solutions on national and/or industrial and/or enterprise level, technological modernization of SMEs; supporting the modernization of the fishing fleet, introducing innovative technologies in the field of aquaculture and fish processing; protection from natural hazards, leading to loss of income in the agriculture, forestry and fishing.     - **Improving the business environment** - reduction of administrative burden, simplifying and speeding for the insolvency proceedings and bankruptcy protection; facilitating access to finance for SMEs and start-ups, including those in food processing, fishery and maritime sector; facilitating the restructuring of farms to improve competitiveness and sustainability; restructuring of agriculture in sensitive areas with regard to their socio-economic and demographic conditions (tobacco production); fostering FDI; fostering public-private partnerships for the implementation of local development strategies (CLLD); internationalization and services for business – services for supporting business; programmes for internationalization, national exhibitions, attracting foreign investors, supporting the development of systems for standardization, patenting and intellectual property management, services and measures to promote energy efficiency and RES, promoting and marketing tourism | ERDF   * + - Achieved economic growth, based on competitive SMEs, increased income from entrepreneurship and considerable value added of innovations in the priority sectors   EAFRD   * + - Restored image of Bulgarian agriculture, based on competitive, modernized and natural clean production     - Achieved productivity growth in the agricultural sector in comparison with the present period in order to satisfy the domestic demand of agricultural production   EMFF   * + - Increase in the gross value added in the “Fishery and aquaculture” in comparison with the 2007 – 2013 period, based on enhanced competitiveness, viability and sustainability of this sector |
| **4). Supporting the shift towards a low-carbon economy in all sectors** | **3). Connectivity and green economy for sustainable growth** | Identified as national development priority under NDP: Bulgaria 2020 and according to Council Recommendations on NRP, 2013  Identified bottlenecks:   * + - **Low level of low carbon activities**, processes and products needed for energy infrastructure (low energy efficiency);     - Significant potential for **use of renewable energy**, but still its use is low;     - Insufficient activities for development, transfer and profitable marketing of **innovation with** **lower carbon emissions** in the mid- and long- term;     - **Financial and legal barriers** for private investments in order to improve energy efficiency and use of renewable energy sources;     - **Low and insufficient level of marketing of local energy resources** (tax concessions and incentives for renewable energy for households in urban areas, the use of geothermal resources of local importance, etc.)     - **Low level of energy efficiency** in administrative buildings of state and municipal administration and multi-family residential buildings in cities     - The number of personal vehicles and the traffic jam in the cities is rising, due to the lack of transport alternatives     - Insufficient quality of urban transport services, including outdated rolling stock, not meeting the legal carbon emission requirements and insufficient access to the urban transport services for people with disabilities | * + - **Support for energy efficiency** - in public and private buildings, and in agricultural facilities; encouraging and supporting the establishment and development of energy efficiency measures, including any kind of eco-innovations and best practices and approaches (mainly SMEs) and support for energy efficiency measures in all regions and sectors, including agriculture and fisheries; promoting the effective use of resources.     - **Increasing the use of renewable energy sources** - creating a favourable environment for the production and use of renewable energy sources; development of sustainable energy production while maintaining forests as carbon swallowers, and not converted to carbon sources in Europe; encouraging investments in technology for production and consumption of renewable energy by business and households; diversification of investments in renewable energy sources, solar energy, but also water, by-products, waste from agriculture and forestry (including biogas from manure).     - **Investments in reducing greenhouse gas emissions** - encourage lesser use of nitrogen fertilizers and pesticides, improving management practices for the treatment of animal manure, as well as crops alternation in regard to climate; investing in organic farming; supporting the development and implementation of integrated strategies for low-carbon and sustainable energy action plans in urban areas, including lighting systems and smart grids; supporting R&D aimed at moving towards a low carbon economy; encouraging farmers to provide environmental services in relation to climate change (reducing emissions from rural areas).     - **Developing environmentally friendly transport systems and promoting sustainable urban mobility** - reducing transport-related pollution and noise levels, for example by modernization or replacement of buses; launching schemes for promotion of cleaner transport; improving infrastructure for public transport, stimulating alternative forms of transport, including bicycles; developing plans for traffic management and implementation of automatic systems for management and information service; renovating the transport infrastructure, including the contact network, stops, bases for repair, maintenance and equipment, pedestrians and bikeways, street networks for development of integrated urban transport systems; implementation of measures for improvement of accessibility to mass urban transport, including the related infrastructure; network development with new destinations to include remote residential areas within the urban agglomerations; improving connections between integrated urban transport and inter-city railway and bus transport; implementation of measures to improve the organization of parking close to key mass urban transport points. | National targets according to "Europe 2020" strategy   * + - Share of RES in gross final energy consumption: 16% in 2020 (compared to 13.5% in 2010)   ERDF   * + - Economy, based on and taking into account the real low-carbon industries and increased energy efficiency     - Higher energy efficiency and positive energy balance reported in comparison with the current period for residential, public and commercial buildings     - Achieved predominate share of use of sustainable urban transport and reduce of carbon emissions   EAFRD   * + - Achieving prevalent share of agriculture of the total, which is energy efficient and based on energy efficient technologies     - Reporting the use of energy, produced from agricultural and livestock breeding by-products, wastes, residues   EMFF   * + - Sector, based on and reporting real low-carbon manufacturing and increased energy efficiency by implementation of energy efficient technologies in the fishery and aquaculture activities |
| **5). Promoting climate change adaptation, risk prevention and management** | **3). Connectivity and green economy for sustainable growth** | Identified national development priority under NDP: Bulgaria 2020  Identified bottlenecks:   * + - **Climate change** will affect many areas of the economy that are particularly important, such as agriculture, forestry, tourism, fishery and aquaculture, energy consumption, and related services that determine the economic potential and quality of life of the society as a whole;     - **Significant risks associated with climate change** increased frequency of disasters, reducing the suitability of crops, introduction of invasive species and the spread of atypical infectious diseases;     - **Lack of a national policy on climate change** aimed at adapting of the most sensitive sectors (agriculture, tourism, water management, forestry, etc.)     - **Inadequate measures for risk management**, including analysis and assessment of the risk of natural disasters, undeveloped early warning systems, as well as infrastructure connectivity for interaction between central and local authorities     - **Large landslides, landslips, abrasions, erosions and other adversely geodynamic processes** in the country, driven by complex geological structure and intensive tectonics. | * + - **Prevention and management of risks from climate change** – construction of sludge treatment facilities, including installations for methane treatment, from WWTPs’; planning and development of National centre for water management and flood and drought warnings, and early-warning systems for flood; conducting research and evaluation, related to the development of the second Flood Risk Management Plans and forecasting the impact of climate changes on the water resources; rehabilitation of infrastructure, connected with river basins, dams and bridges; supporting measures for prevention of risks from flooding and landslides; optimizing the infrastructure connectivity in urban areas, through further development of communication and information networks in order to improve the work of public institutions; completion of the national early warning system at regional and local level; supporting measures for reduction of the pressure on water and ensuring sustainable water management and improved water efficiency; supporting the improvement of the quality of soil management and reduction of the pressure affecting the soil; supporting the maintenance and conservation of forest resources and forest management; introducing supportive measures designed to ensure the protection and adaptation to the adverse effects of climate change on natural habitats, species and ecosystems; supporting the improvement of forest fire and sea defences; supporting the restoration and repair of irrigation infrastructure; supporting the prevention of landslides in urban territories.     - **Public policy and capacity-building for adaptation to climate change** - obtaining reliable data on economic, biological and scientific aspects of fishing; supporting the effective management of the risks from climate change on agriculture; mapping and evaluation of scenarios for the likely risks associated with climate change and the creation of systems for detection and early warning; promoting international cooperation between neighbouring European countries for risk prevention and mutual assistance, especially within the EU Strategy for the Danube Region; supporting the public response to industrial risks; supporting the development of measures and projects designed to protect, restore, and recover coastal and marine areas; reinforcing drainage and protection facilities for reduce and prevent the risk of expansion of the landslide, abrasion and erosion. | ERDF   * + - Implementation of effective and efficient policy for climate change adaptation, risk prevention and management   EAFRD   * + - Available sustainable support for creation and development of crops, resistant to climate changes     - Implementation of effective and efficient policy for sustainable water and soil management |
| **6). Protecting the environment and promoting resource efficiency** | **3). Connectivity and green economy for sustainable growth** | Identified as national development priority under NDP: Bulgaria 2020  Identified bottlenecks:   * + - **Insufficient effort and investments** in public works for protection of the environment (mainly in the sectors of water and waste management);     - **Lack of appropriate measures** **at national level** and at municipal level for waste management, recovery and recycling of household and construction waste;     - High level of biodegradable municipal waste, treated by disposal on landfills;     - Deterioration of air;     - Lack of incentives for biodiversity conservation;     - Lack of extensive business and operations, processes and products among the community to improve the resource efficiency;     - Low quality of urban environment and public works in cities.     - Concentration of social, environmental and demographic problems in major cities.     - Need for preserving the national and cultural heritage in the presence of unique immovable cultural values | * + - **Improving water and waste management -** improving waste water collection and treatment and sludge treatment in settlements; improvement and extension of water supply systems; encouraging optimization/saving of water use in agriculture, optimization, completion, equipment of networks and tools for water monitoring; conducting national researches in relation to the water condition and development of second and third River Basin Management Plans; supporting the prevention of accumulation of waste for reuse and recycling; supporting more efficient use of local resources by investing in better systems for waste collection; using waste as an energy resource; supporting the further development of environmental administration; commercialization eco-innovation and environmental technologies for manufacture in the enterprises.     - **Improving the environment in urban areas -** improving the air quality; development of local systems for monitoring of the air quality; supporting sustainable and integrated urban development, including better urban environment, “green” urban infrastructure, restore and improve brownfield sites/development of infrastructure in the business and industrial areas; supporting the development and implementation of policies for reduction of the use of resources; supporting measures to reduce emissions from national transport activities and their impacts on the environment through the development of a favourable environment for significant growth in intermodal freight transport volumes.     - **Protection of biodiversity and natural resources** - supporting sustainable management and restoration of Natura 2000 network; encouraging biodiversity, water efficiency, water and soil quality; encouraging fishing within maximal sustainable yield, promotion of eco-innovation and high-level environmental aquaculture; enhancing adequate scientific monitoring and administrative control to support the transition to environmentally sustainable fishing; promoting integrated management of river basins; supporting measures for improvement of the ecological status of Black Sea and the Black Sea coast.     - **Measures to promote conservation, rational and responsible use of resources -** investments in the diversification of local economies through the protection and enhancement of natural, cultural and historical heritage and landscape; investments to improve the cultural, historical and natural heritage; support for the regional tourist potential and the development of regional tourist products and market information. | National targets according to "Europe 2020" strategy   * + - Improving energy efficiency: 25% in 2020   ERDF   * + - Implementation of effective and efficient policy for protection and development of cultural heritage   ERDF and CF   * + - Completed reform in the water sector and implementation of effective and efficient policy for sustainable quality of water and sewerage services, including in compliance with EU regulations     - Implementation of effective and efficient policy for waste management, including in compliance with EU regulations     - Implementation of effective and efficient policy for reduction of air pollution and management of air quality, including in compliance with EU regulations     - Implementation of effective and efficient policy for protection and restoration of biodiversity and ecosystems in Bulgaria   EAFRD   * + - Created conditions for sustainable operation of environmentally sound farming systems     - Achieved growth in comparison with the present period in the organic farming, based on improved quality of environment and natural resources   EMFF   * + - Created conditions for environmentally sound fishery; cessation of discards; achieved maximum sustainable yield and reduction of negative impact of fisheries and aquaculture on the environment     - Reconstructed fishing infrastructure |
| **7). Promoting sustainable transport and removing bottlenecks in key network infrastructures** | **3). Connectivity and green economy for sustainable growth** | Identified as national development priority under NDP: Bulgaria 2020 and according to Council Recommendations on NRP, 2013  Identified bottlenecks:   * + - Transport infrastructure - network gaps and bottlenecks, outdated sections;     - The majority of the road network is of lower class and in a poor condition – insufficient connectivity with the core TEN-T network and supporting networks;     - Unbalanced distribution of railways, with obsolete operative and technical features;     - The general technical condition of the port infrastructure on the Danube River and the sea is insufficient; intermodal terminals are insufficient;     - The condition of the rolling stock in rail and public transport as a whole is insufficient     - High mortality due to road accidents and lack of measures to ensure access to transport services for people with disabilities.     - Poor condition of the transport connections between the city centres and their access to the TEN-T network. | * + - **Investments in TEN-T corridors with quality and interoperable transport systems and providing connectivity to the TEN-T network -** rail sector by modernization and completion of existing corridors to fill in significant gaps in key areas of the rail TEN-T network, with special emphasis on cross-border sections and interoperability; developing intermodal transport and multimodal infrastructure between rail and other modes of transport; investing in river and sea forms of transport for improvement of the connectivity between ports and road and rail networks; improving the shipping and intermodal connections on the Danube River, and the intermodal port terminal (ship-to-rail) in Ruse; completion of Struma motorway including the tunnel in Kresna (Lot 3); completion of Hemus motorway; investment in regional road and railway connections and increasing convergence between regions.     - **Developing environmentally friendly transport systems and promoting sustainable regional mobility** - reducing transport-related pollution and noise levels; supporting schemes for promotion of cleaner transport; improving infrastructure for public transport, stimulating alternative forms of transport; supporting the development of integrated service grids for fast mass transport; promoting information systems for traffic management.     - **Investment in infrastructure for mooring,** port facilities, transport connections to the inland | Compulsory target: 10% share of renewable energy in transport by 2020  ERDF   * + - Achieved prevalent share of usage of sustainable transport of the total   CF   * + - Built infrastructure for intermodal and interoperable transport     - Available conditions for developed water transport in the country |
| **8). Promoting employment and supporting labour mobility** | **1). Education, qualification and employment for inclusive growth** | Identified as national development priority under NDP: Bulgaria 2020 and according to Council Recommendations on NRP, 2013  Identified bottlenecks:   * + - Low and declining access to employment;     - Low productivity of labour in comparison with EU average;     - Labour force qualification is insufficient corresponding to the needs of business and economy;     - Low share of employed and unemployed engaged in forms of life-long learning, compared to EU average;     - Higher level of unemployment compared to EU average;     - Youth unemployment is higher than the EU average, which shows difficult transition from education to employment;     - The unemployment rate among vulnerable groups is high, among Roma - over 50%;     - The high level of school drop-outs produces potentially unemployed;     - Regional differences increase the risk of unemployment;     - Need to improve the institutional environment for more efficient public spending ;     - Need to improve the institutional capacity to forecast business needs of specific qualified labour force, as an instrument to plan investments in education and training;     - Need of additional conditions to prolong active working life of elderly people. | * + - **Supporting access to employment for job seekers and inactive people with effective initiatives, improving the quality of the workforce** – development of targeted active and preventive measures on the labour market; promoting self-employment and entrepreneurship with a clear focus on young people and the most disadvantaged groups; improving the quality of employment and career counselling services, in elderly to meet the labour market supply and demand; developing and promoting innovative and beneficial for the older people working conditions; increasing employment in rural and fisheries areas; increasing provision of quality, sustainable and affordable services for child care in order to increase the rate of women employment; improving access to employment for vulnerable groups; improving adaptability and continuous upgrading of the workforce knowledge and skills; increasing the workforce mobility; promoting higher labour productivity of employees as a result of a higher level of knowledge and skills.     - **Integration of the young people who are neither in education, employment, training nor in the labour market** - supporting faster and more successful transition from school to work through targeted active policies at the labour market and support for start-ups; introduction of "Youth Guarantee" by establishing schemes for the provision of further education, measures for obtainment and improvement of qualification, and activation of every young person unemployed or not participating in education or training within four months of leaving school; increasing the participation of low-skilled young people in interships and apprenticeship-type vocational trainings; increasing the employment rate of young people in rural areas by shifting jobs to other sectors of the economy.     - **Improving the institutional and policy framework for the promotion of employment as a prerequisite for sustainable growth and jobs -** developing institutions to contribute for overcoming the gap between labour supply and demand; monitoring, evaluation and increasing improvement of the quality of the public employment services; encouraging data collection and analysis of structural changes in labour supply and demand (to foresee future needs for knowledge and skills); developing services for career and professional counselling, particularly in schools and for youth; improving the effectiveness of active policy on the labour market; promoting the strategic partnership between the professional education society (PES), providers of education and training, and public and private employers; promoting measures for improving the working conditions and reducing irregular employment; promoting social innovations; promoting the extension of healthy working life; Promoting economic diversification and the development of employment opportunities in rural, marine and fishing areas; supporting the development of traditional economic activities in the regions (local crafts, etc.); providing opportunities for integrated local development, where the local action groups can facilitate the balance of supply and demand of skilled labour force with specific skills. | National targets according to "Europe 2020" strategy   * + - Increase in energy efficiency: 25% in 2020 (compared to 3.4% in 2005-2009);     - Employment of population aged 20-64: 76% in 2020 (compare to 63.9% in 2011);     - Decreasing the level of youth unemployment (15-29 years) to 7% in 2020;     - Achieving employment among the elderly (55-64 years) to 53% in 2020   ESF   * + - Increased effective and sustainable employment and increased labour productivity compared to 2007 – 2013 г. period, especially within marginalized groups and in the regions with specific needs   EAFRD   * + - Increased effective and sustainable employment and increased labour productivity compared to 2007 – 2013 г. period in the rural regions   EMFF   * + - Increased effective and sustainable employment and increased labour productivity compared to 2007 – 2013 г. period in the fishery and aquaculture |
| **9). Promoting social inclusion and combating poverty** | **1). Education, qualification and employment for inclusive growth** | Identified as national development priority under NDP: Bulgaria 2020 and according to Council Recommendations on NRP, 2013  Identified bottlenecks:   * + - High and increasing level of poverty;     - The number of people, living in risk of poverty and/or social exclusion is among the highest in EU;     - The unemployment rate among vulnerable groups is high, among Roma – over 50%;     - The high level of school drop-outs produce potentially unemployed;     - Regional differences increase the risk of unemployment;     - Access barriers for groups with special needs and people in the most disadvantaged regions to quality social, educational and health services;     - Poor condition of basic social services in the settlements;     - Need to apply a general integrated approach for reducing poverty and social exclusion as a driver of effective measures for combating poverty and for inclusive growth;     - Lack of sufficient incentives for training (including training in transversal competences, entrepreneurship) and participation in local action groups (particularly for groups with special needs and those living in less developed regions);     - Lack of sufficient incentives to increase employment (including distance working, part-time work) – particularly for groups with special needs and those living in less developed areas;     - Lack of social mechanisms to raise the social status of the population and rehabilitation of the social infrastructure;     - Poor condition of the healthcare system;     - The education and trainings for unemployed are not sufficient for identifying and meeting the needs of the labour market;     - Need to improve the infrastructure for social inclusion;     - Adverse demographic features in majority regions in the country and worst health status of the population     - Territorial approach in implementation of healthcare reforms is absent, which leads to totally low quality of health services for the population and limited access to health services     - Concentration of social, environmental and demographic problems in the big cities;     - Lack of alternatives for healthy lifestyle, for balance between work and leisure, and for sports and relax in the cities. Lack of opportunities for disadvantaged people for active social life;     - Need of continuing the process of deinstitutionalization. | * + - **Providing access to accessible and quality services for full-scale social inclusion and rights realization -** improving service provision, necessary for social inclusion of those groups most distant from the labour market; abolishment of the institutionalized social care model and development of multi-sectorial services for social inclusion; provision of sustainable, quality and accessible community social services, responding to the individual needs of the persons; development of a network of services in and close to family environment for children, people with disabilities and elderly people, dependent upon professional care; enhancement of the integrated services for early childhood development (0-7 years of age) and their families; development of social economics and support for social entrepreneurship; guaranteeing accessible environment for people with disabilities – physical, institutional and informational.     - **Institutional development to combat poverty –** supporting the modernization of the healthcare system, including design and implementation of reforms, intended providing quality and accessible health services for all; improved planning of services in the respective sectors, including on regional level and the coordination in planning; development and implementation of systems for monitoring and control the effectiveness and efficiency of the provided services.     - **Ensuring appropriate social infrastructure -** improving the condition of the health infrastructure and medical equipment; improving the social inclusion infrastructure; promotion of social inclusion through support for sports and cultural infrastructure in urban areas, including use of financial engineering.     - **Support for active social inclusion and integration of groups with specific needs and the Roma -** support for modern social housing for marginalized groups; construction, reconstruction, repair and equipment for municipal social infrastructure, including measures for energy efficiency and RES; construction, reconstruction, repair and supply for centres, providing services for children at risk; construction, reconstruction, repair and supply for centres “family-type”; developing of infrastructure for additional services for children; construction, reconstruction, repair and renovation of buildings for social services in the community – the process of deinstitutionalization of children and elderly persons; construction, reconstruction, repair and supply for infrastructure for community-based services for elderly persons with disabilities. | National targets according to "Europe 2020" strategy   * + - Reducing the number of people living in poverty: with 260 000 people by 2020   ERDF   * + - Completion and modernization of the health and social infrastructure, which provides sustainable conditions for improvement of the nation quality of life   ESF   * + - Achieved sustainability in: reduction of poverty, raising the active social inclusion and improving the quality of life of the nation     - Available capacity and conditions for development of social economy   EAFRD   * + - The quality of life improved in the rural regions, based on provision of qualitative social services |
| **10). Investments in education, skills and lifelong learning** | **1). Education, qualification and employment for inclusive growth** | Identified as national development priority under NDP: Bulgaria 2020 and according to Council Recommendations on NRP, 2013  Identified bottlenecks:   * + - There is no coherent concept and consistency in the quality and access to education, training and lifelong learning in the country;     - The percentage of young people in the age group 20-24 with at least secondary education has been steadily increasing in recent years, from 77.4% in 2002 to 85.5% in 2011, but compliance with labour market needs is insufficient;     - Demographic decline, closure of schools;     - Low literacy and numeracy test results of PISA;     - Access to informal education for young people in Bulgaria is still very limited, although there are promising initiatives;     - The lowest in the EU share of participation of adults (between 15-64 years) in various forms of training;     - The proportion of employed graduates of general education and vocational schools in the age group 20-34 years in 2010 was low;     - The scope and access to education and training services are severely limited for communities outside the major urban agglomerations;     - Lack of overall general government policy for lifelong learning and skills acquisition;     - Mismatch between the education and the needs of the labour market;     - Lack of integration and coordination between institutions at all levels of education and science     - Bulgaria is lagging in R&D and educational costs share of GDP;     - Poor condition of the educational, scientific and research infrastructure related to high education. | * + - **Reducing early school leaving -** supporting pre-school education and all-day educational activities for primary school children; supporting the implementation of integrated policies to reduce early school leaving; improving the quality of general education, including modernization programmes (application of modern methods), improving the training of trainers and on-the-job training, implementation of quality assurance and quality control, including quality assurance in vocational education and training, mechanisms for monitoring and feedback, paying special attention to achieving common minimum standards; supporting professional orientation in schools; enhancing the use of ICT, modernized educational infrastructure (renovation, providing access for people with disabilities, connectivity, digitization) of all forms of education (general, tertiary, vocational); increasing access to early childhood education and care (ECEC) for children between birth and compulsory school age, with a focus on the disadvantaged groups, which must be accompanied by effective measures to monitor and ensure minimum quality standards; improving the support for the lagging behind people; measures to improve infrastructure and supply for educational institutions – kindergarten, primary and secondary schools, including vocational schools.     - **Improving the quality, effectiveness and accessibility of tertiary education and equivalent education**  - training, teaching and research in higher education, and establishment of e-learning; upgrading educational and training programmes to better meet the needs of the labour market; promoting professional development and integrity of employees in higher education; fostering strategic cooperation between higher education institutions, businesses and the research industry as well as the link with the local / regional communities; implementation of specific measures, such as researchers’ internships in enterprises in order to improve the partnership between education and businesses; introducing measures to improve infrastructure and supply for educational institutions – high education.     - **Life-long learning -** capacity building to improve the availability and accessibility of learning opportunities for adults; system development, quality assurance in vocational education and training for adults; expanding opportunities for outside-institutional and non-formal education, especially those related to online learning; attracting businesses to participate in all stages of education and training; supporting measures for early identification of the needs of the labour market and adjustment of education and training programmes to cover identified needs. | National targets according to "Europe 2020" strategy   * + - Share of the early school leavers: 11% at 2020 (compare to 11.8 % in 2011);     - Share of the 30-34 years old with third level education: 36% at 2020 (compare to 27.3 % in 2011).   ERDF   * + - Achieved reduction of territorial disparities in the country, based on developed and modernized educational and training infrastructure, and including the development of the “triangle of knowledge”   ESF   * + - Achieved sustainability in the scope of and active involvement of sudents in the primary and secondary educational system     - Qualitative, efficient and accessible tertiary education, proved with the presence of Bulgarian universities in international rankings of best schools     - Achieved sustainable consistency between the educational and training system and the labour market system, based on developed and acting practices of lifelong learning, professional qualification and improvement of skills of employees   EAFRD   * + - Developed and acting practices of Life-long learning and vocational training in the agricultural and forestry sectors, which will contribute for sustainable employment and labour productivity increasing in the sectors |
|  |
| **11). Enhancing institutional capacity and an efficient public administration** | **4). Good governance and access to qualitative public services** | Identified as national development priority under NDP: Bulgaria 2020 and according to Council Recommendations on NRP, 2013  Identified bottlenecks:   * + - Long (93.4 days) time to acquire licenses by companies in the country;     - High „shadow economy”;     - High levels of turnover of administrative staff, which is the main obstacle to improving the quality of public policies (Bulgaria occupies the last but one position in this respect within the EU);     - Specific problematic aspects are the long duration of court cases, limited application of forms of alternative settlement of civil and commercial disputes and other issues regarding the reform of the judicial system;     - Insufficient effectiveness of the public expenditure policies, incl. programmes co-funded by the EU. | * + - **Investment in the institutional capacity and efficiency of the public administrations and public services for reforms, better regulation and good governance** – optimization of the structure of the central and local administrations, better planning of policies and strategies, financial management, human resource management; promoting reforms to ensure better jurisdiction and effective management of public policies at national, regional and municipal levels, and greater accountability in the public administration, including in tendering and procurement and enforcement authorities; strengthening the role of regulatory authorities and the coordination among them; promoting capacity building on local level;     - **Reducing the administrative burden** - ensuring lawful and effective public procurement; introduction of e-procurement and strengthening the prevention of irregularities; improvement of the administrative regulation process; optimization and reengineering of work processes related to administrative services’ provision, improving their quality and introduction of complex administrative services;     - **Improving the efficiency and effectiveness of the judiciary,** including strengthening the capacity of court and law enforcement authorities in order to effectively investigate, litigate and close cases, including cases in the sphere of organized crime and high-level corruption and fight against shadow economy;     - Dissemination of knowledge to promote evidence-based planning and **effective implementation of public policies at all levels of government**; development of information systems and database serving the national social systems management; development and implementation of a basic model for integrated (one-stop shop) and customer-oriented administrative services; strengthening and improving supervisory services provided by the State Agency for Methodological and Technical Supervision; improving the quality and accessibility of public services (implementation of systems and approaches to quality management). | ESF   * + - Achieved confidence and satisfaction among users of the public administration services, especially those in healthcare and social systems, doing business environment, judiciary system, labour market, and education     - Completion of the reforms started in the field of the state administration, judiciary system, healthcare and social policies, and available institutional capacity to continue and upgrade the achieved results |

## Indicative allocation of support by the Union by thematic objectives for each of the ESI Funds[[214]](#footnote-214)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **ERDF** | **ESF** | **CF** | **EAFRD** | **EMFF** | **TOTAL** |
| 1. Strengthening research, technological development and innovation | 11.38% | - | - | 0.45% | - | 4.40% |
| 2. Enhancing access to, and use and quality of, information and communication technologies | 6.62% | - | - | 5.00% | - | 3.72% |
| 3 Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF) | 16.56% | - | - | 15.60% | 50.00% | 10.82% |
| 4. Supporting the shift towards a low-carbon economy in all sectors | 14.95% | - | - | 10.10% | 6.00% | 8.21% |
| 5. Promoting climate change adaptation, risk prevention and management | 2.55% | - | - | 7.70% | - | 2.85% |
| 6. Protecting the environment and promoting resource efficiency | 8.58% | - | 49.76% | 40.50% | 33.00% | 24.95% |
| 7. Promoting sustainable transport and removing bottlenecks in key network infrastructures | 8.66% | - | 50.24% | - | - | 14.65% |
| 8. Promoting employment and supporting labour mobility | - | 28.47% | - | 2.50% | 5.00% | 4.56% |
| 9. Promoting social inclusion and combating poverty | 12.06% | 20.99% | - | 14.00% | - | 10.84% |
| 10. Investing in education, skills and lifelong learning | 12.31% | 33.76% | - | 0.15% | - | 9.26% |
| 11. Enhancing institutional capacity and an efficient public administration | - | 12.58% | - | - | - | 1.71% |
| Technical Assistance | 6.33% | 4.20% | - | 4.00% | 6.00% | 4.03% |
| **TOTAL** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |

## Horizontal principles and policy objectives for implementation of the ESI Funds

### 1.5.1. Partnership principle

The necessary guarantees for the application of the partnership principle were created at the very initial stage of preparing the country’s participation in EU Cohesion Policy for the programming period 2014-2020. The main programming stages, the key participants in the process and their respective responsibilities are regulated by an act of the Council of Ministers[[215]](#footnote-215) envisaging the establishment of an inter-ministerial working group for the preparation of the Partnership Agreement for the period 2014-2020. Among the tasks of the working group is ensuring the compliance of the PA with the principles of partnership, multi-level governance, promotion of equality between men and women and sustainable development, as well as with the applicable European and national legislation.

One of the ways to ensure compliance with the partnership principle is through the composition of the working group, which includes representatives of:

* Central administration – the authorities responsible for the EU funds management in the 2007-2013 and 2014-2020 programming periods; the governmental agencies responsible for the national policies related to the thematic objectives;
* National Statistical Institute; Commission for Protection against Discrimination; the National Council for Cooperation on Ethnic and Integration Issues;
* A wide range of representatives of different groups of partners – the six Regional Development Councils of the NUTS II regions; all nationally representative organizations of employers and employees; representatives of the nationally representative organizations of and for people with disabilities; NAMRB; the academic society; non-governmental organizations.

The representatives of the academic society in the working group were selected by the MES based on a mechanisms prepared by the Ministry.

The representatives of the non-governmental sector were selected on the basis of Mechanism for selection of the Non-governmental Organisations, whose representatives are to participate in the working groups on drafting the PA and the Programmes of the Republic of Bulgaria for the 2014-2020 programming period. The Mechanism identifies 4 groups of NGOs through which the representation of the NGO-sector in the PA working group is to be ensured:

* Social organizations including organizations working towards integration of minority ethnic groups and immigrants; organizations working in the field of human and civil rights and freedoms; organizations working in the field of gender equality and non-discrimination; organizations working in the field of social inclusion, etc.;
* Environmental organizations including organizations working in the fields of environmental protection, conservation of biodiversity in accordance with the natural bio-geographical characteristics of the country, etc.;
* Organizations working in the field of education, science and culture – educational and training organizations, research and development organizations, organizations providing information services; organizations for protection of the cultural and historical heritage;
* Organizations working in the field of development policies, including economic development, regional development and public policies.

The selection of the NGOs was carried out through a public call, following which the organizations that had submitted applications were assessed for compliance with clear and objective criteria set out in the Mechanism. The NGOs in each of the above groups that satisfied the criteria appointed common representatives to participate in the WG. In order to ensure the involvement of the broadest possible range of NGO representatives in the programming process, the Mechanism binds the NGO representatives to coordinate the positions they state at the meetings of the working group with other NGOs from the group they represent and to ensure the publicity of the decisions of the working group among them.

A list of the concrete representatives of the different partner groups included in the working group for the preparation of the Partnership Agreement is provided in Annex 1.

All key decisions related to the programming process and the separate sections of the Partnership Agreement are subject to discussion and approval by the working group. Moreover, with a view to ensuring a wider involvement of the civil society in the process, public consultations are held at the different stages of preparation of the Partnership Agreement and the programmes for the 2014-2020 period.

Another opportunity for active participation of the civil society in the programming process is provided by means of publishing the entire information related to the work of the working group for the preparation of the PA on the Single information web-portal for the Structural and Cohesion Funds [www.eufunds.bg](http://www.eufunds.bg). On July 24th, 2013 the draft PA was published for public consultation on the Public consultations web-portal and the Single information web-portal.

Among the main positions and comments received from representatives of the partners was the necessity to highlight the needs of people with disabilities and to better address these needs with appropriate measures within the separate strategic priorities. The comments have been taken into account as the relevant parts of the actualized PA. Similarly, the measures for social inclusion related to the integration of marginalized minorities have also been supplemented in result of comments received. A number of proposals for reducing the administrative burden were received from the NGO sector and have been included in section 2.6.

At the stage of implementation of the programmes co-financed by ESI funds the partnership principle will be applied in a similar manner to the composition of the Monitoring Committee while ensuring the necessary continuity in terms of the institutions and organizations involved in the programming process. The Monitoring Committee is to provide opinions on the draft progress reports in pursuance of Article 46 of the Common Regulation.

### 1.5.2. Promotion of equality between men and women, non-discrimination and accessibility

The principles of gender equality, non-discrimination and accessibility are embedded in the legislative and institutional system of Bulgaria and apply to all spheres of social life, including employment, education and training, healthcare, housing, social protection, access to social services, economic activities, etc. The general framework ensuring compliance with these horizontal principles includes:

* Constitution of the Republic of Bulgaria (Article 6);
* Law on Protection Against Discrimination;
* Law on the Integration of People with Disabilities;
* National Strategy for Equal Opportunities for People with Disabilities 2008-2015;
* National Strategy for Promotion of Gender Equality 2009-2015;
* Long-term Strategy for the Employment of People with Disabilities 2011–2020.

The application of these principles within the management of ESI funds has been also ensured at the various stages of the preparation and implementation of the Partnership Agreement and the programmes for the 2014-2020 period.

At the programming stage, the necessary guarantees have been ensured through:

* Designating the task to ensure compliance with the horizontal principles in the programming process as a core function of each working group involved in it;
* Determining compositions of the working group for the preparation of the Partnership Agreement and of each thematic work group for the preparation of the different programmes which include a wide range of organizations working in the field of equal opportunities and non-discrimination, incl. the Commission for Protection against Discrimination and the National Council for Cooperation on Ethnic and Integration Issues, NGOs working in the field of gender equality and non-discrimination, the Ministry of Labour and Social Policy, which has horizontal competences related to the coordination and control of the national policy on equal opportunities.

During the implementation of the Partnership Agreement and the programmes co-funded through the ESI Funds, the application of the principles of gender equality, non-discrimination and accessibility will be ensured through the following measures:

* The Central Coordination Unit will issue horizontal guidelines on the application of these principles at the various stages of the implementation of the programmes. Based on these guidelines, the contracts with the beneficiaries of the separate programmes will include specific requirements for the application of the principles during project implementation.
* As part of the assessment of project proposals, their compatibility with the principles of gender equality, non-discrimination and accessibility will also be examined.
* Monitoring compliance with the horizontal principles will be an integral part of the project monitoring. The implementation reports will include a description of the contribution to the principles of equality, non-discrimination and accessibility.
* According to the annex of the ESF Regulation, for ESF-funded projects the description will also include quantitative information about the participants in terms of gender, disabilities, age, education and employment.
* The violation of the principle during project implementation and any failure to fulfil the commitments described in the project proposals related to that principle will lead to imposing financial corrections based on the extent and significance of the violation.
* During the preparation of each annual implementation report or progress report of the programmes the managing authorities will provide information on the current implementation of the horizontal principles under each operational programme.
* During the programming period at least one evaluation of the implementation of the principle of equality, non-discrimination and accessibility will be carried out, either separately or as part of an overall evaluation of the implementation of the Partnership Agreement and the programmes.
* The representatives of non-governmental organizations working in the field of equal opportunities, non-discrimination and accessibility will be included in the Monitoring committees of the Partnership Agreement and the programmes.

The mechanism foreseen builds upon the approach used during the 2007-2013 programming period and reinforces some of its elements to achieve higher efficiency.

### 1.5.3. Sustainable development

Sustainable development is one of the key priorities of the National Development Programme: Bulgaria 2020, which outlines some of the main challenges and opportunities facing the country over the next few years in this area.

The key regulatory acts and sectorial strategic documents in the field of sustainable development and environmental protection are[[216]](#footnote-216):

* Environmental Protection Act;
* Disaster Protection Act;
* National Strategy for Regional Development for the period 2012–2022;
* Water Act;
* Waste Management Act;
* National Strategy for Management and Development of the Water Sector in the Republic of Bulgaria;
* Maritime Strategy of the Republic of Bulgaria;
* Strategic Action Plan for the Environmental Protection and Rehabilitation of the Black Sea;
* Programme for Requisite Measures in Conditions of Drought;
* National Strategy for Biodiversity Conservation;
* National Programme for Waste Management for the period 2009-2013;
* National Programme for Waste Management for the period 2014-2020 (with a period for development by the end of 2013)
* National Action Programme for Sustainable Land Management and Combating Desertification (2007-2013);
* National Action Plan on Environment and Health 2008-2013;
* National Programme for Disaster Protection 2009-2013;
* Third National Action Plan on Climate Change 2013-2020;
* National Plan for Disaster Protection;
* National Long-Term Programme for Promoting the Use of Renewable Energy Sources 2005–2015;
* National Action Plan on Renewable Energy, valid until 2020;
* Energy Strategy of the Republic of Bulgaria until 2020, which includes goals connected with increasing energy efficiency and the use of renewable energy sources[[217]](#footnote-217);
* Second National Action Plan on Energy Efficiency and its respective report.

These documents take into account the key priorities and goals of the European policy for sustainable development, which are referred to in all national development policies of the country.

The necessary prerequisites to ensure the application of the principle of sustainable development in the management of ESI funds were created as early as the programming of the various measures and interventions. The working group for the preparation of the Partnership Agreement includes representatives of the main institutions responsible for implementing environmental protection and sustainable development policies as well as representatives of environmental NGOs.

On the other hand, the Council of Ministers has adopted Guidelines on the integration of the environmental policy and the policy on climate change in the funds of the Cohesion Policy, Common Agricultural Policy and Common Fisheries Policy for the 2014-2020 period. The guidelines include specific measures and groups of actions for environmental and climate change policies, which shall be integrated by the respective responsible institutions at the national level in the preparation of the PA and the 2014-2020 ESIF programmes. The purpose of the guidelines is to ensure the implementation of a uniform, systematic and coordinated approach to the integration of environmental and climate change policies in the key programming documents for the period 2014-2020 and the reporting and follow-up of results and the corresponding achievement of national objectives and targets in accordance with the objectives of the EU.

A document entitled “Guidelines on the integration of the environmental policy and the policy on climate change in the funds of the Cohesion Policy, Common Agricultural Policy and Common Fisheries Policy 2014-2020 – phase “Implementation of the operational programmes and the Partnership Agreement” will complement the already developed Guidelines. The second phase of the Guidelines envisages developing a system of criteria to ensure that during the 2014-2020 period the ESI Funds will as a priority be used to fund projects contributing to a higher degree to the implementation of environmental and climate change policies. Of significant importance for the development, preparation and implementation of the operational programmes is also the recognition of the requirements for protection and improvement of the environment, mainly through applying the principles of precaution measures, preventive activities and the polluter-pays principle.

The effective implementation of the Guidelines, phases 1 and 2, and the inclusion of the identified measures in the ESIF programmes will be ensured through a continuous dialogue and coordination with all stakeholders. To this end, the establishment of a national network will is foreseen with participation of the competent environmental authorities, the managing authorities and the NGO and business sectors.

During the implementation of the Partnership Agreement and the programmes co-funded by ESIF activities similar to the ones described in Section 1.5.2. but which aim to ensure compliance with the principle of sustainable development will be implemented.

In line with the specific requirements of the Common Regulation and other relevant EU legislation, the polluter-pays principle will be applied systematically across different programmes and projects. Those responsible for potential or actual environmental damage will bear the cost of prevention or reparation. In practice, the polluter-pays principle will be applied through:

* Ensuring full application of the national and European legislation regarding environmental licensing, environmental assessments and sustainable development for all investments under the programmes;
* Promoting the introduction of quality management systems related to environmental protection in enterprises and organizations;
* Supporting the development of environmentally friendly administration (work without using paper and “green” procurement);
* Performing strategic environmental assessments for all investments where this is required by EU law and/or the national legislation;
* Performing a full cost-benefit analysis for major investment projects, with specific regard to public infrastructure and municipal environmental facilities;
* Making all funding conditional upon full conformity of the supported operations with national environmental laws, as well as upon full payment of all levies and taxes related to activities having an environmental effect.

In view of the importance of green procurement as one of the factors supporting sustainable development, a National Action Plan on Promotion of Green Public Procurement 2012-2014 has been adopted. The Action Plan supports a procurement policy that promotes the development and distribution of environmentally friendly goods and services. Green procurement is an important tool for the application of measures in other areas related to sustainable development, such as the promotion measure under the Employment Promotion Act for employers creating green employment in economic activities supporting environmental protection; stimulating the introduction and development of green/sustainable transport in Bulgaria; certification of sustainable buildings under environmental quality criteria/ criteria for eco-balance of the construction site and use of resources and water; respecting energy efficiency and energy savings requirements in the supply of equipment, vehicles, etc.

### 1.5.4. Horizontal policy objectives

***Accessibility***

All results of interventions financed by ESI funds, which are designed for public use, should provide equal access to all citizens. In this respect the horizontal guidelines referred to in Section 1.5.2 to be issued by the CCU, will include requirements to ensure access for people with disabilities to all works of infrastructure, products and services funded under the programmes co-financed by the ESI funds.

Based on these guidelines, for all interventions where applicable, MAs should set the compliance with the accessibility objective as a criterion for evaluation of project proposals. The same principle should be included in the decisions for award of grants.

On the other hand, the access to investments will be facilitated for all potential beneficiaries and the general public by means of the instruments for transparency, publicity and information related to the funding opportunities provided by ESIF. This will enable both the full participation in the implementation of EU-funded projects and the effective use of the development incentives they offer.

***Addressing demographic change***

The data on demographic indicators of the country, presented in Section 1.1., indicates persistent trends of reducing number and density of population, increasing rate of demographic aging and reducing the share of economically active population. The deteriorating demographic situation of the country requires prompt and coordinated measures to address these negative trends.

At national level, demographic change is mainly addressed in the updated National Strategy for Demographic Development in the Republic of Bulgaria (2012-2030), the National Concept for the Promotion of Active Ageing (2012-2030) and the updated Employment Strategy the Republic of Bulgaria 2008 - 2015.

At the same time the ESI funds offer significant opportunities for meeting the demographic challenges facing the country. As the problems related to the negative demographic trends affect all areas of economic activity and hence are among the determinants of opportunities for smart, sustainable and inclusive growth, they should be addressed horizontally through all the programmes for the 2014 – 2020 period. In this regard, the interventions planned under the strategic priority "Education, qualification and employment for inclusive growth" should contribute to addressing these challenges while creating the necessary prerequisites to generate inclusive growth. The resources under the Common Agricultural Policy and investments related to the development of small and medium enterprises will also contribute to addressing the needs in this field. In addition, the investments, targeting the sustainable urban development, will contribute for overcoming the negative demographic trends: the creation of qualitative urban environment offering various opportunities for education, entertainment, sport, work and leisure time, retains and attracts highly-educated and skilled young people and thus attracts strategic investors. In this way, in the long run, new jobs are being created and the migration due to unemployment is being prevented.

***Environmental protection and adaptation to climate change***

Guidelines for the integration of environmental policy and policy on climate change in the funds for Cohesion Policy, the Common Agricultural Policy and the Common Fisheries Policy for the 2014-2020 period envisage to identify for each programme an adequate number of objectives oriented towards the fulfilment of the requirements for the integration of environmental policy and policy on climate change in the five ESI funds, while ensuring that they contain the necessary quantitative indicators to measure subsequent progress against. In developing this document, it has been taken into account that the process of setting priorities and activities/operations for each programme must be in compliance with the thematic concentration of the EU funds while being oriented towards concrete results for environmental policy and policy on climate change, as well as towards simplification of the systems, reduction of administrative burden and unification of the rules.

Interventions have been foreseen in terms of complying with requirements, mostly legislative, for integration of environmental policy and policy on climate change, incl. quantitative and qualitative indicators; development of sets of criteria to be applied for the selection of specific measures for each programme priority. The interventions aim to achieve:

* Introducing of an integrated approach to solving problems related to the management of environmental policy and policy on climate change, and hence to better water management for the achievement of a better ecological status, with higher resource efficiency and dealing with the consequences of climate change on water;
* Better waste management in adherence to management hierarchy in this sector and with a view to achieving higher efficiency of the resource;
* Increasing energy efficiency and encouraging the use of renewable resources;
* Improving air quality and reducing greenhouse gas emissions, as well as protecting and restoring biodiversity, incl. NATURA 2000;
* Efficient implementation of EU and national legislation for the management of environmental policy and policy on climate change;
* Achieving complementarity and strict demarcation among the separate ESI funds;
* Strengthening of administrative capacity for the management of environmental policy and policy on climate change;
* Raising public awareness of environmental policy and policy on climate change.

## The list of the programmes under ESIF

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Programme title** | **ESI Fund** | **Total** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| Operational programme “Regions in Growth” | ERDF |  |  |  |  |  |  |  |  |
| Operational programme “Human Resources Development” | ESF |  |  |  |  |  |  |  |  |
| Operational programme “Science and education for smart growth” | ESF / ERDF |  |  |  |  |  |  |  |  |
| Operational programme “Innovations and Competitiveness” | ERDF |  |  |  |  |  |  |  |  |
| Operational programme “Transport and transport infrastructure” | CF/ ERDF |  |  |  |  |  |  |  |  |
| Operational programme “Environment” | CF/ ERDF |  |  |  |  |  |  |  |  |
| Operational programme “Good Governance” | ESF/ ERDF |  |  |  |  |  |  |  |  |
| Maritime and Fisheries Programme | EMFF |  |  |  |  |  |  |  |  |
| Rural Development Programme | EAFRD |  |  |  |  |  |  |  |  |
|  | TOTAL |  |  |  |  |  |  |  |  |

1. SECTION 2

## Coordination between ESI Funds and other national and Union funding instruments and with European Investment Bank

**Identification of areas where the ESI Funds will be used in a complementary manner**

One of the main prerequisite for maximizing the ESI Funds’ effects is ensuring synergy the interventions of different programs and increasing the value added for the society. This can be achieved on one side by identification of main areas where programs will be used in a complementary manner, and on other side, by establishing the necessary mechanisms for ensuring adequate coordination and complementarity of the programs.

Information for areas where different ESI Funds supported programs are to complement each other at level of measures and interventions in terms to thematic objective and PA priority, is presented in Annex 2. The table presents how the necessary synergy of investments is ensured in a way to achieve complex and focused impact on main identified needs of the country and defined priorities.

**Mechanism and structures to coordinate complementary use of ESI Funds**

The requirements of new regulations as well as the experience and lessons learnt at national level for programming period 2007-2013 are used in developing the mechanism for ensuring complementary use of ESI Funds, other programs and initiatives of EU and national instruments for policy implementation within the scope of PA priorities.

The first stage at which this principle is applied is the preparation of Bulgaria’s strategic programming documents for 2014-2020, and the mechanism set for forming the Working groups for their preparation. One of the main tasks of the Working group for development of PA is to ensure horizontal coordination in the contents of the programs for 2014-2020, as well as the complementarity and/or lack of overlapping among their measures. In order to achieve this task, chairpersons of the thematic Working groups responsible for developing the programs for next programming period are involved in the Working group for elaboration of PA. A wide range of representatives of the administration, local authorities, socio-economic partners, civil society structures, academic society, etc. are also involved in the WG, and, at the same time, they are represented in the TWG for programmes’ development. The established mechanism of representation and participation ensures necessary integrity in the process of development of strategic programming documents in Bulgaria for 2014-2020 and provides the possibility to account for possible areas of complementarity of different programmes’ investments at national level.

At programming stage, the principle of complementarity and coordination among programmes is supported also by the Council for Coordination of the EU Funds Management, which, within the scope of its powers, considers draft versions of the PA and Programmes, which ensures inter-consistency of the programming documents and their consistency with the EU Common Strategic Framework 2014-2020.

The coordination mechanism for ensuring that the complementarity principle is met at the stage of Programmes’ management, monitoring, evaluation and control and is based on the experience of the country during 2007-2013 programming period.

The role and functions of each one of the participants in the process is as follows:

***Responsible deputy prime-minister/minister with EU funds’ coordination and management functions***

Coordinates the activities related to programming, management, monitoring and control of the Programmes. Within his competence ensures interaction and full participation of different units and institutions, engaged in the process of implementing the ESI Funds with regard to applying the complementarity principle at each stage.

***Council for Coordination of the EU Funds Management***

Members of this Council are the ministers responsible for the policies subject to support from ESI Funds. Representatives of the units competent on horizontal issues also participate in the Council’s meetings. The Council, within the scope of its functions regarding coordination of the measures for implementing the government policy on economic, social and territorial development of the country, ensures at higher political level consistency and complementarity of the Programmes’ measures in order to achieve an integrated effect from these measures. The Council also proposes options for financing of the operations through a combination of different funding sources.  As much as each one of the ministers is also responsible for the preparation, implementation and evaluation of the effectiveness of different sectorial policies, which priorities’ implementation is co-financed by ESI Funds, their participation in the process ensures the application of the principle of complementarity with national policies and instruments, with other programs, initiatives and projects of the EU, as well as with other international and bilateral Programmes.

***Monitoring Committee of the Partnership Agreement***

The Monitoring Committee of the Partnership Agreement monitors the implementation of the engagements included in the PA, including the application of the effective coordination and complementarity of the ESI Funds support. The Committee has the possibility to make proposals and require interventions, when appropriate, in order to ensure maximum effectiveness of the complementarity of the measures and interventions implemented by different Programmes.

***Monitoring Committees of separate Programmes***

The members of those Committees ensure that the complementarity and coordination principle is met at the implementation stage – achievement of the targets, priorities and the implementation of concrete measures set in the different Operational programmes. Monitoring Committees conduct the overall monitoring of the implementation of the respective Programme by taking active participation in the decision making process regarding its implementation. Demarcation among interventions by different Funds and Programmes, as well as the inter-complementarity and synergy among activities financed by ESI Funds are ensured in the context of coordination and approval of the operations’ eligibility criteria by MC.

***Central Coordination Unit***

Central Coordination Unit ensures the overall process of coordination at operational level including: the development of necessary legislation, methodologies and guidelines; support of the work of the CCEUFM and PAMC; coordination mechanism for information and publicity; overall monitoring of the Programmes’ implementation; organization of Working groups and meetings.

***Managing Authorities***

At operation and project level complementarity and coordination is ensured by Managing Authority (MA).

Bulgaria plans to take advantage of possibility an operation to receive financial support by one or more ESI Funds, one or more Programmes, under the condition that the concrete expense is funded only by one source. In those cases, incl. for integrated territorial investments, both the application guidelines and the evaluation will be made jointly by the MAs of the financing Programmes. An explicit prohibition for financial support is provided in cases, where an activity is funded by other project, programme or scheme, funded by public sources, national budget and/or ESI Funds.

***National mechanism for coordinating the participation of Bulgaria in the EU Danube Strategy***

The coordination of the programming process with the EU Strategy for the Danube Region is achieved through the National mechanism for coordinating the participation of Bulgaria in the EU Danube Strategy which was established with a CoM decision from 2012. This mechanism ensures that the goals accepted under the Danube strategy and the actions necessary for their achievement will be taken into account in the programming documents for the 2014-2020 period.

***Other mechanisms***

Additional mechanisms for coordination and complementarity of the Programmes are ensured by Working groups, expert networks and discussions regarding preparation and implementation of the different Programmes and operations, based on the partnership principle and including representatives of socio-economic partners and stakeholders..

**Mechanisms to support applicants and beneficiaries use the funds in complementary way and for information on the opportunities for support available through each of the ESI Funds**

Bulgaria will continue to maintain unified information portal for general information on ESI Funds management in the country. The portal will cover all ESI Funds. The aim is to encourage civil society participation in the process of investing ESI Funds in Bulgaria, increase public awareness regarding management of ESIF, as well as to provide up-dated information on Programmes’ open calls, newly enacted national and EU legislation and programming documents in the area of the Cohesion policy.

Bulgaria will further develop the established network of information centres for popularization of the EU Cohesion Policy. The aim is to provide reliable, on-time, expert and quality information for financing possibilities to wider range of stakeholders. The information centres will continue to organize public events at district level for clarification of all actual opportunities. The centres will serve based on the “one stop shop” principle and it is intended to achieve maximum satisfaction of the users from provided services through established partnerships with other information networks.

The use and up-grade of already introduced e-services continues – application and reporting on project implementation, as well as different maintenance functions, including Help Desk/Service Desk, with the purpose to ensure methodological support to the beneficiaries, provide consistent and reliable information, improve the level of delivered services. Already set practice for conducting information campaigns for potential beneficiaries as well as for approved beneficiaries will continue in order to clarify the process of implementation of approved projects.

**Mechanism for coordination and complementary use of funds under the Cohesion policy’s Investment for Growth and Jobs goal and European Territorial Cooperation goal. Complementarity with activities, applied in the context of macro-regional and sea-basing strategies**

Described above coordination mechanisms of the different stages of programming, management, monitoring and control are valid also in the context of complementarity among Programmes, funded under the Cohesion policy’s goals for Investment for Growth and Jobs goal and European Territorial Cooperation (ETC) goal. A representative of MRD Direction responsible for implementation of Programmes under European Territorial Cooperation (ETC) goal is a member of the PA working group. Such representation is ensured also in the CCEUFM and in the Monitoring Committees. Representatives of this Direction participate in all working formats regarding preparation of next programming period.

Complementarity can be achieved among ETC Programmes and ESI Funds’ programmes, which envisaged co-financing of projects for transnational cooperation under ESF as well as the complementarily with the investments under the Programmes for cross-border cooperation and provision of observation of the horizontal principles and goals of the ESI funds’ policy for environment under ETC programmes.

Complementarity and coordination with the measures provided under the initiatives INTERREG and URBACT, as well as those under Danube strategy will be ensured under the future Operational Programme “Innovations and Competitiveness”.

Operational Programme “Regions in Growth” finances infrastructure and long-term assets based on “pre-defined” projects. Demarcation with ETC Programmes will be based on the list of pre-defined and prioritized projects. In addition, ETC Programmes will support “soft” measures and small-scale activities, where the projects have to be prepared by representatives of both cross-bordering countries. Complementarity regarding the impact on the trans-border regions will be achieved.

The goals and priorities of the Danube Strategy will be achieved through the implementation of certain projects financed by ESI Funds’ Programmes. It is envisaged also that Bulgaria will apply for financing under Connecting Europe Facility with projects, falling within the scope of Danube strategy, and will use the possibilities under the ETC programmes.

**Areas of complementarity with other national and EU funding instruments, and the EIB**

***EU funding instruments***

Coordination and complementarity with other EU programmes and instruments are ensured at the level of preparation of different Operational programmes and PA, as summarized below by main sectors for support:

**Environment**: Complementarity and interaction of ESI Funds with instruments targeting sector “environment” will strengthen the effect of their use. A synergy with “LIFE+” Programme for activities in the area of environment and climate will be sought during implementation of the Operational Programme “Environment” 2014-2020. The Programme will support activities for mitigation of climate change and adaptation to it, environmental protection and effective use of resources. For these activities the funding of integrated projects is envisaged.

**Agriculture and forestry:** Rural Development Programme is complimentary and demarcated with the measures funded by European Agriculture Guarantee Fund. The scope of support provided through the measures of the RDP will not overlap with the support under 1st pillar of the CAP, while complementarity and demarcation with measures financed by two pillars is ensured. The support under 1st pillar, intended for sensitive and important sectors for the country, like animal breeding, fruits and vegetables, will be complemented by the 2nd pillar. There will be also complementarity in the support for young farmers and small farms.

**Regional development:** Operational programme “Regions in Growth” 2014 – 2020 will support the Danube Strategy goals and priorities. The ERDF grant support will be combined with national funding instruments (state and municipal budget). The strategy and intervention logic under OPRG 2014 – 2020 suggest implementation of comprehensive integrated approach for the investment intentions. The implementation of IPURD will be supported by other operational programmes providing coordination between the Managing Authorities.

**Fishery and aquaculture:** PMAF (2014-2020) will seek complementarity with instruments, directly managed by the European Commission Integrated Marine Policy and „LIFE+“ Programme for activities in the field of environment and climate.

**Human resources:** When appropriate, complementarity will be sought among programmes and measures of the National action plan for employment, ESF schemes and measures under European globalization adjustment fund. Complementarity between Operational programme “Human Resources Development” and EU Programme for social changes and innovations can be ensured through support of so called “national” measures, i.e. measures that are of importance only for Bulgaria. In addition, the projects under new OPHRD will seek to complement and up-grade the results from already realized initiatives or such that are under implementation.

**Science, education and innovations**: There are wide range of opportunities under priority 1 ”Excellent Science” of the Framework programme Horizon 2020 for complementing and upgrading interventions co-financed by Operational programme “Science and education for smart growth” such as: attracting Bulgarian researchers and scientists to European Research Council with innovative ideas and frontier research primary or partially funded by Operational Programme “Science and education for smart growth”. Development and implementation of national strategies for education and pre-qualification of researchers can be upgraded by subsequent inclusion into the initiative “Marie Curie”. The Initiative “Digital Agenda for Europe” also provides for possibilities to complement the national measures, co-funded by OPSESG. Sub-priority 2.2 “ Access to risk finance” of the framework programme Horizon 2020 can create  extremely strong effect of complementarity on attracting private financing and venture capital to scientific topics/projects, where Bulgarian scientists and/or academic institutions participate in.

The EU Programme for social change and innovation provides possibility for upgrading projects, co- financed by OPSESG, through activities at EU level in the field of innovation policies. Complementarity can be sought also through possibilities for micro-credits for enterprises owned by students and young scientists. Complementarity and coordination will be ensured also through the Framework programme “Erasmus for all” and Jean Monnet Programme. A complementarity with the support under the Financial mechanism of the European Economic Area 2009-2014 is under coordination in the field of Roma’s integration, work of the Roma’s school mediators, youth leaders and teachers in pre-school for effective measures for integration, early interventions for prevention of early- school leaving, social activities of the pupils and youth.

**Development of small and medium-sized enterprises and innovations.** Under the future Operational programme “Innovation and Competitiveness” complementarity and coordination will be ensured with the measures under Framework programmes “Horizon 2020” and the programme for competitiveness of SMEs (COSME).

The Danube Strategy puts emphasis on the establishment of stronger synergetic links between all level authorities, in order to provide impact optimization of activities and funding. The EU Strategy for the Danube region united the efforts of all stakeholders in the region, providing them the means to create regional confidence, prosperity and equity for people. Four main priority areas (pillars) are set in the strategy – connectivity of the Danube region; protection of environment in the region; building prosperity; and strengthening the Danube region. For tourism promotion on national and regional level are planned indicative activities within OPIC, which are to contribute for the regional tourism development – an element of the priority area “Developing connections within the Danube region – transport, power engineering, culture and tourism”. The support for development of innovative infrastructure and clusters under OPIC 2014 - 2020 will contribute to the competitiveness of enterprises (through researches, education and technologies), including formation of clusters and networks – one of the priority areas of the Danube strategy.

**Judiciary:** The programme for Bulgarian-Swiss Cooperation and the Norway mechanism will support structural and legislation changes in the field of juvenile justice, as well as capacity building on national level for enforcement of the European Convention on Human Rights, including overcoming delays of justice.

* For the period 2010 – 2020 the development of research capacity in judiciary and the development of alternative methods of dispute resolution the support will be sought also under EC Justice Programme.
* By means of the European Judicial Training Network the National Justice Institute will exchange magistrates and develop other network initiatives.

**Risk management.** Complementarity can be ensured by EU programmes and financial instruments, giving the possibilities to finance activities in the field of civil protection: the EU Civil protection Mechanism, the EU Framework programme for scientific research, development and innovation “Horizon 2020”, the Copernicus European Earth Observation Programme, INTERREG Operational Programme for cooperation between regions, financial supporting instrument for police cooperation, prevention and combating crimes, and crisis management, as a part of the fund “Homeland Security”.

**Energy efficiency.** Under **Kozloduy International Decommissioning Support Fund** are in progress projects for financing energy efficiency measures in public buildings (hospitals, schools, kindergartens, municipal and state buildings, etc.) on the territory of the whole country, as well as replacing municipal street lighting. The measures are expected to be completed by the end of 2014. Besides those measures, other funding mechanisms for energy efficiency measures exist, such as:

* Credit line for energy efficiency of homes, where the beneficiaries are individuals and associations, and the procedure deadline is 31.07.2014;
* Credit line for energy efficiency and renewable energy resources, where the beneficiaries are corporate clients, and the deadline is 31.12.2015;
* Fund for energy efficiency and renewable resources, beneficiaries are corporate clients, municipalities and etc.

**Connecting Europe Facility**

Under the Connecting Europe Facility currently Bulgaria is planning to apply for funding with mature projects in sectors "transport", "energy" and "ICT" with total indicative value of € 2 300.16 mln.

In **“transport”** sector the country has prepared projects with total indicative value of € 750 mln., for example, "Modernization of railway line "Vidin - Medkovets" (section along "Vidin-Sofia” direction), "Improvement of navigation in joint Bulgarian-Romanian section of the Danube" and the railway connection between the port of Ruse on Danube River and Port of Varna on the Black Sea.

In the **ICT** sector, in order to provide a modern high-speed electronic communications connectivity and access to effective, high quality and secure e-governance, including cross-border, a project is prepared for the construction of backup infrastructure of the Republican Information Data Center with indicative value of 64 million.

In the **“energy”** sector Bulgaria has prioritized 3 groups of projects for development of electricity infrastructure:

* Group Bulgaria – Romania and Greece for increasing the capacity, including project of common interest "Internal line between Vetren and Blagoevgrad (BG)" and "Inner line between Tzarevetz and Plovdiv (BG)";
* Group Bulgaria – Greece between Maritza East 1 and Nea Santa, including projects of common interest "Interconnection between Maritsa East 1 (BG) and Nea Santa (EL)"; "Internal line between Maritsa East 1 and Plovdiv (BG)", "Internal line between Maritsa East 1 and Maritza East 3 (BG)" and "Internal line between Maritsa East 1 and Burgas (BG)";
* Group Bulgaria- Romania for increasing the capacity, including projects of common interest ”Internal line between Dobrogea and Burgas (BG), "Internal line between Vidno and Svoboda (BG) " and "Internal line between Svoboda and a point of rupture of an interconnection Varna (BG) - Stupina (RO) in Bulgaria (BG)",

as well as one project for conservation of Yadenitsa Dam ("Increasing the volume of the lower reservoir of Pumped-storage Hydroelectricity Plant “Chaira" with the construction of Yadenitsa Dam).

The indicative financial resources nessesary for the implementation of the listed electricity projects amounts to € 321.16 mln. of which € 5.06 mln. for project preparation, and for the project for conservation of Yadenitsa Dam - up to € 188 mln.

Bulgaria has prioritized 5 main gas projects, namely: Cluster “Interconnection between Greece and Bulgaria and necessary reinforcements in Bulgaria” (including Interconnection Greece – Bulgaria (IGB) between Komotini and Stara Zagora and Necessary rehabilitation, modernization and expansion of the Bulgarian transmission system); Gas Interconnection Bulgaria – Serbia (IBS); Permanent reverse flow at Greek-Bulgarian border Kula/Sidirokastro; Increase of the transmission capacity of the existing pipeline from Bulgaria to Greece; Cluster that includes increasing storage capacity in South-East Europe (including one or more of the following PCIs – Construction of new gas storage facility on the territory of Bulgaria, “Chiren” UGS expansion).

The indicative financial resources needed for the implementation of those projects amount to more than € 877 mln., not covering the necessary investment for Construction of new gas storage facility on the territory of Bulgaria for which studies are to be carried out. In addition, a priority proposal for PCI is the Interconnector between Turkey and Bulgaria (ITB), the expected value of the investment being around € 100 mln.

***National instruments***

Some of the main areas where ESI Funds will complement the national funds are mainly related to conducting policies in the field of science, innovations, education, healthcare, social services, as well as those associated with environmental protection, mitigation and adaptation to climate change.

In such a way, in the period 2014-2020, the ESI Funds will complement the activities, funded by:

* Bulgarian Science Fund – fundamental science research and developments;
* National Innovation Fund;
* Capital expenditures for modernization of health, social and educational infrastructure;
* Programmes and projects of MLSP, encouraging equality or targeting unemployed and/or concrete groups with special needs – Policy on gender equality – Programme “Gender equality”; National Programme” A new opportunity for employment”; National Programme “ From social support to ensuring employment”; National programme “Activating non-active persons”; National program for employment and training disabled people; Programme “Career start”; National programme “ Assistants to disabled people”; National programme “Credit without interest for disabled people”; National programme “ Support for retirement”; National programme “Melpomena”; encouraging measures for unemployed people and employers according to Employment Encouragement Act with multi-annual action. Specialized units responsible for respective policies are developing an analysis for complementarity among OPHRD 2014-2020 and instruments, funded by national funds;
* Programmes and projects in the field of education, which need further support to ensure sustainability - Strategy to reduce early school leaving and Project for support the integrated training and education of children and pupils with special educational needs;
* Schemes, provided seed capital for start-ups[[218]](#footnote-218);
* Enterprises for management of activities for environmental protection;
* State aid “de minimis” for the purchase of feed for rearing freshwater fish;
* Financing of activities for fish stocking in compliance with the Fisheries and Aquaculture Act;
* Provision of state budget financial resources aimed at funding preventing activities from the National Programme for Disaster Protection, included in the annual plan for implementation, as well as resources for contingency payments for rescue and emergency disaster works, urgent recovery works and provision of support to individuals for residential restore affected by disasters. The CoM’s Interdepartmental Commission for Recovery and Assistance manages and controls these activities, and not finances measures, directed to climate change and risk management.

National support will also be intended to facilitate applying the measures of the Rural Development Programme through applying a credit scheme for investments in agriculture and a scheme for re-financing with resources of State Fund “Agriculture” of commercial banks’ credits on RDP’s measures.

***EIB***

The possibilities and readiness of the financial institution to provide loans during the new programming period 2014-2020 similar to the implemented in 2007-2013 Loan Agreement, which ensures financial sources for replacing the national co-financing and financing projects’ funding gap, are under discussion.

Complementarity with EIB funding will be analysed also in the context of using financial instruments. In such a way the financial resources provided to Operational programme “Environment” as a grant can be combined in an appropriate way with loans and guarantees from EIB in order to strengthen the effect of using suitable financial instruments. This provides also a possibility to use the experience of external EIB experts on finance and management for the successful realization of the projects by the beneficiaries or for managing the financial engineering instruments, such as JEREMIE and JESSICA.

***EU centrally managed instruments and other financial donors***

The EU centrally managed instruments and funding by other donors (such as Switzerland, Norway, the Financial Mechanism of the European Economic Area and others) are coordinated with the national operational programmes at the stage of programming and at the stage of implementation the coordination will continue. Financed projects under SCF/ESIF are observed in order to avoid double funding and activity overlapping.

## Additionality

The main purpose of the additionality principle is to ensure that the contributions from the Structural Funds and the Cohesion Fund do not replace public or equivalent structural expenditure by a Member State.

The additionality principle assessment in 2007-2013 programming period appeared to be too complicated and thus not sufficiently effective. For the period 2007-2013 four categories of budgetary expenditure have been subject of verification: basic infrastructure, human resources, productive environment, and category “others”, thus creating room for difficult assessment of the principle, and requiring a number of technical meetings and exchange of additional information for the purposes of this verification both, at national level and in the context of the EC negotiation and assessment.

The above reason is why a change in the methodology and the approach of verification of the additionality principle was proposed. In the period 2014-2020 for verification of the public or equivalent structural expenditures will be used the volume of the gross fixed capital formation as a share of GDP, reported in the Stability and convergence programmes prepared by the Member States in line with EC Regulation № 1466/97, aiming to represent their mid-term budgetary strategies. In that way the verification will be done based on one of the most important indicators of public investment, part of the European System of Accounts (ESA). In addition, the process is linked also with the stability and convergence programmes of the Member States.

The information for the public or equivalent structural expenditures of Republic of Bulgaria as a share of GDP is presented in the table below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Expenditure of the general government as a share of GDP** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| P. 51 | 5.5 | 5.8 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 |

## Summary of the ex-ante conditionalities

Providing that in the 2014-2020 period the country will program ESI Funds under all 11 thematic objectives, all general and thematic ex-ante conditionalities of these funds are applicable for Bulgaria.

The Partnership Agreement presents information on all general and thematic (fund-specific) ex-ante conditionalities, as the implementation of every one of them is assigned to an authority at national level.

The governance of the assessment process of the ex-ante conditionality implementation is in the competence of by the deputy prime-minister and minister of justice. The monitoring of the process is performed through:

* Adopted by the CoM list of actions, deadlines and responsible institutions for implementation of the ex-ante conditionalities. The list covers all conditionalities as set up in the draft EU regulations;
* Inclusion of the responsibility to observe the implementation of the ex-ante conditionalities as one of the obligations of the established WG for the development of the Partnership Agreement. Information for the implementation progress and activities undertaken is being reported at the key stages of PA preparation;
* Regular working meetings with the appointed sectorial experts from each authority in charge for a conditionality. In February 2013 г. those pool of experts was gathered in a newly established sub-group on the ex-ante conditionalities under the Working group for the development of the Partnership agreement. The range of the sub-group’s obligations covers monitoring of the up-to-date status of implementation of the specific engagements set to fulfil the relevant ex-ante conditionalities as well preparation of information to assess the ex-ante conditionalities and of an Action plan by 2016 for implementation of not-fulfilled by December 2013;
* Maintenance of a data base for the stage of implementation of each ex-ante conditionality, regularly updated with information received from the respective responsible institutions.

In Annex 3 a summary of the ex-ante conditionalities implementation at national level is presented.

In Annex 4, all applicable at national level thematic ex-ante conditionalities, not fulfilled up to the moment, are described, as for every criterion under every conditionality impending actions are provided, as well as deadlines and responsible institutions.

Regarding the implementation presented in details in the annexes referred, a conclusion can be drawn that by 31.12.2016 no ex-ante conditionality will remain non-fulfilled. The present implementation status shows, that part of the criteria under the separate ex-ante conditionalities are reported as fulfilled, while measures have already been undertaken for the fulfillment of the remaining part of them, the deadline in most cases being December 2013.

## Performance framework

One of the key elements of the reforms in Cohesion policy, the Common agricultural policy, and the Common fisheries policy, is related to the highlight on result-oriented implementation. With regard to this, the purpose of the performance framework is to provide the necessary guarantees that the interventions financed by the ESI funds lead to the achievement of the defined objectives.

With a view to the performance review that will take place in 2019, the necessary guarantees will be provided at national level that the performance frameworks of the separate programmes allow for the objective and correct reporting of progress in the implementation of the priority axes – by themselves and as compared to the other priorities co-financed by the same fund. To achieve this purpose, the application of a common and systematic approach will be ensured in setting the indicators and their milestones in the separate programmes.

According to the EC recommendations, the performance framework will include output and financial indicators. With regard to the output indicators, consistency will be ensured where applicable between different priorities (i.e. when they include measures under the same investment priority). With the aim to ensure the consistency of the financial indicators for the separate priorities, they will be defined in a single manner for all priorities, as the milestone will be equal to the target under the automatic de-commitment rule for the relevant priority axis for 2018. The final target will equal to the overall amount of public funds for this priority.

Within the frames of the programming process the following consecutive activities will take place in order to ensure the effective application of the framework for the period of programme implementation:

* **discussion of the approach** - the general approach for preparation of the performance frameworks will be discussed within the horizontal evaluation network coordinated by the CCU. The highlight on that stage will be placed on the application of a common approach in the selection of indicators and their milestones and targets. If such a need is identified, CCU will prepare a methodological guidance for the application of this approach.
* **approval of a proposal for performance framework for each programme** - according to their functions, each of the thematic working groups for elaboration of the separate programmes will discuss a draft performance framework for the relevant programme. On that stage it should be ensured that the indicators proposed are relevant and can demonstrate in a correct and objective manner the general progress in the programme implementation.
* **coordination of the performance frameworks of the programmes** - after the preparation of the draft performance frameworks of each programme they will be reviewed again by the horizontal evaluation network in order to ensure the compliance of the selected indicators and their milestones and targets with the EC requirements and with the approach established in the first stage described above.
* **consultation of the performance frameworks** – one of the functions of the Working group for elaboration of the Partnership agreement is to discuss the horizontal coordination of the programmes’ contents. With regard to this a discussion on the performance frameworks is included in the working group agenda. The purpose of this discussion is to ensure the consistency of the milestones and targets of all programme indicators in order to establish the necessary preconditions for a “fair” allocation of the funds from the performance reserve following the performance progress review in 2019.
* **approval of the performance framework** - the thematic working groups have the responsibility for the preparation of the draft programmes. In this respect, the draft performance framework for each programme, prepared in result of the stages described above, will be approved by the relevant thematic working group, and will be subject to subsequent adoption as a part of the draft programme.

In order to ensure consistency, additionality and coordination among the indicators and targets within the performance frameworks of the different programmes, not only a continuous coordination between the different programmes and CCU is planned, but also an active cooperation with the National statistical institute as early as the programming stage. Thus it will be ensured that NSI will provide in due time reliable, up-to-date and consistent information (if necessary disaggregated by components) for the target setting and reporting of values for the selected set of indicators.

A key role in the monitoring of the performance frameworks, the early-warning mechanism, the tackling with problems and their follow-up, will be played by the methods for programme monitoring and evaluation as a part of the general management and control systems. The methodology for monitoring and data reporting will include all applicable instruments, as the monitoring of implementation will be on-going for all indicators where possible, and the reporting will take place at least twice per year on the regular Monitoring committee meetings. The progress in the achievement of target will be reported also in the annual implementation reports of programmes, and as party of information for the purposes of the general monitoring conducted by CCU on the implementation of programmes and the Partnership agreement. The performance of indicators could also be discussed if appropriate within the horizontal evaluation framework. The Monitoring committee of the Partnership agreement within its responsibilities will review the general progress in the performance frameworks of separate programmes. In this relation, it will play a key role in the preparation of the national proposal to EC for the allocation of the performance reserve in 2019.

The Managing authorities will regularly monitor the progress on each indicator within the performance framework, including as a minimum the following elements:

* progress as compared to the established targets;
* analysis and identification of factors, contributing to or impeding the progress – a comprehensive analysis is foreseen, including internal and external for the programme factors, (i.e. macroeconomic, environmental, social etc.), while the cumulative effects caused by all factors will also be examined;
* measures for addressing the barriers/delays.

On the other hand, each programme prepares its risk assessment, including an assessment of the risk for the indicators’ achievement. At the stage of programme implementation regular risk assessments will be performed (at least once a year) with emphasis on early-warning, recommendation and implementation of preventive/corrective measures, their timely follow-up and analysis of the results achieved. Within these assessments, the risk for achieving the targets of the performance framework will also be assessed.

In addition, on-going evaluations are foreseen which will evaluate independently and objectively the progress in achievement of results, as well as the factors influencing the level of achievement of the targets defined, and will recommend measures for overcoming possible delays/difficulties.

## Administrative capacity

The evaluations performed at national level in relation to NSRF 2007 – 2013 and national programmes identify the capacity of beneficiaries to prepare and implement projects and the administrative capacity of the bodies involved in the management and control of programmes as one of the main challenges for the implementation of programmes and for the absorption capacity in the current programming period. Shortcomings in the administrative capacity have also been underlined in the position of the Commission Services on the development of Partnership Agreement and programmes in Bulgaria for the period 2014-2020.

In this regard a need to further strengthen the capacity of administration and beneficiaries has been identified through continuation of good practices introduced during the 2007 - 2013 programming period and through inclusion of new measures targeted at the timely achievement of the necessary high level of competence of the authorities involved in the implementation, management and control of programmes, as well as of the various types of beneficiaries.

**Overview of the current situation and identified needs**

Concerning the **authorities responsible for the coordination, management, implementation and control** of programmes co-financed by the SCF, the EAFRD and the EFF (Managing Authorities and Intermediate Bodies, Certifying Authority, Audit Authority, Central Coordination Unit and AFCOS Directorate[[219]](#footnote-219)) the main difficulties were related to lack of human resources with the necessary level of experience, high levels of staff turnover, lack of sufficient time to provide the necessary trainings and lack of sufficient incentives for employees.

At the end of 2012, the number of employees of the bodies responsible for management and implementation of SCF programmes was 1 272 and it has increased as compared to 2011 (1 210 employees in 2011). At the same time two major trends in terms of administrative capacity can be observed - on one hand there is an increase of permanently employed and on the other - decrease in the number of employees that have quit the system.

These conclusions are important for the sustainability of results achieved in the process of building and developing administrative capacity and for the sustainability of the established system for EU funds management as the staff turnover and the loss of expertise lead to significant delay in the process and affect mostly the beneficiaries.

In accordance with the conducted mid-term evaluations of the OPs and NSRF 2007-2013 and based on the results of the analyses prepared on the administrative capacity of 36 municipalities and of the institutions - specific beneficiaries of OPRD 2007-2013, the following conclusions regarding the administrative capacity of the various types of **beneficiaries** can be drawn:

* **Municipalities** – Insufficient skills in strategic planning and prioritization of investments in municipal plans and programmes, insufficient number of and high staff workload, frequent personnel changes and low salaries, including problems caused by the application of the regulations for organization and management costs, emerge as key challenges for the current programming period. Problems related to insufficient knowledge of the legislative basis, particularly in the areas of public procurement and construction (Public Procurement Act, Spatial Development Act and the regulations related to it), lack of enough resources for training, poor technical equipment and the lack of sufficient administrative capacity and experience of beneficiaries in the management, control and reporting of investment projects have also been identified. Meanwhile, municipalities have difficulties in achieving synergy between their projects and the respective programmes (indicators, resources and priorities).

The delay of the financial decentralization reform in Bulgaria, the insufficient financial resources for pre-financing/ bridge financing of projects, ensuring financial resources for own contribution (eligible cost, not covered by the relevant OP), ensuring financial resources to cover ineligible costs necessary for the project implementation, as well as the very specifics of the projects implemented by municipalities during this programming period in terms of their complicacy and large scale can be identified as the main reasons for the problems municipalities have identified as beneficiaries of the OPs.

* **Institutional beneficiaries of OPT** – their specifics determine the different nature of the challenges associated with their administrative capacity[[220]](#footnote-220): complicated management and control procedures (RIA and NRIC), inconsistency between the management and control system and the OPT requirements and ineffective implementation of the procedures set (EAEMDR), overlapping of functions within the organization (NRIC and BPIC), low efficiency (NRIC, RIA and BPIC), low (NRIC and RIA) or unsatisfactory (BPIC and EAEMDR) levels of implementation of the separate phases of projects.
* **Institutional beneficiaries of OPRD** - in terms of their administrative capacity, the identified need are related to the continuing necessity for improvement of skills of the employees, responsible for project preparation and management, motivation and remuneration increase for these employees, and the need of equipment and facilities in the units, responsible for the preparation and management of projects, including computers and specific software, etc.
* **Beneficiaries of the judiciary system** – the main and often invincible difficulty in project implementation is the lack of free financial resources for making the payments to contractors under the projects. The lack of funds for making refinancing the project activities often leads to withdrawing from submission of project proposals from a great part of the potential applicants of the judiciary. Another problem is the lack of mechanism for coordination of the separate judiciary bodies, being specific or potential beneficiaries of the programmes, as well as the lack of operability and built/proven capacity for project preparation and management.
* **Enterprises as beneficiaries** – on the one hand, the identified difficulties are related to the lack of experience in the preparation and implementation of EU-funded projects and the insufficient administrative capacity, including difficulties in terms of conducting contracting procedures. On the other hand, one of the most serious challenges facing the enterprises for the successful implementation of the approved projects is the provision of the financial resources necessary for pre-financing and co-financing of project activities. The unclear focus of the interventions as opposed to the real needs of the business and the design of the schemes in a way that poses barriers for the participation of the business are among the other main difficulties faced by the enterprises as beneficiaries. The heavy reporting, including a huge number of supporting documents, on the one hand, and the long and burdensome procedures, related with the verifications and payments, on the other, cause difficulties and delays in the reporting activities. In addition to the abovementioned, the specific problems for the business representatives in the fisheries sector – target group of OPDFS (2007-2013) – are related to the poor knowledge of the sector, lack of trust in it by the banking institutions and lack of qualified consulting services in the sector.
* **Beneficiaries from civil society -** the identified problems are related to the sustainability of the non-governmental organization; the decreasing number and quality of the organizations working in the sphere of community development and strategic planning; deterioration of the indicators related to organizational and financial capacity and therefore a general low capacity of the organizations in the sector for project preparation and implementation. The identified weaknesses result in the impossibility to formulate community causes and to involve the civil society in them; in insufficiently intensive contacts among NGOs from different areas and with different target groups and the lack of regular exchange of information, experience and good practices; not sufficiently active and extensive contacts between the NGOs and the administration (NGOs initiate cooperation with local and central government mainly for formal assistance in project application. Thus, the established partnerships hardly remain durable after the end of the respective projects’ implementation); insufficient awareness of civil society structures of problems and challenges in local development, as well as in the areas in which the administration would like to cooperate with NGOs and actively seeks contact with them; difficult access to funding for project preparation.

A significant part of the weaknesses and problems identified at the level of central management structures, as well as at the level of beneficiaries, have been already addressed in the 2007 - 2013 programming period and part of these weaknesses and problems have already been solved. During the 2014 – 2020 programming period there will be a need to undertake measures to ensure the continuity and sustainability of the results achieved, while in some areas a necessity of further efforts to address weaknesses and problems is also identified.

**Good practices and measures to improve the administrative capacity**

The measures undertaken to improve the capacity of authorities, responsible for the EU funds management and the capacity of the main beneficiary groups, can be summarized as follows:

**Improvement of communication with (potential) beneficiaries:**

* In order to provide timely and accessible information, the Single Information Web-portal for general information on the implementation of the EU Structural and Cohesion Funds in the Republic of Bulgaria has been developed ([www.eufunds.bg](http://www.eufunds.bg));
* The establishment of a network of 28 Information Centres (Central Information and Coordination Office and 27 District information points) was initiated in 2011 with the financial support of OPTA with the aim of popularizing EU Cohesion Policy in Bulgaria. The first centres started working actively as early as 2011. In the beginning of 2012, the network was finalized, and it implements a variety of proactive initiatives related to the popularization of EU Cohesion Policy in Bulgaria. The information points effectively co-operate with the MAs and support them in the organization of information campaigns in the districts. Campaigns of OPHRD (for popularizing best practices) and of OPRD (for energy efficiency of multi-family residential buildings) have been supported this way. Through the information events all over the country, the network provides assistance to the potential and current beneficiaries;
* Publication of manuals, clarifications, guidelines, lists of the most common errors; preliminary publication of guidelines for applicants and procedure manuals for project management in order to familiarize the potential beneficiaries with them and to receive “feedback” on them; timely conduction of information days and close work with the beneficiary during the implementation of contracts.

**Enhancing the capacity of the structures, responsible for the EU funds management and for the beneficiaries:**

* The basic method for direct and tangible strengthening of administrative capacity is the provision of trainings, as permanent investments are made in building expertise and continuous improvement of the knowledge and skills of employees and beneficiaries - annual training plans are prepared by all the bodies responsible for the coordination, management, implementation and control of EU funds and an increase in the rate of their accomplishment on an annual basis is being observed. In 2012, a total of 413 training sessions for 2 435 employees from all units were conducted, amounting to an average of two trainings per employee. As a result of the implementation of a CCU’s project funded under the OPTA for training regional and local authorities, 144 trainings have been conducted and 3 118 employees of municipal and district authorities, as well as representatives of district information points, have been trained on the following topics: public procurement, including changes in the PPA; state aid; project cycle management; financial management and control; audit; information and publicity, European territorial cooperation and PPP schemes. In addition, 32 trainings for using the Unified Management Information System (UMIS) have been provided and 661 users have been trained.
* A good tool for trainings aimed at improving the administrative capacity is the e-learning system for remote training of employees of the regional and local authorities which will also be functional during the 2014-2020 programming period. By the beginning of 2013 more than 430 trainings for institutional beneficiaries have been conducted in various areas related to the performance of their responsibilities and functions for management of SCF-funded programmes, as well as more than 170 trainings for experts, representatives of the beneficiaries from the local authorities and other bodies working under the SCF.
* MAs of all programmes provide trainings for potential and current beneficiaries on the application process, the implementation, reporting and management of projects on newly launched grant schemes and those already under implementation. In 2010 a legislative requirement was introduced to organize awareness campaigns for potential beneficiaries after the launch of each call for proposals. A possibility to conduct introductory trainings for beneficiaries on the implementation of grant contracts under the respective scheme right after their conclusion has been introduced, which has become a common practice for all OPs.
* Action plans aimed at strengthening the administrative capacity of institutional beneficiaries of OPRD and of 36 municipalities have been elaborated under the programme including specific measures to be undertaken and sources for their funding. On the basis of these action plans the programming of TA priority axis for the OPRG 2014 – 2020 will be made. Projects for strengthening the administrative capacity of the OPRD concrete beneficiaries, including ensuring equipment, participation in trainings, providing incentives for experts involved in project management are under implementation. Projects for preparation of integrated plans for urban regeneration and development of 67 cities – specific beneficiaries under OPRG 2014 – 2020 as well as a project supporting the identification of lists of urban development projects and elaboration of ready (mature) projects which will provide the municipalities – concrete beneficiaries with an opportunity to apply for support under OPRG 2014 - 2020 have been financed.
* In order to support municipal project teams and ensure the full and timely mobilization for the implementation of activities foreseen in projects funded under OPE, mobile teams of engineers and legal experts were assembled to provide on-the-spot advice to beneficiaries. Through the implementation of these measures, the MA of OPE has achieved an upgrade of the joint efforts with municipalities for the fast and quality execution of over 80 new projects, so that they can be completed successfully and within the deadline of 31 December 2014.
* Measures for strengthening the capacity have been taken under a CCU project for the establishment of a mobile expert unit for support to the local and regional administrations in the preparation and implementation of SCF-funded infrastructural projects. The pilot consultations foreseen in the project were conducted in March 2013.
* The technical expertise of the JASPERS initiative is being used in the preparation of national infrastructure projects of high priority, funding for which is foreseen under the EU SCF. The support provided by JASPERS includes measures for strengthening the capacity of the bodies responsible for the preparation and management of projects and programmes; preparation and management of infrastructure projects; consultations in relation to sector reforms; elaboration of standardized tender documentation for infrastructure projects (in the “transport” and “environment” sectors) for construction, supply and services and other documents in accordance with the requirements of Bulgarian and EU legislation. Among the measures implemented by JASPERS are: ensuring a higher quality of the prepared Master plans in the “water” sector; support to the “water” sector reform; strengthening the capacity and presenting effective management models for the railways sector; strategic review of the preparation and implementation of railway investment projects under OP “Transport and transport infrastructure” for the 2014-2020 programming period.
* A decision was taken to use the expertise of the International Financial Institutions and in particular the World Bank, the European Bank for Reconstruction and Development and the European Investment Bank. The IFI assistance is provided in the form of consulting services for managing authorities and beneficiaries of programmes and is financed under the respective programmes. The actual implementation of the Memorandums of Understanding started in 2012.
* Considering the new functions of the PPA to perform ex-ante control of public procurement procedures which are fully or partly co-financed by EU funds, strengthening the administrative capacity of the agency is of significant importance for ensuring the effectiveness and efficiency of these new functions. In this regard in the beginning of 2013 a project aimed at strengthening the administrative capacity of the PPA for optimization of the ex-ante control system for procedures co-financed with EU funds has been commenced under OPTA.

**Fostering the motivation of employees in the structures, responsible for the EU funds management:**

* Since July 1st, 2012 a new remuneration model has been introduced in the Bulgarian state administration, aiming at building a competitive and better paid administration – the individual remuneration of each employee is now bound by the performance appraisal, which elements are the results achieved and competence shown. Clear rules for annually differentiated increase in individual wages have been developed. As a result of the implementation of the new remuneration model and of the optimization made of the structures and number of employees, the average salary within the central administration increased with over 13% in 2012.
* The measures, undertaken to increase the number of employees in the units, involved in the EU funds management, have proved a good practice and the position “Associate for management of European projects and programmes” was introduced. The aim was to strengthen the administrative capacity of the units and to increase the efficiency in coordination, management and control of the EU funds through attraction of well-qualified employees, whose remunerations are competitive to those in the private sector.
* Legislative amendments have provided the opportunity for appointing associates for management of European projects and programmes in the structures and units of the central and municipal administration, which are beneficiaries of EU funds and programmes, aiming at strengthening and supporting their administrative capacity.

**Measures for strengthening the administrative capacity for the 2014-2020 period**

In order to address the abovementioned challenges and to sustain the good practices in the 2014-2020 programming period, the following measures for reinforcing the capacity of central government structures and of programme beneficiaries are foreseen, while the necessary resources for their implementation will be provided by technical assistance:

* Establishment of a Project Management Academy, taking into account the possibility to finance a module for acquiring on-line knowledge and skills. Through the Academy and with the financial support of OPGG the CCU is to organize trainings of horizontal nature for employees of the authorities responsible for management and implementation of programmes, institutional beneficiaries and regional and local authorities, while within the technical assistance of the programmes, the MAs will organize trainings for their beneficiaries with an emphasis on the specifics of the respective programme;
* Coordination of beneficiaries of the separate programmes aiming at exchange of best practices (e.g. of approved documentation and procedures successfully performed under the PPA), documents, practical advice, etc.;
* Continuation of the good practice for improving the competencies of employees through participation in specialized trainings;
* Continuation of the good practice to increase the capacity of civil society structures and enterprises as beneficiaries of the programmes by organizing focused and well-structured training;
* Conducting active information and media campaigns and preparation of materials (guidelines, brochures, leaflets, etc.) related to the application requirements, ineligible expenditure, good practices;
* The operation of the internet-based system for remote training of employees of regional and local authorities, developed in the 2007-2013 programming period will continue through a project funded by the OPGG;
* Functioning of the expert mobile unit to support local and regional authorities in the implementation and management of projects co-funded by the ESIF and in particular infrastructure projects in the next programming period;
* Establishing „teams on wheels” under the RDP with the aim provide information to beneficiaries and mobile expert teams to reach the most remote and isolated rural areas in order to provide the necessary information and training;
* Building capacity for processing appeals/objections against individual administrative acts issued in relation to the ESIF programmes’ implementation. The appeals/objections should be considered by ensuring the necessary functional independence. In this relation capacity building measures for processing the filed appeals are foreseen in the relevant ministries, where the MAs are situated;
* Fostering the motivation of employees in MA, CA, AA, CCU, CIO, CICO by using flexible remuneration schemes and introduction of result-based systems for incentives;
* Optimization of the legal provisions on remuneration of employees of the institutional beneficiaries, including regional and local authorities, involved in project management and implementation teams, given the restrictions observed in the 2007-2013 programming period, which resulted in low employee motivation and unwillingness to participate in the management process and implementation of projects;
* Continuation of the practice to recruit "associates for management of European projects and programmes" in national and local administrative structures;
* Further development of the Single Information Web-Portal for general information on the management of the European SCF in Bulgaria for the programming period 2014 - 2020;
* Sustaining and further developing the role and activities of the 27 district information points and CICO to promote EU Cohesion policy in Bulgaria;
* Given the positive impact of the implementation of the JASPERS Initiative, its use also for the 2014 – 2020 programming period is envisaged;
* The use of expertise from the IFIs in the form of consulting services to MAs and beneficiaries under the programmes in the areas of strengthening the administrative capacity and for preparation and implementation of infrastructure projects will continue;
* In order to sustain the measures for strengthening the capacity of the central bodies with horizontal functions regarding the ESI funds and the capacity of regional and local authorities for project management (general capacity, not capacity regarding specific programmes) these structures are foreseen as beneficiaries of the OPGG for the 2014-2020 programming period;
* Considering the important role of the PPA in the public procurement procedures, including in the management and control system of the ESIF, it is foreseen to continue the support for strengthening the administrative capacity of the Agency and for the hardware and software upgrading of the Public procurement register, the Public procurement portal and the other information systems of the Agency during the 2014-2020 programming period, as well as to support the development of an e-procurement model. For this purpose the PPA shall be included as a beneficiary under OPGG;
* In order to improve the coordination and project management capacity of the judiciary, the establishment of an internal unit within the system which will support the EU funds management structures is planned;
* With regard to the transition to shared management of data collection for the management and control of the fisheries, special attention will be paid to strengthening the administrative capacity in these spheres of the units for management, implementation and control of MFP (2014-2020) and to the identification of the necessary changes in their management and control systems.

## Reduction of the Administrative Burden

**Overview and assessment of administrative burden in the 2007-2013 period**

From the very beginning of the 2007-2013 programming period applicants and beneficiaries have been facing a high degree of formalization and complicated administrative procedures at all stages of the project cycle. One of the main sources of significant administrative burden is the large number of applicable legislative acts and regulations. The frequent modifications of these, as well as of the guidelines and procedures for the implementation of programmes lead to a lack of predictability and stability, as well as to considerable difficulties and often to rules which are impossible for the beneficiaries to comply with.

The differences in the procedures and rules of the separate programmes for preparation and evaluation of project proposals including investments/activities which are similar in their nature and for implementation and monitoring of similar projects are another source of difficulties for the beneficiaries. On the other hand the administrative burden which is created at the separate stages of the project cycle within a given programme is the same regardless of the nature and budget of the project.

All stages of project cycle are also characterized by a large number of documents and cumbersome flow of documents. Identical documents are being requested from the beneficiaries several times; documents which are available in public registers and can be easily verified/ demanded are also often requested. Sometimes greater importance is attached to the documentary reporting than to the project results and the principle that “a well reported project is a successful project” has been established in practice.

The complicated procedures and the large volume of required documents often lead to significant delays in the process of evaluation of project proposals, thus creating a real risk of project ideas becoming pointless, especially in terms of projects related to developing and commercialization of innovation – the projects innovativeness is wasted because of the too long evaluation deadlines. On the other hand, the delays in the verification process and in the reimbursement of expenditure incurred deprive the beneficiaries of free financial resources which impedes the further implementation of project activities.

On the other hand, numerous responsible parties are involved at the stages of project preparation, evaluation, implementation monitoring and control of projects which makes the existence of coordination and cooperation among them necessary. However in practice this is a difficult process. In this relation one of the main sources of excessive administrative burden is the law level of trust among the separate bodies (between the MAs and IBs; among the separate control bodies), as well as between the institutions and the beneficiaries, thus resulting in introduction of over-controls, overlaps in the scope of control activities carried out by the separate bodies, “over-insurance” (e.g. placing additional indications on any supporting documents certifying that the expenditure was made under the given programme in order to avoid double funding and respectively - bureaucratization of the processes, limited flexibility of institutions and delays at all stages of the project cycle[[221]](#footnote-221). This burden is even greater when the various control bodies provide different, often conflicting opinions on the regularity and legality of the same expenditure/document/action. In addition often there are cases where the MA/IB verifies the regularity of documents which the responsible authorities (National Revenue Agency, National Construction Supervision Directorate Public Procurement Agency and Public Financial Inspection Agency) have already provided an opinion on.

At the same time the application by the beneficiaries of contracting procedures for the implementation of project activities further complicates and extends project implementation due to the procedures for ex-ante/ex-post control of the tender documentations, which in addition do not provide any guarantees for the beneficiaries that financial corrections would not be imposed at a later stage for breaches in the same procedures. Furthermore, in some cases even more restrictive procedures than the minimum requirements in the legal framework are applied, which creates additional administrative burden on beneficiaries – e.g. the MAs/IBs of some programmes require proof of the expenditure incurred even when grants of very small amounts are concerned.

Furthermore, there is additional administrative burden created by the general rules and procedures in the relevant sectors (e.g. registration regimes, conducting land acquisition procedures, procedures for making administrative inquiries and issuing administrative documents, etc.). The heavy legislative framework is one of the reasons for the withdrawal of applicants from submitting project proposals, and for the termination of grant contracts.

Administrative burden is also created in relation to ensuring the financial resources required for the implementation of projects. The availability of advance payments under grant contracts was seriously hampered by the administrative requirements imposed for securing the requested advance payment by guarantees for it full amount (for some programmes even as much as 110% of the amount), which resulted in the termination of grant contracts due to lack of funds for pre-financing/co-financing project activities.

In the beginning of the programming period the lack of a functional information system to provide opportunities for electronic communication between the applicants/beneficiaries and MAs, including for the digitalization of the application and monitoring processes, had been one of the major sources of difficulties for the beneficiaries.

The limited possibilities for operational communication with the MAs in the first half of the 2007-2013 programming period also led to significant difficulties for the beneficiaries at all stages of the project cycle. This problem has been partially overcome with the introduction of the legal requirement to conduct an awareness campaign for potential beneficiaries after the launch of the call for proposals. Another positive measure in this direction is the practice introduced by the MAs to provide trainings for beneficiaries who have been awarded grants. However, further efforts in this direction can be made by providing the applicants and beneficiaries with the opportunity for more operational communication with the MA.

**Measures planned to overcome the administrative burden**

The general vision for reducing the administrative burden within the overall process of coordination, management, implementation, monitoring and control of EU funds is for establishing a stable and predictable environment for the implementation of programmes funded by the ESIF, introducing maximum digitalization of the communication between beneficiaries and the MA, optimization of administrative procedures, elimination of unnecessary obligations for beneficiaries and unification of the rules. In this respect, the following specific measures are envisaged in order to reduce the administrative burden on the separate elements of the project cycle:

***Documents and document turnover***

Standardized application and reporting forms will be introduced, the main prerequisites for this measures being:

* on the one hand, this will significantly ease the beneficiaries and lead to limiting the number of problems and issues in filling-in the forms, and respectively, there will be a small number of incorrectly completed forms, therefore, a lower number of rejected project proposals;
* on the other hand, the standardization is an obligatory prerequisite for the successful implementation of the full digitalization of processes foreseen in the Regulation. Although electronic systems should allow for some flexibility according to the specifics of the procedures, a limited number of standard forms should be applied, e.g. for infrastructure projects, for "soft measures", etc.

In order to optimize the document turnover the following measures shall be undertaken:

* expansion of the use of electronic submission of project proposals and project reporting;
* introduction of technical opportunity to carry out the entire communication between applicants/beneficiaries and the MA under the programmes co-financed by the EU SCF, as well as between the different units of the EU funds management system by means of UMIS 2020;
* suspension of the submission of the same documents more than once, and specification of the cases where these documents need to be submitted in original or in notarized copies, as well as in additional copies;
* suspension of the submission on paper of administrative and other documents issued by public institutions where publicly accessible electronic registries are available for verification of circumstances or where regulated official access to such information is available (automated data provision under the E-Government Law).
* introduction of the “one stop shop” administrative procedure by EAFA aiming to facilitate the potential beneficiaries of measures under MFP (2014-2020), related to the development of sustainable aquaculture and the necessity to reduce the licensing push;
* simplification of RDP measures and improvement of their manageability and control capability in compliance with the principles for sound financial management, including simplification of conditions and criteria for eligibility; easing requirements for beneficiaries through creation of simple and appropriate criteria for eligibility and introduce of e-application; the application forms and project processing procedures will be simplified at local levels for certain measures;
* improvement of IT instruments and electronic data exchange between the authorities, involved in the implementation of the RDP, in order to extend the existing information for beneficiaries and to diminish the risk of errors’ occurrence. Electronic connections with other administrations, not involved directly in the process of implementing the RDP, but administrating data, related to the Programme, will be established as well (including building additional electronic registries) and will provide electronic data exchange, including such between the administration and the beneficiaries.

***Preparation of project proposals***

At the stage of project preparation, the following specific measures, aiming to reduce the administrative burden are envisaged:

* the rules and requirements for investment projects under the different programmes will be unified, as to the preliminary preparation, the preparation of detailed justification, objectives, indicators, budget and timetable of project activities, feasibility studies, cost-benefit analysis, etc.;
* the requirements for the preparation of project proposals will be specified according to the size of funding and the complexity of the project by setting a value threshold. Thus for project proposals under this threshold, the requirements for the preparation, implementation and reporting will be proportionate the risk that the project places - the risk of irregular implementation and ineligible expenditure and/or of irregularities;
* providing the opportunity to develop integrated project proposals to be assessed and funded jointly under several programs in order to achieve a maximum synergic effect of the simultaneous implementation of activities/investments of different nature but related to each other. This will create preconditions for increasing the effectiveness and efficiency of the parallel implementation of several investments. This type of application is related to a simplified preparation of project proposals and optimized evaluation process, since all investment ideas are submitted in one application form, respectively with one set of documents, and a single evaluation is conducted by a joint evaluation committee;
* standardisation of rules for the institutional beneficiaries of the RDP 2014-2020 with those under other OPs, e.g. requirements for assignment – development of generally applicable regulatory rules – and approach to measures with similar requirements.

***Evaluation of project proposals, award of grants and project implementation***

The following specific measures to reduce the administrative burden are planned in the context of the project proposals’ evaluation process:

* identification of a “co-financing threshold” below which all projects are subject to simplified evaluation, consisting only of an administrative compliance and eligibility checks and financial evaluation. The main criteria to be met by the project proposals shall be set as eligibility criteria, while no classic technical evaluation shall be carried out thus shortening the evaluation process;
* where appropriate, larger application, limiting the number of stages and significant simplification of the evaluation of project proposals under direct award procedures with a view to a facilitated application process and a relatively simple project proposals evaluation procedure considering the possibilities for communication between the MA and the candidates and for correction of the project proposals;
* improving the quality of the evaluation process by setting minimum requirements related to the quality of the project proposals submitted, and projects with lower than the preliminary set threshold for quality are not funded;
* award of grants through a unilateral act - decision/ordinance of the MA. This measure will lead to procedural efficiency in issuing the decision itself and will also create conditions for more effective and efficient appeal examination - in administrative and judicial proceedings.
* the introduction of simplified procedures for implementation and reporting of "small-scale" projects with a certain "co-financing threshold ", for example by submitting a final report only consisting of a summary report on the implementation of the project;
* simplified approach for grant awarding to specific beneficiaries which are administrative structures, using so called “budget lines”;
* dropping out of the requirement for provision of a bank guarantee for advance payments in cases where the risk of not implementing the project is estimated by the MA as low. Where an advance payment has been made and the beneficiary has not started to implement the project within a given period, the beneficiary shall return the advance amount received, and the decisions for award of grant should provide for guarantees thereof.

***Procedures for selection of contractors***

With regard to the selection of contractors under projects co-funded with EU funds, the following actions to reduce the administrative burden are being planned:

* establishing clear, structured and standardized rules introducing a unified approach in the requirements for selection of contractors by the beneficiaries – governed by public or private law. The presence of clear rules should exclude the possibility for its restrictive interpretation by the MAs or control bodies. If the legal framework provide for a certain rules for the selection of a contractor in terms of the contracted amount or the type of beneficiary, these rules shall be applied the way they have been regulated without any additional requirements.
* implementation of a simplified procedure for selection of contractors, in accordance with legislative requirements, while ensuring observance of the principles of sound financial management, publicity and transparency, equality and free competition.

***Verification and payments***

The volume of administrative documents at this stage of the project cycle, similarly to the application stage, should be reduced to a minimum. In this regard the following is envisaged:

* the volume of the provided information in the standardized reporting forms should be limited with the aim of providing only the most essential information, necessary for reporting the correspondence of the performance with the initially planned;
* application of rules for simplified costs in reporting, including all programmes, co-funded by ESIF. Given the unsuccessful experience in applying simplified costs in the current programming period, a national methodology in this area is envisaged for the 2014-2020 period;
* unification of the procedures for verification and reimbursement of expenditure under the individual programmes to the maximum possible extent by clearly specifying the rules, functions and responsibilities of both the MA and the regional offices/IBs, where such exist, in order to avoid duplication of activities and checks at several levels of the same documents and information, and to have a clear identification of the bearer of the responsibility at each stage of the checks;
* in terms of payments, the lack of available resources of the MA will be excluded as a reason for delaying reimbursement of expenditure to beneficiaries. Putting such a condition which is outside the sphere of influence of the beneficiaries, transfers the risk of delayed reimbursement from the MA to the beneficiary. Furthermore, the possibility for claiming interest by beneficiaries for the period of arrears will be retained.

***Control***

To reduce the excessive administrative burden at the supervision stage it is envisaged to:

* ensure coordination of inspections by different control bodies in order to avoid overlapping of various controls (in terms of scope and time). In this regard, the necessary level of trust between control bodies should be built, where they use the results of the already performed (by another body) inspections.
* establish requirements for proportional control – determine the number and volume of controls taking into consideration the nature and the budget of the project.
* coordinate the opinions of the individual control bodies in order to avoid divergent opinions on the legality of certain procedures/ expenditure etc.;
* improve the internal control system of the RDP;
* establish internal working groups or focus groups, which should monitor the implementation of recommendations on the RDP from audits or of other control bodies, or should review the procedures and application forms (i.e. the public procurement rules).

The indicative measures planned to reduce the administrative burden for beneficiaries and the deadlines for their implementation are presented in Annex 5.

1. SECTION 3

## Integrated approach to territorial development

The need of applying the integrated approach of ESI funds to the territorial development is determined by the identified in section 1.1. interregional disparities in comparison with the EU average level and the advanced process of monocentrism covering Sofia city and the other biggest Bulgarian cities, which leads in long-term to serious territorial imbalances, providing objective impossibility for exploitation of the whole territorial potential for development. The integrated approach should be directed toward providing polycentralized model for development in order to be achieved sustainable and balanced growth of Bulgarian regions and reached the EU average level in mid-term. This is why in the strategy a spatial dimension is included and thus adding the territorial cohesion and local development objective to the strategic goals and priorities for national development

The territorial dimension of cohesion policy will have an important role in the following programming period both at EU level, and at national level. The territorial development of Bulgaria is governed by the strategic guidelines and proposals for interventions in three strategic national documents: the National Development Programme Bulgaria 2020, the National regional development strategy 2012-2022, the National concept for spatial development 2013-2025 (NCSD). The three documents are complementary to each other in proposing territorial measures to address the objectives for smart, sustainable and inclusive growth in accordance with the “EUROPE 2020” strategy.

In line with the overall evolving of Cohesion policy, the number and budget of the instruments for local development will increase in the 2014-2020 programming period for all MS including Bulgaria. The integrated approach to territorial development which will be applied, includes the following:

* pilot implementation of Integrated Territorial Investments (ITI) for the North-Western Region (at NUTS II level), identified as the weakest developed within the whole territory of the EU;
* pilot implementation of the new initiative Community led local development (CLLD) by programming and implementing innovative integrated multisectoral strategies for local development, based on the 2007-2013 period LEADER experience with a particular focus on harmonized and balanced approach to the development of certain sub-regional territories and improvement of their social, economic and territorial disparities. ;
* at this stage, taking account on the specific requirements deriving from art. 28 and 29 from the Common Provisions Regulation related to the programming and implementation of CLLD only the territory of Smolyan District (at NUTS III level) following the “bottom -up” approach will be a pilot project for the implementation of multifunded integrated territorial CLLD (EAFRD, EMFF, ESF and EFRD) and setting up and receiving a separate criteria “priority project” under the different OP’s financed by ESIF for projects from/for the specified area.
* continuing investments to promote sustainable urban development in the identified growth poles, based on Integrated plans for urban regeneration and development;
* continuing implementation of measures limiting to specific territories with specific disparities, i.e. border and mountain regions, where higher levels of effective complementarity between measures and projects under the European Territorial Cooperation goal and the mainstream investments for growth and jobs will be sought;
* identification and financing of pre-defined projects with leading regional significance, including such as support the implementation of the EU Strategy for the Danube Region;
* differentiation in the conditions for support according to the target groups and/or territories (co-financing rate, additional weight during the ranking, other measures aiming to encourage the inclusion of areas lagging behind, or disadvantaged groups);
* all types of infrastructure will be financed after detailed justified prioritization, which will take into account the sectoral and the territorial development aspects.

**3.1.1 Community led local development**

Community led local development (CLLD) will be implemented taking into consideration the diversity of regions at EU level and within the member states; thus local development strategies will be much more effective and efficient, if they were created at local level and implemented by local participants, supported by the respective administrations and based on clear and transparent procedures and dissemination of best practices. CLLD is implemented on a terrotorial principle, which hosts a small homogenous socially coherent territory, of common traditions, local identity, sense for belonging or common needs and expectations.

The “bottom-up” approach will be implemented in such a manner that the local community can participate in formulating, selecting and approving the priorities and strategy for integrated development of the territory and community. The creation of capacity is a major part of the “bottom-up” approach and includes:

* increasing the knowledge, training, participation and mobilization of the local population in the analysis phase;
* participation of different stakeholders in the creation of the local development strategy;
* development of clear selection criteria at local level of suitable projects for the implementation of the strategy..

In the period 2007-2013 Bulgaria used for the first time EAFRD resources for implementing support schemes under LEADER[[222]](#footnote-222); as first in the period 2009 - 2011 a sub-measure 431-2 "Acquisition of skills and animation for potential local action groups' under Axis 4 of Rural Development Programme was completed. The interest registered in the application of sub-measure 431-2 "Acquisition of skills and animation for potential local action groups" was expressed in submitted 136 applications covering 181 municipalities and 78% of the municiaplities in the rural areas. 102 applications (covering 158 rural municipalities with a total area of ​​64,070 km2 and population of 2,265,998 people) of submitted 136 are approved, and applied potential local groups are contracted. 90 contracts are successfully implemented and completed that help raising the awareness of local people about the opportunities offered by the Leader Programme, enhancing the local administrative capacity to prepare and implement local development strategies through expansion and development of knowledge and skills for local development strategies formulation and implementation, as well as preparing the local experts to participate in the evaluation, selection, monitoring and control of projects supported at local level. The share of rural communities, supported by the sub-measure 431-2 of the Leader approach accounts for 60% of the total number of rural communities in the Republic of Bulgaria.

In the programming period 2007-2013 the LEADER approach is also implemented for measure 41 "Implementation of the local development strategies" and sub-measure 431-1 “Management of Local Action Groups, acquiring skills and achieving public activity of the territories for Local Action Groups, implementing local development strategies” that support the implementation of integrated local development strategies. The interest in the implementation of measure 41 and sub-measure 431-1 is expressed by receiving 126 applications from 97 LAGs covering 141 municipalities (61% of the municipalitis in the rural areas). With the support of EU funds 35 Local Action Groups (LAGs) are established and operational, covering 57 rural municipalities (of total 231 rural municipalities) with a territory just over 25 800 km2, 1112 settlements and a population of 801,688 people. According to data from the ongoing evaluation of the RDP’s implementation at the end of 2012, beneficiaries have submitted 464 projects to the LAGs, of which LAGs have submitted 178 projects to the Paying Agency. 16 LAGs have developed and submitted 21 projects for evaluation by MA of RDP under measure 421 "Inter-territorial and trans-national cooperation" of the RDP.

**The main challenges** which will be met by the implementation of CLLD in the 2014-2020 period have been identified in Section 1 and are mostly related to the need to create employment (including alternative employment) and utilizing the local development potentials aiming to improve the quality of life and the income of the local people.

**The main objectives** to be pursued by the implementation of the CLLD are linked to the continuation of the efforts from the current programming period to establish a culture of participatory involvement in the development of the local initiatives, including via wider implementation of the LEADER approach in the rural areas through RDP.

In general, the priorities to be achieved by CLLD are linked to:

* Promotion of social inclusion, reduction of poverty and fostering the economic development in the rural areas;
* Integrated approach towards the environment, through enhancing the capacity of local communities and encoraging activities related to nature protection and achieving eco-priorities;
* Use of the potential of cultural heritage of the territories where the approach is implemented;
* Focus on innovation through support for its and introduction in practice is a key priority for all EU funds in the period 2014-2020. In the field of rural development, innovations are one of the three intersectorial and horizontal goals.

CLLD will be implemented mainly by the participation of of the rural development programme under the EAFRD the instrument for the development of the rural areas under one or more of the EU priorities for rural development.

The territory covered by the local development strategies will have sufficient critical mass of human and natural resources to implement a viable local development strategy, but it will be also small enough to allow the local interaction. The scope of the separate territories covered by the local development strategies will be aligned to the expected Delegated Acts regarding the criteria for definition of the area and the population that will be setlled in RDP (art. 29of the CPR).

For the programming period 2014-2020 the implementation of a pilot model for integrated territorial approach through the instrument CLLD is scheduled for the district of Smolyan (NUTS III) and set up of a special criteria "priority projects", which seeks to achieve the appropriate concentration and resources, efficiency and effectiveness in the management, as well as ensuring their focus to a harmonious and balanced development addressing the social, economic and territorial disparities within the District and to the rest of the country. Smolyan district is represented by an entirely rural area (only exception is the city of Smolyan) with a specific characteristics in terms of negative demographic processes and natural conditions most affected by poverty and more than 60% population living in the highest risk of social exclusion. Smolyan district is a 100% mountain area with the highest percentage of the total area of ​​Natura 2000 sites and the only district in Bulgaria without railway network. 2011 the unemployment is the highest in the country and the income - one of the lowest in comparison with other regions of the country. Agriculture and rural development are often not presented as an alternative due to geographic and climatic characteristics. Through the implementation of the pilot model this will be targeted, the needs are expected to be most adequately address especially in terms of the serious social and economic backwardness of the region, geographical remoteness and specifically, the lack of alternative employment, education, quality health care, business and transportation. The pilot model will be funded through the EAFRD and the ESF, and the possible inclusion of the ERDF and the EMFF.

Prerequisites for the implementation of the pilot model:

* developed and approved strategic documents - Model for Sustainable Development and Development Plan Smolyan above requirements for standard strategic documents (development strategy) in line with the objectives and priorities of the strategy "Europe 2020" and national documents: National Program Development: Bulgaria 2020, the National Strategy for Regional Development 2012-2022, the National Reform Programme. Developed and adopted Strategy for the development of transport infrastructure in the border area of ​​Bulgaria-Greece;
* formed working groups that operate at district level and include representatives of all stakeholders and at all administrative levels to the objectives and policies, which will continue to operate as a local action group for the management and implementation of the pilot model of implementation of integrated territorial approach the territory of Smolyan;
* under consideration by the Working Group are the financial plan and action plan for implementation of the Plan for the sustainable development and management of Smolyan.

In the programming period 2014-2020 beneficiaries and representatives of target groups of CLLD approach, applied under EAFRD can also benefit from the support of OP “HRD” as eligible beneficiaries with a given priority considering the demarcation between OP “HRD” and RDP.

**Financing the CLLD**

At the preparatory stage of the CLLD approach, a preparatory assistance is envisaged for the LAGs under the LEADER approach covering: building the administrative capacity of LAGs which have not participated in the implementation of the local development strategies in the programming period 2007-2013, support for small pilot projects; building capacity in local communities and teams of LAGs, trainings and networking to support the preparation and implementation of a strategy for local development.

CLLD will be financed by the EAFRD following its obligatory requirements for financing.

Planned financing: in accordance to the approved MFF, and the negotiated total ESI funds for Bulgaria, for the CLLD will be allocated the required minimum 5% from the EAFRD. The local action groups will perform the following functions:

* building up the capacity of the local participants for the creation and implementation of operations, including further development of their project management skills;
* preparing non-discriminatory and transparent selection procedures, and objective criteria for the selection of measures and activities, which will help to avoid the conflict of interests;
* ensuring the coherence among the proposals for support and the local development strategy by prioritization of policies based on their contribution in order to achievethe strategy goals and objectives;
* preparing and publishing the calls for proposals or upkeep of the current procedure for project proposal including definition of selection criteria;
* receiving applications and their evaluation;
* selecting and approving projects and determining the size of the support, submitting the proposals to the Managing Authority for final assessment of the eligibility before contracting beneficiaries;
* monitoring the implementation of projects and local development strategy, co-financed operations and carrying out specific activities for the evaluation of the local development strategy implementation.

The measures or operations financed within the scope of the local development strategies will be under the responsibility of the Managing Authorities of the respective programmes. They are subject to checks and audits; in the cases where LAGs administrative capacity is proven, and the MA has made a decision towards delegation of functions, an audit will be also carried out on their management and control systems.

In the period 2014-2020 it is not envisaged in Bulgaria to apply a multifund financing to strategies for development of LAGs, as priorities of territory development will be achieved through applying RDP and EARDF measures and investments. It is possible this approach to be reconcsidered as a result of implemented analysis and assessment of the situation, recommending the use of multifund financing for local development strategies.

The Community led local development will be implemented also under the Priority “Sustainable development of the fishery areas” of PMAF 2014-2020. The goals of the approach will be utilize the local potential for growth, and taking into consideration the specificities of the fishery areas – to contribute the improving the quality of life and the incomes of the local people.

CLLD in the fishery areas, which executives are the Fishery local action groups (FLAGs), will be implemented based on the understanding that the local development strategies will be more effective and efficient if they are prepared and implemented at the local level by the local participants “bottom-up” approach). To achieve effectiveness and efficiency it will be necessary to have clear and transparent procedures, as well as an adequate support on behalf of the respective administrations in implementing the approach and dissemination of the good practices.

FLAGs will be free to elaborate diverse measures or combinations of measures in their local development strategies by which to support the local development through supporting the local communities. Such measures might be “soft”, i.e. associated with studies, provision of information, training and encouraging the local people for joint actions; or, they can be investment measures, including those associated with the construction of common infrastructure, meeting the needs of the fishery, the fishing tourism, the storage and marketing of the local produce from catches or aquaculture, and even (after receiving sanction by the Ministry of Environment) with the cleaning up of sectors and sections in Black Sea or Danube, and/or the creation of artificial habitats in the sea for the purposes of sustainable development of local fishery and fishery tourism. In addition, the strategies should include interventions aiming at the creation of new job places via diversification outside fishery, and especially via the development of tourism.

Taking into consideration that fishery areas coincide with the territorial coverage of the rural areas, where LEADER LAGs operations will be financed under EAFRD, it is possible that in particular areas of the country, the strategy of a joint/common LAG is financed both by EAFRD and EMFF on the principles of multi-fund financing; such LAG will develop also the local fishery and aquaculture businesses, within the framework of a common local development strategy.

FLAGs could be especially useful in the mobilization of the local communities to fulfil joint tasks, especially if the soft measures in their development strategies allowing them to participate in a national network, and by the national network – in EU network for exchange of knowledge, ideas and good practices, in order to be used as innovations in the fishery areas of Bulgaria.

**Financing the CLLD by the MFP 2014-2020**

In the preparatory stage for implementing the CLLD, it is envisaged to extend the aid of preparation of FLGs, including: the development of capacity in FLAGs which have not participated in the implementation of local development strategies in the programming period 2007-2013; support for small pilot projects, building capacity in the local communities as well as in the FLAGs administration, training and networking for the purposes of elaboration and implementation of a local development strategy.

The planned financial resource for implementing the MFP 2014-2020 is 5% of the EMFF funds allocated to Republic of Bulgaria.

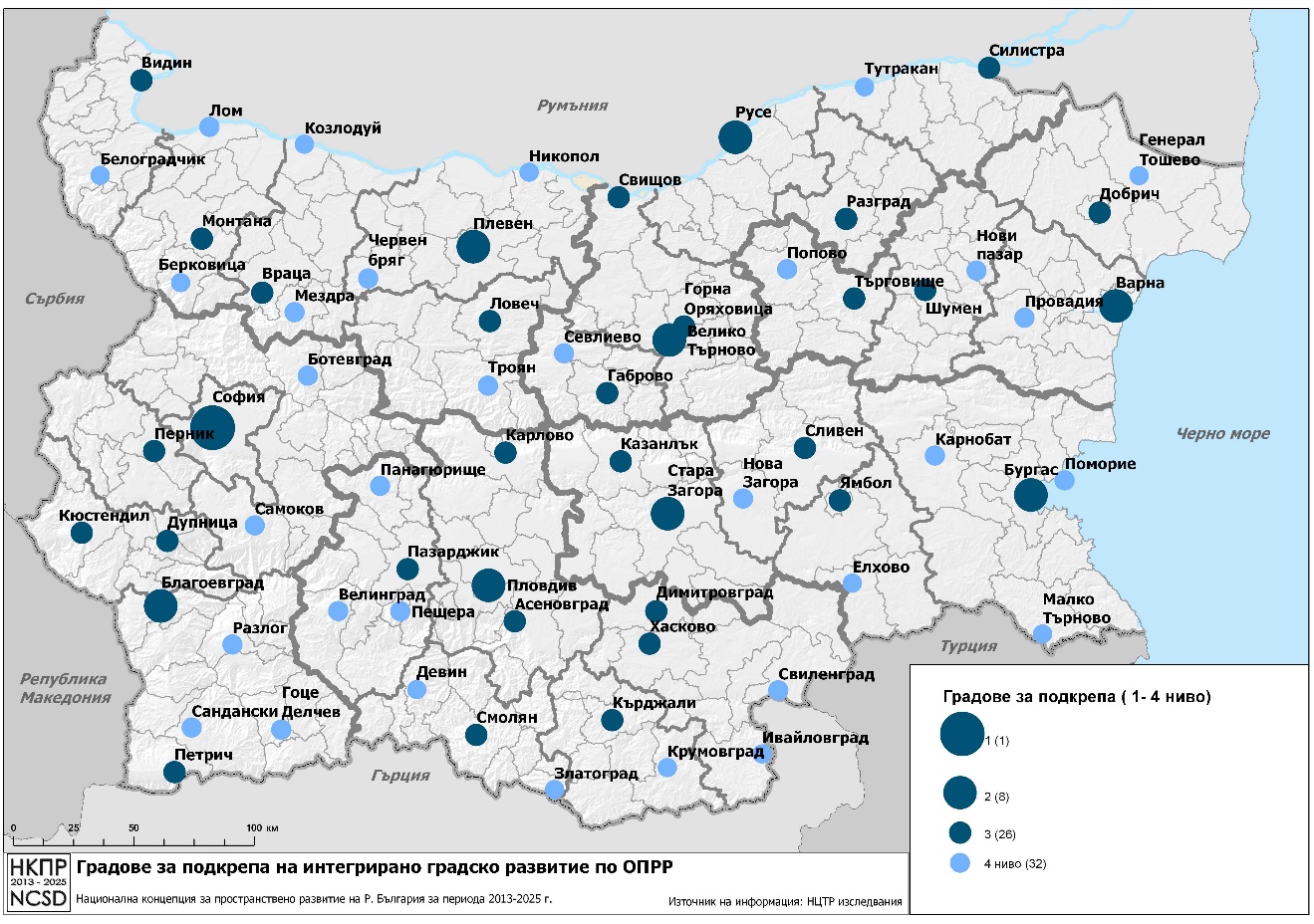
**3.1.2 Integrated territorial investments (ITI)**

Bulgaria envisages during the first stage till 2016 of the programming period 2014-2020 to gradually establish structures and institutional capacity, as well as implementing mechanisms for ITIs on its territory and by region. For this purpose it is planned and proposed the use of a pilot model for the realization of the integrated territorial approach based on CLLD instrument in the district of Smolyan, which will create the foundation to step and build on for the purpose of implementing ITIs. The experience and results of the first two-year stage of the programming period 2014-2020 related to the realization of the pilot model will be analyzed and evaluated as an example of the bottom-up approach, after which it will be multiplied and further developed in districts of the Northwest region, where the plan is to have integrated territorial approach through ITI.

**3.1.3 Sustainable urban development**

In compliance with the National Concept for Spatial Development 2013-2025 Bulgaria envisages considerable support under ESIF for integrated actions for sustainable urban development in the period 2014-2020. In this context in the 2007-2013 period, the development of Integrated plans for urban regeneration and development for identified in the NCSD cities is financed. Those cities are considered as centres of development, where the support is proposed to be focused[[223]](#footnote-223).

**Map of the cities to receive support by the OPRG in 2014-2020**



The list of the proposed cities in which actions for sustainable urban development will be implemented is a result of analyses and partnership consultations with the competent local and regional authorities. The principles for determination of the cities, where the integrated actions for sustainable urban development will be implemented, include:

* Defining the hierarchical structure of settlements in Bulgaria. In the process of determination European classifications, including ESPON, national classifications, such as the Unified classifier of administrative and territorial units, as well as multi-criteria analysis and evaluation for the following statistical indicators are taken into account:
  + Population 2011;
  + Dynamics (%);
  + Level of administrative functions;
  + Level of transport connectivity (including rail transport);
  + Level of provided medical services;
  + University center;
  + Level of economic indicators;
  + Level of tourism development;
  + Level of cultural services;
  + Demographic development
* An integrated model for evaluation of each town according to its specific hierarchical level is proposed and the tendencies for development in horizon till 2050 are observed. On the basis of three models – initial (deepening monocentrism to ultimate monocentrism), ultimate polycentrism and moderate polycentrism. Each model includes forecast for the demographic development of the country till 2020, 2025 and 2030. Based on both the presented models and scenarios and the conducted discussions with the stakeholders and the National Association of the Municipalities in the Republic of Bulgaria the model of moderate polycentrism was adopted for a basis which to be followed by the regional development policy by 2020.

Based on this model large and medium-size cities of 1st, 2-nd and 3-rd level are identified, to which urban development policy should be mainly directed - a number of 39 (35 cities of 1-st, 2-nd and 3-rd level according to NCSD, and other four cities- Karlovo, Velingrad, Gotse Delchev and Panagiurishte that develop IPURD and are within the scope of the urban development measures in the period 2007 - 2013). Identified growth centers have functional and resource potential to stimulate the development of the surrounding territory. 1-st - 3-rd level cities form the main network of urban centers in the country and play an important role in providing public services of high level of national and regional importance. Universities and research and innovation centers, cultural institutions, and the core network of objects of social infrastructure and health are concentrated in those cities.

In order to achieve a moderate polycentric model, additional 28 cities that currently are under the scope of the 4-th level cities and have the potential to reach the 3-rd level by 2020 are proposed to be included. Selected cities are important for the development of peripheral, mountainous and border regions. The main reason for selecting them is the need to stimulate a sufficiently large number of medium and small cities located in the peripheral rural, mountainous and border regions. These cities are centers providing jobs and basic services with importance to more than one municipality and the good communication and transport links with them will be essential in the future.

For the selection of these cities the following additional criteria were used:

* + to be situated on a primary or secondary development axis;
  + to be situated in a peripheral zone (border-region or internal), with access to neighbouring territories, including outside the country
  + to function as a service centre to more than one municipality;
  + where possible, except in the district centre, at least one more town to be supported.
* The selection of the 4th-level cities is made also taking into consideration national classifications as well as the level classification in the NCSD related to future period forecasts, namely:
  + the city is considered in the forecasts with a positive perspective towards higher level;
  + the city is in 2-nd or 3-rd category based on the [Unified Classification of Administrative-Territorial and Territorial Units (UCATTU)](http://www.nsi.bg/EKATTE/EKATTE.zip)

An integrated approach for financing of Integrated plans for urban reconstruction and development will be applied to these 67 cities. Integrated plans will serve as a basis for the investments. IPURD is a combination of time and space related projects, actions and investment intentions that apply within the scope of the cities. The specific objectives for integrated urban development to be achieved through IPURD are:

* Developing synergy among existing and being updated strategic planning documents for integrated sustainable regional and local development, sectorial policies, programming documents and development schemes. IPURD are designed to combine the vision and goals of all above mentioned documents in order to achieve a unified and integrated approach to policies implementation;
* For 1-st -3-rd level cities - identifying specific areas for actions, including a system of interrelated activities and measures aimed to continuous improvement of the economic, social and environmental situation of the urban area in order to achieve growth, employment and sustainability of the investments in the city as a whole. Areas can be three types: with predominantly social character, with potential for economic development, and with public functions with high social significance. For 4-th level cities, due to their small size, IPURD cover the whole territory within their construction borders;
* Developing lists of pre-defined priority projects for urban areas and/or subsystems in unsatisfactory conditions, with negative trends in development and/or unrealized potential for attracting and coordinated management of various investments and supported by ESIF. Implementation of the projects can start from 1 January 2014;

Investments in sustainable urban development will be primarily implemented through an integrated priority under OPRG 2014-2020. Limits are set for each level of cities, thus cities will not be competing with each other, and will be able to plan their projects and resources. Within IPURD OPRG will provide investments for energy efficiency in public and residential buildings, urban environment, educational, social, cultural and sports infrastructure, integrated urban transport. Investments in sports infrastructure, energy efficiency in residential buildings, cultural infrastructure, as well as areas with potential for economic development and integrated urban transport will be wholly or partially funded through financial engineering instruments.

IPURD will serve as a tool for coordination and complementation of the support of various funds and operational programmes. Infrastructure projects funded by OPRG 2014 - 2020 will be also supported by other operational programmes by providing complementary and supporting activities. Realisation of IPURD will be supported by the ESF for complementing measures such as support for providing social services and better access to the labour market, social and health services.

Urban development will contribute to cities’ ability to promote growth and development, and to accelerate the realization of economic, social and territorial potential of the surrounding territories and less urbanized areas. In the absence of major cities in the regions, medium and smaller towns will be stimulated, thereby reducing the effect of the mono-centric model, the imbalances in the areas development and depopulation. The support will focus on a set of priorities for developing qualitative social, health, educational and cultural services and lead to increase employment and stimulate general economic development.

Supporting balanced territorial development by maintaining an hierarchical system of cities-centers at national and regional level by mean of reducing territorial imbalances in economic development. Such imbalances are observed mainly in countries like Bulgaria, where, regardless of demographic decline, there is a significant increase in the capital at the expense of the rest of the national territory. The role of the cities as growth-drivers and as centers of creativity and innovation is highlighted. The creation of innovative networking between cities that can compete at European and global level is encouraged. An essential role is dedicated to small and medium-sized cities. Strategies to "restore urban economy" are developed, knowledge-based economy, creativity and innovation are promoted.

Analyses show that the selected for support 67 cities provide basic administrative and public services and form a large part of GDP at municipal and regional level. On the other hand, a reduction in the quality of public services was observed in these cities in last years, given the fact that the population in all cities in Bulgaria was decreasing, with the exception of 4 cities, and serious social and environmental problems were accumulated. As a result, there is a tendency to manifest mono-centrism regarding the capital city of Sofia and the largest cities in the country.

Improvement of the quality of life in urban areas, end of the trend in mono-centric development of the country and retention of the demographic potential at local level, incl. in smaller settlements is planned to be achieved through targeted state policy for urban development and support of identified cities with potential for growth and employment. By supporting balancing cities, at least two centers offering administrative and public services will be established in each district level, which will also allow a mitigation of negative socio-economic effects.

The increasing demand for consumption of agricultural products and resources in the cities – growth centers will support and promote development of the traditional agricultural sector and specific industry for the surrounding rural territories (e.g. energy production by small RES). This, in turn, will also contribute to the preservation of the demographic, economic and social potential of these territories.

At implementation stage, it is envisaged the MA of OPRG to delegate to the municipalities, which are specific beneficiaries to OPRG 2014-2020, the rights for selecting projects. Cities, themselves, will have the right to set preliminary their priority projects, while the MA reserves the right to assess and final check for eligibility of the operations, before they are finally approved for implementation.

**3.1.4 Main priority areas for cooperation**

Bulgaria will continue to develop actively its territorial cooperation through successful participation in cross-border cooperation programmes (5 programmes with all neighbouring countries), transnational and interregional programmes, supported by the ERDF, the Programme for the development of the Black Sea basin and the macro-regional EU strategy for the Danube region. All these programmes are to be complementary to the national programmes and the emphasis is put on the specific of bilateral and multilateral cooperation.

**Territorial cooperation**

Bulgaria’s experience so far shows that the ETC has the highest impact on the quality of the environment and risk management, the quality of life, building of infrastructure (mainly small scale), improving the capacity for joint planning, provision of services (including cultural) and trainings, tourist promotion and promotion of the comparative advantages of the regions. Based on the experience the following priority areas of cooperation are identified for the 2014 – 2020 period:

* The promotion of employment and mobility of the workforce is a very important priority for the development of the border regions, which are characterized by lower employment rates, low qualifications of the workforce, low adaptability related to the competitiveness on the labour market and limited opportunities for employability and access to important urban centre. In addition to the interventions by the national programmes, the activities under territorial cooperation priority can contribute for addressing area-specific challenges or unutilized potentials, such as integration of cross-border labour markets, including labour mobility across borders, joint initiatives for local employment and joint training.
* The support for joint actions on education, skills acquisition and lifelong learning is in close relation with the employment. Additional added value from these interventions is expected from the realization of joint initiatives for training of the young people and their successful professional realization (considering the need to address the youth employment); the exchange of good practices to reduce the share of early school leavers, especially within specific disadvantaged groups, which is a common goal in relation to Europe 2020; introduction of successful new forms and technologies for training, creation of networks among institutions, economic actors and education institutions, exchange of educational and training practices and internships, including elaboration and implementation of joint educational and training programmes.
* Stimulate entrepreneurship, overcoming structural problems and improvement of competitiveness. The support will be directed to promote the competitiveness of SMEs, new technologies and business models stimulating innovation, as well as creation of networks between the research and technological centres in the business sector, cooperation for SME and human capital support.
* Stimulate social cross border social inclusion and combating poverty, including promotion of equity between sexes and equal opportunities in the border regions.
* Protection of natural and cultural heritage and, in general, the available local resources require cooperation in the field of biodiversity, resource efficiency, “green” growth and economy. Cross-border and transnational tourist concepts and projects will continue to foster growth, i.e. by promoting cross-border tourist networks, and diversification of the existing cross-border tourist services and infrastructure, the promotion of alternative forms of cultural and eco-tourism, provision of specific training for the personnel, etc. The support for cooperation networks to promote cultural assets is of major significance for the cross-border regions (museums, archaeological, cultural and natural sites, etc.).
* The investments in infrastructure (transport, ICT), in general, are important for cross-border cooperation, as it contributes for accessibility and elimination of bottlenecks, which is key to territorial development. In addition modern transport vehicles and systems contribute for reduce of carbon emissions. The aid for supporting infrastructure within the framework of the territorial cooperation has as its objective to improve the physical connection between the territories, including through the establishment of new cross-border passes, bridges, intermodal terminals, logistic centres, etc. The investments in new forms of communication, aiming to improve the public access to information and communication services including to cross-border information and communication are needed.
* The territorial cooperation is expected to generate concrete projects with specific added value, which will contribute to promote resource efficiency, as well as climate change adaptation, risk prevention and management. In this area are compulsory covered the elaboration of joint plans, investments, coordination actions and systems, as well as a unified approach, such as common centre for risk management.
* The improvement of the institutional capacity and effective public administration will be achieved through promoting the legal and administrative and technical cooperation between citizens, business and institutions, as well as other stakeholders and partners.

The territory of each programme is considered as one functional area with unique characteristics and thus the generally formulated priority areas for cooperation should be in compliance with the specific needs of the stakeholders and the relevant regions, including, in compliance with the legal framework and possibly applicable financial instruments, as well as, in line with the strategic documents on European and national level. Programmes’ priorities, co-funded under IPA, will be consistent with the program framework for IPA, while the CBC Programme “Black Sea Basin 2014-2020” priorities will be in line with the CBC Strategy within the EEC 2014-2020. At the same time the priorities should be jointly developed and agreed between the participants, observing the principles of partnership and multi-level governance.

Interventions under the Investments for growth and jobs goal and the European territorial cooperation goal will be programmed and implemented in a way that ensures synergetic effect and complementarity between them.

**Macro-regional and sea basin strategies**

Bulgaria actively participates in the implementation of the EU macro-regional Strategy for the Danube Region.

The projects in support of the strategy will be part of the actions covered by the applicable financial instruments and programmes, including the Connecting Europe Facility, the Bulgaria-Romania CBC programme, the Bulgaria-Serbia CBC programme and the transnational programme “Danube”. At present the identified opportunities for joint projects include the improvement of shipping on the Danube river in the joint Bulgarian-Romanian section; railway connection Port Ruse – Port Varna with construction of an intermodal terminal in Port Ruse.

For this purpose, projects which correspond to the objectives of the strategy are included in OPT and OPE. In other programmes – OPIC, OPHRD, OPSESG - additional criteria for support are formulated for projects to be implemented in the regions of the country adjacent to the Danube. The possibility to include specific measures to be implemented only in these regions is also considered, as in this way only applicants from these regions can apply for support.

The successful participation of Bulgaria in the implementation of the Danube strategy calls for ongoing coordination of different actions by different authorities in the execution of a common action plan for all stakeholders with clearly defined responsibilities and tasks. The set-up of a National mechanism for coordinating the participation of Bulgaria in the EU Danube Strategy and a Bulgarian-Romanian interministerial committee for the sustainable development of the inland water transport in the joint section of the Danube river corresponds to the requirements for good governance and effective institutional cooperation and partnership. In relation to this, four expert working groups are also being formed, corresponding to the specific objectives of the Strategy: Improving the shipping conditions on the Romanian-Bulgarian common sector of the Danube, connectivity, bilateral legal framework and EGTC, and infrastructure and maintenance.

The CBC Programme Black Sea Basin includes two regions of NUTS 2 level – Northeast and Southeast regions. The programme is expected to have synergetic effect with future macro-regional and sea basin strategies.

**Transnational cooperation in the programmes under Investments for growth and jobs goal**

*OP Human Resource Development* has a priority for transnational cooperation, where the following actions will be supported: preparation of specific analysis and studies of other Member States’ experience; exchange of staff, including the stakeholders and the target groups, exchange of experience, information, good practices and innovative approaches; creation of and/or inclusion in partnership networks, twinning; joint or coordinated conducting of social experiments via adaptation and/or validation of innovative models, practices, services, products and auxiliary systems from other countries.

*OP “Science and education for smart growth”* has a priority for transnational cooperation, where actions in the area of scientific research and development, exchange of good practices, participation in cooperation networks, pilot and innovative models, etc. are envisaged for support.

*OP “Good governance” also* has a priority for transnational cooperation, where the focus will be on the state administration and the judiciary system, and where the following will be promoted: exchange of ideas, good practices, knowledge, know-how, staff via joint elaboration, implementation and financing of projects, associated with the implementation of policies to reduce the administrative burden, to set up an effective and business-oriented (central and local) public administration, increase the capacity of the judiciary system, including e-justice, etc.

**3.1.5 Integrated approach to address the specific needs of geographic areas mostly affected by poverty or of the target groups at highest risk of discrimination or social exclusion**

By using ESI Funds, Bulgaria will apply an integrated approach to support the groups at greatest risk of social exclusion.

In general, and considering the specifics of the national and European legislation, in this area, the analysis of the disparities identifies the following groups as most vulnerable to discrimination and/or social exclusion:

* people at risk of poverty and material deprivation;
* economically inactive people and long-term unemployed;
* children and youths, including. children in institutional care;
* people with disabilities, including people in institutional care;
* elderly people who cannot rely on help from family or relatives;
* vulnerable ethnic minorities such as the Roma.

In line with the National strategy for reducing poverty and promoting social inclusion 2020, the approach, which is to be followed in supporting the people at a risk of poverty and material deprivation, will be based on the idea for prevention, i.e. on actions to remove the reasons for poverty and social exclusion. The strategy identifies the lack of labour market inclusion and the low educational level as the main reasons for poverty. This is why the ESIF support will be focused mainly at the active labour market inclusion of the economically inactive and of the long-term unemployed in employment age, improvement of the welfare of the children and the provision of access to quality services for the elderly people and people with disabilities, who cannot rely on support from family or relatives.

All mentioned groups of people at risk of discrimination and/or social exclusion will be eligible for streamlined support and actions in the framework of the ITI for Northwest region and of the pilot model with CLLD in Smolyan district and its District Plan for Sustainable Development, the purpose being to achieve in a direct way highest level of integration and diminishing of social disparities and misbalances between groups and categories of persons on the respective territory, which means, in practice, to focus the efforts on social inclusion of poor persons or groups at risk.

Bulgaria is among the member states with highest rate of young people of the age group 15-24, who are not in employment, education or training, and thus the group is one of the priority target groups, especially in view of mobilizing the ESIF for overcoming the risk of poverty and social exclusion. The support will be targeted at: (1) activation of the young unemployed (2) increasing the employability of the young people (3) provision of support for school-to-work transition. The aid from the ESI Funds, mainly from the ESF, will be mobilized in line with the EU Recommendation (COM (2013) 352 final) to introduce the so called “youth guarantee” according to which each young person up to 25 shall receive an offer for employment, continued education, an apprenticeship or a traineeship within a period of 4 months of becoming unemployed or leaving formal education.

Regarding the support to representatives of the ethnic minorities at risk for social exclusion, the ESIF will support the realization of the regional strategies and the municipal plans for Roma integration as elaborated in line with the National Strategy for Roma Integration (2012-2020). The support will be provided mainly through financing integrated projects with the municipalities or other stakeholders at local level as beneficiaries. The projects will aim to improve the access to employment, education, quality social and healthcare services, as well as measures building tolerance towards ethnic differences, promotion of the culture of the various ethnic communities, etc. Additionally, in line with the “mainstreaming” approach, the various ethnic communities which are at risk of social exclusion will be cited among the target groups of other operations. Thus the principle for “explicit but not exclusive” targeting will be abided, which has been accepted as one of the EU 10 fundamental principles for Roma inclusion. Support us also envisaged for building appropriate administrative capacity within the structures responsible for establishment, implementation and coordination, monitoring and evaluation of the leading strategic documents and policies in this area. The implementation of a complex and phased approach for sustainable integration into the labour market of the vulnerable groups, including the Roma, is envisaged. People will be provided with services for labour activation, intermediation for finding job, by development of differentiated service approach. Trainings for literacy and vocational trainings will be provided, as well as motivational trainings for developing skills for job-seeking. There are opportunities for improvement of coordination between the institutions, involved in the process on comprehensive integration of groups at a risk of exclusion, economic inactive people, people with disabilities, disadvantaged groups in the labour market, including the Roma, in the society and on the labour market. Increase in effectiveness and efficiency of the measures will be achieved by using the approach of combination of individual needs and reconciling work and family life. At present pilot integrated measures for building social residential (ERDF) and provision of integrated services – administrative, social, employment, educational, healthcare (ESF) are under implementation for disadvantaged groups. This pilot model can be repeated in the programming period 2014 – 2020 after analysing the implementation and the achieved results.

The main needs identified in a study of marginalized groups, including the Roma, in the areas most affected by poverty and the highest risk of discrimination, are related to maximum coverage and holding Roma children and pupils in the educational system, ensuring quality education and multicultural educational environment, also ensuring equity and access to qualitative health services and programmes for prevention, improvement and provision of housing, including building and rehabilitation of surrounding technical infrastructure, improvement of Roma access to the labour market and raising the share of employed persons among them, creating conditions for equal access of Roma community to the social and cultural life.

The analyses for the need of OPRG 2014-2020 programming show concentration of social problems and high risk of social exclusion in the urban areas of the country. The main target groups at highest risk of discrimination which are to be specifically supported under OPRG 2014-2020, are the marginalized groups, including the Roma, within the IPURD of the cities – specific beneficiaries of the Programme. The identified areas of interventions are based on the analysis of national strategic and operational documents, as well as for the IPURD analyse, that envisaged support for the marginalized groups. The main priority is to be provided social living and housing services for vulnerable and marginalized groups of population, including the Roma. These measures will be implemented within the identified impact zones of IPURD of cities from 1st to 3rd level and on the whole territory of towns from 4th level. The main focus is on the social impact areas. The IPURD analyses show that municipalities are paying special attention to marginalized groups, including the Roma. In 20 of the big cities are identified neighbourhoods with concentration of Roma population, including within the social impact zones.

On the other hand, Bulgaria undertakes its obligation to mobilize the ESIF for improvement of the social and economic situation of the people with disabilities. According to the UN Convention the group of Persons with disabilities include those who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others. The National strategy for equal opportunities for disabled people sets the main directions for future work: (1) ensuring accessible environment; (2) changes in the childcare model for children with disabilities through transition from institutional community to family-based care services; (3) guaranteed access to quality education for the people with disabilities; (4) ensuring comprehensive medical and social rehabilitation; (5) expanding the employability of the persons with disabilities; (6) priority development of the community based social services; (7) ensuring equal opportunities for sport, recreation, tourism and participation in the cultural life; (8) raising the public awareness of problems and opportunities to persons with disabilities and change in the public attitudes to them.

An important element of the support to the groups with specific needs is the process for deinstitutionalization of the orphanages. The work in this direction was initiated with project aid financed by the EU pre-accession instruments, and in the present 2007-2013 period it evolved with the use of integrated projects. It is planned the stages under implementation to be upgraded through measures financed by the ESIF in the 2014-2020 period. Coordinated implementation of joint schemes under OPHRD 2014-2020 and OPRG 2014-2020 in the process of deinstitutionalization of children and elderly people with disabilities, according to the “Vision for the deinstitutionalization of children in Bulgaria”, the National strategy for reducing of poverty and promotion of social inclusion 2020 and the draft National strategy for long-term care is envisaged.

The analysis of the data from the last monitoring report on the implementation of the action plan to the National strategy “Vision for the deinstitutionalization of children in Bulgaria” identified a clear trend of both decreasing the number of children raised in institutionalized care, and in decreasing the number of children per type of institution. Concurrently, by end 2011 there were 34 newly established community-based care services.

**Table 10. Contribution of the ESI Funds to address the specific needs of the groups at highest risk of discrimination and social exclusion**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Specific target group*** | ***Summary of identified needs*** | ***ESIF to be used и*** | ***Main groups of interventions to be supported*** | ***Programme*** |
| People at risk of poverty and material deprivation, incl.:   * economically inactive and long-term unemployed; * children, incl. children in institutional care; * elderly people who cannot rely on help from family or relatives | * Risk of poverty is highest for the children up to the age 18 - 28.9% and for the population above employment age - 30.9%; * According to the economic status, the risk of poverty is highest for the unemployed (52.2%), as well as for the pensioners (28.3%); * High is the poverty share of families of one person above the age of 65 - 61%, in the families with one parent with dependent children - 35.4%, in the families with two parents who are raising three or more dependent children - 78.2%. | ESF  ERDF | * Realization of integrated approaches encouraging the participation of long-term unemployed and the economically inactive persons in employment age on the labour market, which combine services for increasing the employability and individual services for integration, reintegration or retaining employment; * Provision of supporting services, incl. integrated multisectoral services for children (including integrated services for early child development) , young people, families with children, elderly people, people with disabilities and other vulnerable groups of the population (homeless; persons with various addictions, etc.); * Substitution of the institutional childcare with family- or community-based care services; * Substitution of the institutional model for care for the elderly and for the people with disabilities with family- or community-based care services. | OPHRD  OPRG |
| Young people below the ages of 24, who are not in employment, education, or training | * The main reason for the difficult realization of the young people on the labour market is the lack of qualification and the low education level. Data from the Employment Agency indicate that in 2011 the group of registered young people having no specialty persisted to be the most numerous group having the largest share of the total unemployed young people up to 29, - 63.1 % (63.3% in 2010.) Within the education structure of the unemployed young person up to 29, those with primary and lower education level continue to have the greatest share – 50.3%, the same as in 2010; * Young people tend to remain longer in unemployment. People younger than 29 who have been unemployed for more than 1 year constitute 24.4% of the total unemployed young persons; * Another reason for the lower success rate in finding employment is the lack of professional experience, of key skills and working habits. On the other hand, they have professional qualifications in areas with low demand on the labour market. | ESF  EAFRD | * Information actions, professional orientation and consulting for young people on existing opportunities for realization on the labour market; * Early interventions, motivation and activation of young people to fully exercise their rights after being registered as jobseekers; * Provision of training in line with the labour market demand; * Provision of opportunities for acquiring professional experience incl. via apprenticeships and internships; * Provision of stimuli to the employers to hire young people, incl. via limitation of labour related costs; * Strengthening the capacity of the responsible institutions including via the establishment of partnerships between them,, the social partners and other stakeholders; * Support for the self-employment and entrepreneurship of young farmers. | OPHRD  RDP |
|  |  | ERDF | * Consulting services and preparation for start-up enterprises; * Financial instruments providing seed capital; * Support for start-up enterprises. | OPIC |
| Representatives of ethnic communities at risk of social exclusion | * Spatial concentration of the Roma ethnic communities, in separate neighbourhoods both in the urban and the rural areas; * The concentration leads to a spatial and social exclusion, deterioration of the living conditions, problematic access to infrastructure and basic services; * Low economic activity, low employment rate, high unemployment rates; * More pronounced effect of health detrimental factors, chronic illnesses, higher risk of infectious diseases. | ESF | * Activation of economically inactive persons, mediation services for finding jobs, motivation, provision of training, inclusion in apprenticeship, internships, employment; * Provision of social services, including integrated and intersectoral services; * Improving the access to healthcare and increasing the heath-related awareness of the marginalized communities, including via health related information campaigns; * Activities to develop parenting skills and promotion of best practices for taking care and raising of children; * Support for initiatives to overcome stereotypes, promotion of the cultural identity of ethnic communities; * Support for creation of capacity within the structures responsible for the formulation, implementation, coordination, monitoring and evaluation of the strategic documents and policies in the area of integration of the ethnic minorities. | OPHRD |
| People with disabilities | * Low economic activity and employment. The prevailing share of people with disabilities in the age group of 15 - 64 is outside the workforce. In 2011 51.3% were economically inactive. Just 42.0% of the disabled aged 15 – 64 are employed. The unemployment rate was 13.8%, at an average of 11.2% for the country. The data indicate the need to initiate concrete measures aiding the labour market inclusion and the retention of employment of the people with disabilities; * The number of persons with disabilities outside the workforce indicates that for most of them it is their health condition that prevents their participation in the labour market. This fact calls for the need to provide appropriate individualized services (social, healthcare, integrated) related to the prophylactics and rehabilitation of the disabilities; * The system for long-term care (complex, integrated health and social services for the elderly and the people with disabilities) should be expanded to meet the needs of the constantly increasing numbers of elderly people suffering from ailments; * Accessibility problems for the people with disabilities. | ESF  ERDF  EAFRD | * Information actions, professional orientation and career consulting for people with disabilities, registered as jobseekers; * Activation and motivation of economically inactive or long-term unemployed persons with disabilities; * Support for employing people with disabilities in specialized work environment – in specialized enterprises and cooperatives for people with disabilities; * Support for employing people with disabilities in normal work environment, including via reduction in employer’s labour costs, adaptation of the existing workplaces to the needs of the people with disabilities, introduction of flexible employment schemes (e.g. remote access working, home-based jobs), etc.; * Provision of appropriate training adapted to the needs of the people with disabilities, vocational training and training in key competences; * Support for self-employment and entrepreneurship activities of people with disabilities; * Provision of community-, or home-based supporting services promoting independent life and personal development for people with disabilities; * Provision of the necessary resources for substituting the institutional model for care for the elderly and the mentally challenged, through the creation of a network of social family based services, or in a family-like environment; * It is planned to increase the accessibility of the urban environment for people with disabilities which will contribute to the improvement of the mobility to raise the liveability of the environment, and to the increase in the opportunities for social inclusion of the disadvantaged persons. | OPHRD  OPRG  OPRG, RDP (for the rural areas) |
| Marginalized groups including Roma people | * Lack of appropriate living conditions for the marginalized groups, incl. Roma people; * Identified need to improve the access to healthcare services by the marginalized groups. | ERDF | * Support for the provision of modern social housing for vulnerable and minority groups as well as for other disadvantaged groups; * Investing in healthcare and social infrastructure to contribute to the reduction in inequality regarding their health status. | OPRG |
| Educational integration of children and students from ethnic minorities, immigrant families and refugees, or people with disabilities | * Despite the fact that during the last years there is a positive trend in the number of early school leavers in the age range 18-24, the comparison with the average for the EU is still unsatisfactory. Great difficulties have been identified linked to the early assessment of education needs and the early prevention of learning difficulties, to insufficiency in the didactic materials and technical facilities, necessary for training the children and students according to their individual needs and abilities, lack of trained specialists to work with children and students with particular types of disabilities and deficiencies, as well as insufficient specialists to work in the remote and smaller settlements, insufficient preparation and teamwork by the teachers in the в kindergartens and the schools to target children and students with special education needs. | ESF | * Measures facilitating the access to and motivating the enrolment in the educational process of the ethnic minority groups, of the early school leavers, the children at risk from leaving the school and the children with special educational needs, such as support for municipal and/or school programs improving the access and retaining the students; educational scholarships, non-class and outside of the school activities aiding the retaining and the gradual transition from preschool to school education; * The planned activities will correspond to the national policies in the area, as formulated in a number of strategic documents, as well as to European initiatives in the area of integrating the citizens from third countries; * Support for the actions of the National Strategy for Roma Integration /2012-2020/, as well as the plans for its implementation in the area of educational integration; * Support for additional training in the Bulgarian language of students for whom the Bulgarian language is not mother tongue; * Support for working in intercultural environment; * Support to ensure the process for inclusive education; * Support for children and students with special education needs; * Support for the introduction of a system for early assessment of the educational needs; * Support for students with deviant behaviour to continue their education and for their social inclusion; * Support for gifted children or students in science, technologies, arts and sport. | OPSESG |
| Inclusive education of children and students with special educational needs and with chronic diseases | * Need for measures in the area of inclusive education for children and students with special education needs * Risk of early school leaving for students with deviant behaviour or children and students at risk. | ESF | * Support to ensure the process for inclusive education; * Support for children and students with special education needs; * Support for the introduction of system for early assessment of education needs; * Support for pupils with deviant behaviour to continue their education as well as for their social inclusion; * Support for gifted children or students in science, technologies, arts and sport. | OPSESG |

**3.1.6 Integrated approach to counter the demographic challenges of the regions or to meet the specific needs of geographic areas**

The demographic situation in the country is extremely unfavourable for the development of the country. In the period between the last two censuses in 2001 and 2011 the population of the country has dropped by 564.000 people mainly in the age groups 20-39 (48%) and 40-59 (31%) mostly due to emigration; the share of the emigrants up to the age of 20 is 15% of all emigrants. The main reason for emigration was the desire to secure professional realization and higher incomes. The demographic drop was observed in all of the NUTS2 planning regions, except for the Yugozapaden region (due to the 15.8% increase of the population in the capital). Most alarming is the drop in the Northwest planning region (18.8%).

**The general coefficient for age dependency** (the ratio of the population below 15 and above 65 vs. population in the age range 15-64) was 47.5% by 31.12.2011; this is 1.5 percentage points higher compared to the data for the previous year; in the towns the ratio is more favourable - 42.2% than in the villages - 63.9%. The aging impacts negatively all regions of the country. Strong deterioration in the age structure of the population is observed in the Northwest and North Central regions, where the population above 65 is respectively 23.2% and 20.8%, while in the rest of the regions the data is 17-18%.

*The country had the* ***most unfavourable coefficient for natural growth*** *in year 2011 (-5.1%) and ranks last in the EU according to this indicator (EU27 average was +0.8%), and this figure is 0.5 p.p. worse than the figure for 2010; Bulgaria’s average* ***natural growth*** *of the population in the period 2000-2010 was -5.0% while EU27 coefficient was +0.7%.*

The intraregional disparities in the demographic development are more visible at the level of regions and municipalities. Although in 2011 all regions of the country had negative coefficients for natural growth, the lowest mark was registered in Sofia district (the capital) (-1.1‰), Varna (-1.5‰) and Sliven (-2.0‰). Highest population losses due to highest negative natural growth were suffered by the regions of Vidin, Montana and Pernik, where the coefficient reaches -15.2‰, -12.3‰ and -11.3‰ respectively.

Taking into account the picture, described above, two types of regions need targeted approaches:

* Regions with extremely negative demographic trends (depopulation and aging);
* Regions with unfavourable natural conditions and difficult physical accessibility (mainly mountainous).

A range of unfavourable characteristics of the Bulgarian regions such as deteriorating demographic characteristics, risk of poverty, high migration rates, employment problems and problems related to the provision of quality social services are most notable in Northwestregion. The population density in the region measured at NUTS2 level as of 31.12.2011 was 43.87 people/km2, compared to 66.01[[224]](#footnote-224) as the country average, and 50 people/km2 identified as a critical level by the EC services. The corresponding data for some of the municipalities is much worse. The depopulation is very visible and to serious degree is resulting from economic problems – lack of employment, as well as lack of access to quality educational, healthcare and social services. To address the specific demographic challenges of Northwest region it is envisaged that the project proposals for ESIF have advantage during project evaluation and selection and/or opportunity for lower rate of own co-financing. The negative demographic tendencies are particularly strong in the districts of Vidin, Vratsa and Montana of Northwest region, whereby following the pilot model of Smolyan district and bottom-up approach, it is initiated the inclusion in the Integrated Strategy for Territorial Development of Northwest region 2014-2020 of integrated measures to reduce poverty, depopulation, risk of social exclusion and as a whole to improve the quality of life in the region.

The Northwest region is the poorest region, with the lowest GDP/capita in PPP among all the EU27 regions for the last four years in a row. It is characterized by: extremely strong negative demographic tendencies; lowest share of the population with higher education, including in the age group 24-35; lowest share of investments, incl. FDI; lowest levels of entrepreneurship development (number of SMEs per 1000); lowest share of R&D investments as % of GDP; highest level of vulnerability with respect to climate change in the country, and in the whole EU; problems with the condition of a significant part of the road network. The region has unexploited natural, cultural and historical potential. In view of overcoming regional disparities in Northwest region, there is an initiation of a bottom-up process of programming an Integrated Strategy for the Territorial Development of Northwest region for the period 2014-2020 in the context of Europe 2020 strategy and the purposes of Cohesion policy. The strategy will be based upon the Regional Development Plan of Northwest Region for the period 2014-2020, approved by Decision 459 from 1 August 2013 of the Council of Ministers. The strategy will develop and elaborate the details the package of actions and measures in view of ESIF support in order to achieve sustainable and inclusive growth, and in view of the administrative mechanisms need to manage the ITI.

**The mountain areas** cover 60% of Bulgarian territory. Part of them have favourable prerequisites’ for winter tourism and have built the necessary infrastructure for access and services. The remaining need support, mainly directed to the agricultural producers in the mountainous areas or to areas with other natural handicaps, where this activity is hampered.

RDP financing will create the conditions for preservation of the environment, the application of good agricultural practices and will increase the attractiveness of most of these areas. This will be complemented by support to diversify the economic activities outside agriculture, such as developing rural tourism and other public measures related with the provision of local public services in the settlements, in order to prevent the abandoning of lands and to maintain viable rural communities. Through the financing of the territorial cooperation programmes also the unfavourable natural conditions in part of the border regions might be addressed.

The development path, the ongoing social and economic processes and natural conditions in the district of Smolyan (NUTS III level) define the district as part of both types of territories in need of implementation of integrated and territorial approach, stemming from local needs, characteristics and potentials, in order to ensure effective and efficient response to the challenges of Smolyan as a specific territory. The district is 100% mountainous with the highest percentage to total territory of NATURA 2000 zones and the only district in the country without access to railway network. Unemployment, including youth unemployment, is among the highest in the country. Agriculture and farming often cannot offer an alternative given the geographical and climatic specifics. The targeted measures for this territory are an obligatory pre-condition for overcoming the existing serious social-economic problems and handling the demographic crisis in the area resulting from them. In this context, the inclusion of a criterion “projects with priority” in the programmes, financed by ESIF, for projects coming from beneficiaries based in Smolyan or planned to be realized on the territory of Smolyan district, will guarantee a stronger accent on territorial effects of policies, without prejudice to the principles of equal treatment and free access to resources for all beneficiaries beyond the Smolyan territory. In this case the applicable principle is of “clearly defined, but not exclusively” targeting and means that if approved, the projects have guaranteed funding.

The investment priorities supported by ESIF should be provided for interventions which contribute to the mitigation of these problems and the on-going strongly deteriorating demographic processes in the areas. Most significant for countering the unfavourable demographic conditions are the following investment priorities:

* under ERDF: improving the access, the quality and the use of ICT, development and rise in SME competitiveness, promotion of sustainable transport (to fight problems due to remoteness), utilization of RES and introduction of low-carbon economy, promotion of social inclusion and combating poverty (e.g. via investments in the health and social infrastructure);
* under ESF: access to employment for the job-seekers, promotion of the social inclusion (active inclusion, improving the access to quality services) and others.

The mountain areas, classified as areas with unfavourable natural or other conditions, will be provided funding as well under the CBC and other territorial programmes.

1. SECTION 4
   1. **UMIS (Unified Management Information System)**

During the 2007-2013 programming period, the management of all operational programs financed by the Structural Funds and the Cohesion Fund in Bulgaria used a single Unified Management Information System - UMIS. UMIS is implemented entirely as a web based application. The basic rules to work with this type of applications are applicable. The system consists of web pages used to enter and view information. They contain common tools for websites: drop-down menus, windows, fields for entering text, pushbuttons, hierarchical lists, drop-down lists to choose optional dates (radio) buttons and more. At any time only one website can be in operation. Moving from one page to another is possible through links and menus to navigate between pages. The system stores the complete history of all changes in the data and enables the generation of historical references and full traceability of chronological sequence of change of records, containing evidence of an action performed in the system. All bodies taking part in the implementation of the OP’s funded by ERDF, CF and ESF (Managing Authorities, Intermediate Bodies, Certifying Authority, Audit Authority and beneficiaries) use the same system and the information it stores. The interoperability between them is assured by the common data and the procedures in place in the system that all involved parties need to follow. Using one information system that covers all project cycle processes allows all beneficiaries to be granted access and covered by the provided e-services.

The system software is divided into functional modules, allowing modification, supplement of new modules or complete replacement of modules without the need for amendments to the others or in the base system software. The Modules include: Registration, Evaluation, Contracts, Project Management, Financial module Interface with SAP, Interface with IACS and AXTER POPEYE, Interface with CBC Monitoring Module, Irregularities and spot checks, Parameters, System Information, E-Services, Specialized tools, Public Information Module, Interface with SFC 2007. The system is in compliance and provides for: data integrity and confidentiality; authentication of the sender within the meaning of Directive 1999/93/EC ; storage in compliance with retention rules defined in the relevant legislation ; availability during and outside standard office hours (almost 24/7, except for technical maintenance activities); direct accessibility by the Member States and the beneficiaries via internet interface; protection of privacy of personal data for individuals and commercial confidentiality for legal entities with respect to the information processed (according to Directive 2002/58/EC and Directive 1995/46/EC)

The system provides built-in functions related to the provision of electronic services to all applicants and beneficiaries that can be used during the current programming period. ISUN allows electronic submission of proposals and the electronic submission of reports on implementation of projects through the system. In order to use the functionality of electronic services the only condition is that the beneficiary has a digital signature. The system carries out an automatic check of the signature and it can be used in all stages of the project cycle from project application to project reporting, removing the need to create user profiles for the involved. In compliance with the related national and EU rules on electronic documents and more specifically the Law on Electronic Document and Electronic Signature Directive 1999/93/EC according to which in order to ensure the authenticity of a document a qualified electronic signature should be used. This is the level of security generally accepted in Bulgaria, thus all electronic communication between citizens and administration is carried out only using an e-signature. The measures used in the system are common for the country. They are not specific to the system and do not represent additional burden for any citizen who wants to communicate electronically with the administration.

Bulgaria will continue to use this application during the next programming period, which is why changes will be introduced to meet the new regulatory requirements. This will minimize the development cost of the application and will avoid delay in the start of OPs usually associated with the development of a new information system. It will also minimize the need for training of users from the administration and greater attention will be paid to training applicants and beneficiaries. The information system that will be used in the next programming period will be named UMIS 2020. Using an information system that covers all project cycle processes allows all beneficiaries to be granted access and covered by the provided e-services.

Providing an on-line application function is not a requirement for Member States, but it should be noted that the creation and use of this function is well received by all participants in the process and leads to further decrease of the administrative burden. Since the functions of e-services provided by UMIS are built on similar principles, the positive attitude towards electronic application can be transferred to electronic reporting. In addition to reducing the administrative burden of filing of Application phase the electronic application forms is a very good basis for the implementation of comprehensive e-communication as the relevant information submitted in the application stage is used in the following stages of the project.

The inbuilt function for beneficiaries includes the reporting stage of the projects’ implementation. User access to the system is web-based - through a standard web-browser of user workstations and there is no need to install any specific software. To use UMIS, the beneficiaries need a workstation with Internet access, peripherals such as scanners and printers which are already available to them. In addition, they may provide electronic signatures for additional employees to enter data in the system. There is thus the possibility for electronic reporting to be performed by several persons, not only by the person representing the organization. In order to file a document or structured information in UMIS it is necessary to sign the document with a digital signature and the system checks the validity of the signature. This is how the sender certifies the accuracy of the information he or she submits. When reporting on the progress of a project using the system, the beneficiary can submit the following documents: progress report, financial report, payment request. In the progress report the following structured information is entered: public procurement procedures and contracts, indicators, information and publicity measures, implementation of the activities of the project, on the spot checks and others. The data entered for the financial report allows the relevant authority to review the financial implementation of the project. The beneficiary must enter structured data on the budget of the project, the expenditures included in the payment claim, the invoices included in the claim, information on the human resources used in the project implementation. In addition to the structured information the beneficiary can upload unstructured documents, such as copies of invoices, accounting records, etc.

As the system is used by all concerned authorities, the information once submitted can be view by all of them thus greatly reducing the burden on the beneficiary to submit the same information more than once to the different authorities. The system has other useful features that are available to all users (authorities and beneficiaries) to ease working with it as: reviewing the status of a payment claim, prefilled forms that use already stored data, automatic calculations that prevent mistakes and speed up the work of the user, availability of the file history, automatic embedded controls to reduce as much as possible the back and forth exchange of documents, system generated alerts and messages.

**Development needs of the software application**

In the 2007-2013 programming period, the structured data available in the information system is limited because it must be supported by all Operational Programs. Therefore, the practice currently is to enter structured information and additional documents to be submitted related to project reporting, which largely repeats the information entered into the UMIS. If the currently existing model of only the basic UMIS 2020 is maintained, the risk of providing the same information more than once is high. To minimize this risk and reduce the overall administrative burden it is necessary to create a unified model of the documents to be both accepted and used by the Managing Authorities/Intermediate Bodies of all operational programs and be entered into the information system. To ensure normal operation of the information system and compliance with the “only once encoding” principle it is necessary to create a unified model of the following documents:

* In regard to application: Application Form. In order to overcome the differences between OPs, a unified web forms will be created describing all the required application fields. The information in this form can be used not only at the application stage but throughout the entire implementation period of the project, including in cases where there are changes in the project;
* In regard to reporting: Request for payment, Financial report and Technical (progress) report. Creating a unified form will result in minimizing the risk of filing the same financial information about the project more than once, will relieve beneficiaries implementing projects under various OPs by limiting the gap between them and will improve the overall system performance;

Using the electronic services provides many opportunities to reduce costs associated with applications and reporting on projects, improving communication between the administration and the end users, standardisation and simplification of processes. The available electronic reporting services and the other functionalities of the system cover the whole verification of a payment claim process as it allows the processing of the payment claim from its submission to its verification from the MA and inclusion in the certifying report. All of those steps can be carried out only using the information entered in the system by the beneficiary. UMIS also produces the necessary electronic audit trail as all the submitted data is stored and archived in the system. The existing functionalities provide a significant reduction in the administrative burden and costs to beneficiaries, but in order to fulfil the requirements for E-Cohesion additional functionalities will have to be introduced.

At present, all correspondence related to modification of a project is done on paper but, the staff of the Managing Authorities should reflect it in the system accordingly. These circumstances lead to delays and generate additional costs for the beneficiary. For each amendment approved an audit trail of the changes made in chronological order is maintained in the system. As the amendment is part of the project implementation, the information system will provide possibilities to enable the beneficiaries to modify their project electronically. For this purpose, the following should be implemented:

* A function in UMIS 2020 allowing the beneficiary to submit a request for a project by simply using the available data in the system, based on which the modified application form is generated.
* A function to allow the MA / IB to approve, reject or return for correction a submitted request for a change.

Execution of the above steps is a condition for ensuring electronic communication on project change and to fulfil the requirements of the Regulation.

In implementing the project, beneficiaries and the bodies responsible for the management and control of programs communicate also in other cases besides the amendment or reporting of projects. Typical examples of such communication are:

* conducting the procedure for preliminary control of tender documentation;
* notification of an imposed financial correction;
* notification of an upcoming or the results of on-the spot checks or audits;
* request for information.

To ensure electronic communication in these and similar cases, UMIS 2020 will allow for the exchange of official documents between the beneficiary and the Managing Authority, Intermediate Bodies, Certifying and Audit Authority electronically. This function should meet the requirements of the e-government and its regulations, including maintaining reliable joint electronic documents and paper documents.

The system should allow for the exchange of structured XML documents, documents signed with electronic signature and scanned copies of the documents. Users of the system should be able to send documents and attachments using the system.

UMIS 2020 should allow for the exchange of data with filing systems used by administrative structures that use the system, and will thus be subject to national requirements for document processing in administrative structures.

When all listed above functionalities are introduced UMIS 2020 will cover all necessary information requirements including reporting on project progress, declaration of expenditure and the exchange of information related to management verifications and audits. In addition the system will be modified in order to provide storage of information in compliance with retention rules defined in accordance with Article 132 of the proposed CPR.

The use of the e-services won’t be compulsory for the beneficiaries except in case when the relevant authorities decide that specific beneficiaries (public bodies) have the necessary capacity to use only the e-services. In those cases the beneficiary will be able to use all functionalities of UMIS 2020 to reduce the administrative burden including using the same e-signature in the application and reporting stages, reviewing the status of a payment claim, prefilled forms that use already stored data, etc. In any case no parallel paper flow of documents and data between beneficiaries and administration will be used.

**Other actions for ensuring electronic data exchange**

For the successful implementation of electronic data exchange, further steps need to be taken beside the changes described for the information system. To achieve the intended purpose of electronic exchange - reducing the administrative burden – the concerned administrative bodies such as IB, MA, AA, CA, and other individuals concerned in their planning and programming of work, will need to include in the preparation of relevant statutory, planning and internal documents specific process approaches aimed at reducing bureaucracy through the use of UMIS 2020. Achieving the target is essentially not only dependent on the functionality of the system itself, but also on the manner of its use by the administration, represented by the IB, MA, AA, CA. Effective use of the system requires for it to be viewed not only as a communication channel but as a strong functional tool for reducing bureaucratic requirements, both in terms of working with beneficiaries and the work between institutions. For this purpose, all institutions should have a coordinated approach to the use of UMIS 2020 and reflects its functionalities in their procedures. In order to comply with the “only once encoding” principle the requirements concerning providing information will be reviewed in order to eliminate procedures where the beneficiary has to submit an already submitted document or has to submit information already entered into UMIS 2020 as an additional unstructured document.

To achieve successful operation of an information system adequate training for its users’ needs to be provided. Much of the staff of the authorities responsible for the management and control programs are familiar with the functions of the information system and need no additional training to use the system in the next programming period. Trainings for UMIS 2020 will be mainly targeted at the beneficiaries of the OPs. It should be emphasized that during the trainings for beneficiaries conducted in 2012, 310 people participated in training on the electronic reporting module. Training of beneficiaries is on-going as it will cover the period up to early 2013 and continue into 2015.

A summary of actions planned to enable the electronic exchange of data between the beneficiaries and the bodies responsible for the management and control of programs including indicative deadlines for implementation is presented in Annex № 6.

* 1. **IACS**

**Existing functionalities**

In the State Fund "Agriculture" an Integrated Administration and Control System (IACS) has been developed and is operational. Access, operation and storage of information in IACS is applied in accordance with the information policies of the Fund.

A designed interface is in use for the means of electronic data exchange between the three Information systems: the UMIS; the Integrated Administration and Control System (IACS) for the Programme for Rural Development; and the System used for OP Development of Fisheries Sector -the Axter Popeye.

The interface between UMIS and IACS covers daily data transmission through xml files from the IACS and their storage in UMIS. Thus there is detailed information about the candidates, projects, and contracts under OP Development of Fisheries Sector. Data transfer is performed by limited access to the configured web space on a server where IACS files are stored and accessed.

UMIS’s functionality was extended with options to display information that is used by an expert to check for double financing of projects under OP Fisheries. IACS users have access to this kind of information from UMIS through user profiles created with access only to the consolidated information.

A possibility to manage changes in the Information System IACS as the need arises to improve, upgrade and create new modules is provided.

**Module ”Rural areas” in IACS**

**Section „Contracting”**

Directorate "Contracting for the Implementation of Measures for Rural Development" (CIMRD) in State Fund "Agriculture" - Paying Agency is responsible for carrying out the administrative checks, which are part of the delegated functions on processing of submitted applications for support under RDP measures. Processing of applications for support under RDP takes place in the “Rural Areas” module under the section "Contracting" of IACS.

Since August 2011 the so called “non-paper” working system is introduced and the information from the checks is completed and stored only as a digital file in the IACS, which allows attachment and storage of documents. The IACS allows both making defined on preliminary set criteria inquiries and displaying statistical information.

**Section „ Authorisation”**

The "Payment Authorization for the Implementation of Measures for Rural Development" (PAIMRD) Directorate in State Fund "Agriculture" - Paying Agency is responsible for carrying out administrative checks on processing requests for payment on measures of the Rural Development Programme. Processing payment requests is done in the RDP module "Rural areas" under the section "Authorization".

The system allows entering and processing data, related with identification of candidates, handling of the documentation and verification of compliance with the established regulations, creating and attaching worksheets, letters and documents, checklist for completeness and compliance with the eligibility/funding criteria, checklists for on-the-spot checks. IACS allows both the generation of definite reports on predefined criteria and displaying statistical information.

**Module "Fisheries and Aquaculture" in IACS**

Processing applications for payment under OP Fisheries measures is carried out through a module in IACS created specifically to the needs of the "Fisheries and Aquaculture" Directorate and includes the following stages:

* Registering payment requests submitted by beneficiaries;
* Check for completeness of payment requests;
* Check for compliance with the eligibility criteria;
* On-the-spot checks carried out by the "Technical Inspection" Directorate
* Authorizing payment requests;
* Record keeping and retrieving of statistical data;
* Backup and physical security of documents;

The "Fisheries and Aquaculture" module in IACS is divided according to different measures depending on the type of payment - advanced, intermediate, final. The system allows entry and processing of data related to the identification of potential beneficiaries, processing of the documentation and verification of compliance with the established regulations, creating and attaching worksheets, letters and documents, checklist for completeness and compliance with the eligibility criteria, checklists for on-the-spot checks of the "Technical inspection" Directorate, displaying statistics on the indicators of approved and rejected projects.

The system, after identifying the authorized user, notes what data and when it is entered or changed by a specific user. To define and call up reports on entered data and documents from the main menu, the system has access to the relevant records and statistical reports which provide information on registered projects. The system allows access to pre-defined objects and filters and restrictions can be set in order to obtain the desired statement.

**Certifying Authority’s work with the information systems under the OP Fisheries**

In accordance with the procedure for managing changes in the information system "IACS", a separate module was developed for the needs of "Fisheries and Aquaculture" section. In this module the administrative checks on verified costs for the reporting period submitted for MA’s certification through Verification Reports and Statements of expenditure, are carried out; composing certified statements of expenditure under the Regional Development Programme and payment requests to the EC; entering data to compile a checklist of on-site inspections by a certified authority in MA / IB and beneficiary, to perform monthly inspections of the accounting information provided by the Paying Agency and maintaining a register of disposals, recovered, recoverable and unrecoverable amounts.

MA and AA are provided with access in monitoring mode to the information of the Certifying Authority under the Regional Development Programme in IACS. Certifying Authority employees have "read only" access to all modules used by the Intermediate Body. This access ensures the necessary visualization and provides information regarding the processing and movement of request for payment, necessary for the performance of CA’s duties, such as: received payment requests; on-the-spot check results; the subsidy amount for each beneficiary and the type of subsidy, Authorization performed and the documentation attached to it; information about registration and administration of irregularities, etc. The CA also has monitoring access to the Axter Popeye information system, which receives information on the contracted funds under the Regional Development Programme on project level and all control procedures performed, providing additional information on the beneficiaries, the contracts, spot checks and performance monitoring.

* 1. **Axter Popeye System**

**Functionalities at present**

The AXTER POPEYE System is designed to manage European projects for the needs of the Executive Agency for Fisheries and Aquaculture (NAFA). It is used for registering applications from territorial units, further entering of projects by NAFA staff at headquarters, standard output records and preparation of reports for different applications and projects by authorized employees. This software product provides an automated process of applying, registration and evaluation of Maritime Affairs and Fisheries projects and creates a sound basis for the management and monitoring of the Programme.

The system allows registration and processing of project proposals by entering of the information provided about the project and the beneficiary. Once a certain proposal is directed for implementation / processing, users see what projects have been allocated to them for editing and who has reached which stage of implementation.

In the system the data is entered for all beneficiaries and the information about existing beneficiaries is corrected. An opportunity to generate summaries for all project proposals, including candidates’ name, a brief description of the project, the exact amount of the grant, the status of the project, details on the approved amount is established. The system enable the user to export data to an excel file.

**Development needs of the software application and actions planned**

In order to improve service delivery to citizens and businesses by speeding up the process of administering and evaluating applications and in order to provide electronically information, there is an upcoming launch of activities related to the creation of a public information portal serving applicants in Rural Development Programme. Envisaged is the improvement of the system by developing additional modules for management and control, including the implementation and monitoring of Local development strategies. There will be an option for data processing and exchange with the ISAC system. Additional modules and maintaining of a software system for processing and monitoring of projects under the Programme for Maritime Affairs and Fisheries (PMAF) 2014 – 2020 is planned.

1. Unless otherwise indicated, the data sources are NSI (for BG) and Eurostat (for EU-27). [↑](#footnote-ref-1)
2. Including Health Report for 2012 of the Ministry of Health, Analysis of factorial SME development in Bulgaria, 2011 - 2012, IASME, updated National Strategy for Demographic Development of the population of the Republic of Bulgaria 2012-2015, the Agricultural report of the MAF, 2012, the National strategy for Scientific Research 2020. [↑](#footnote-ref-2)
3. Council Recommendation on the National Reform Programme - 2013 update and Council Opinion on the Convergence Programme of Bulgaria 2013—2016 г. [↑](#footnote-ref-3)
4. Texts in Italic are direct references to the Country Fact Sheet [↑](#footnote-ref-4)
5. http://ec.europa.eu/regional\_policy/what/future/pdf/partnership/bg\_position\_paper.pdf [↑](#footnote-ref-5)
6. According to NSI data, the Labour Force Survey - the data are revised in accordance with the weighting approach by 2012 and population data from 2011 census. [↑](#footnote-ref-6)
7. According to the Law for renewable energy, adopted on 03.05.2011 г., a national obligatory goal of 16% share of renewable energy in the gross final energy consumption is set, including 10% share of RE in the transport. [↑](#footnote-ref-7)
8. According to NSI data, the Labour Force Survey - the data are revised in accordance with the weighting approach by 2012 and population data from 2011 census. [↑](#footnote-ref-8)
9. According to NSI data, the Labour Force Survey - the data are revised in accordance with the weighting approach by 2012 and population data from 2011 census. [↑](#footnote-ref-9)
10. According to NSI data – 1 673 thous. people in 2011 [↑](#footnote-ref-10)
11. According to National Statistical Institute data [↑](#footnote-ref-11)
12. According to Eurostat [↑](#footnote-ref-12)
13. According to NSI and Eurostat preliminary data [↑](#footnote-ref-13)
14. According to EC Report on the shadow economy, 2012: Schneider, F. (2011), "Size and development of the Shadow Economy from 2003 to 2012: some new facts http://ec.europa.eu/europe2020/pdf/themes/06\_shadow\_economy.pdf [↑](#footnote-ref-14)
15. Regional Yearbook 2012 [↑](#footnote-ref-15)
16. The Convergence Programme of the Republic of Bulgaria 2013 – 2016, updated version 2013 [↑](#footnote-ref-16)
17. Census 2011, Volume 1, book 1, “Population by Districts, Municipalities and Settlements” [↑](#footnote-ref-17)
18. According to MRDPW data of September 2012 [↑](#footnote-ref-18)
19. Eurostat, News Release, 80/2011 - 8 June 2011, Population projections 2010-2060 [↑](#footnote-ref-19)
20. Bloomberg rankings. The world's healthiest, www.bloomberg.com [↑](#footnote-ref-20)
21. According to Eurostat data [↑](#footnote-ref-21)
22. Public Health Report, Ministry of Health, 2011 [↑](#footnote-ref-22)
23. The survey was conducted by a World Mental Health Survey Consortium: http://www.hcp.med.harvard.edu/wmh/ [↑](#footnote-ref-23)
24. <http://ncphp.government.bg/files/2012_1_GURNALNCPHA.pdf>, pp. 40-52 [↑](#footnote-ref-24)
25. According to World Health Organization data [↑](#footnote-ref-25)
26. Eurobarometer 72.3. Sport and Physical Activity. Special Eurobarometer 334 / Wave 72.3 – TNS Opinion & Social. Brussels. 2010. [↑](#footnote-ref-26)
27. On 12.08.2013 the draft National Health Strategy 2014-2020 has been published on the web-site of the Ministry of Health for public consultation. First public discussion of the draft document was conducted on 19.08.3012 with representatives of the Public Counsel of the Ministry of health. [↑](#footnote-ref-27)
28. Global Competitiveness Report 2012-2013 of the World Economic Forum - a survey of 144 countries. [↑](#footnote-ref-28)
29. According to MF data as per the State Budget Act 2010, 2011, 2012. [↑](#footnote-ref-29)
30. Mostly official fees, materials and books excluding possible informal payments. [↑](#footnote-ref-30)
31. According to NSI data, Labour Force Survey (due to revision in accordance with the weighting method of 2012, the data are not entirely comparable with previous years). [↑](#footnote-ref-31)
32. National Strategy for Demographic Development of the Republic of Bulgaria (2012–2030) [↑](#footnote-ref-32)
33. Eurostat, *Low reading literacy performance of pupils* [↑](#footnote-ref-33)
34. National Strategy for Demographic Development of the Republic of Bulgaria (2012–2030) [↑](#footnote-ref-34)
35. According to NSI data, Labour Force Survey (due to revision in accordance with the weighting method of 2012 and the 2011 Census, the data are not entirely comparable with previous years). [↑](#footnote-ref-35)
36. According to data of the Ministry of Education and Science, project “Science and Business”, Area of Intervention 3.3. Strengthening the ties between educational and training institutions, the R&D sector and the business, OPHRD 2007-2013 [↑](#footnote-ref-36)
37. Impact assessment of the National Lifelong Learning Strategy 2008–2013 [↑](#footnote-ref-37)
38. According to NSI data, Labour Force Survey (revised in accordance with the weighting method of 2012 and the 2011 Census). [↑](#footnote-ref-38)
39. Project “New opportunity for my future”, implemented by the Ministry of Education and Science and financed under the Operational Programme “Human Resources Development”, BG051PO001-4.3.03 “Development of system for identification and recognition of informally acquired knowledge, skills and competences” [↑](#footnote-ref-39)
40. According to NSI, 2011 Revision [↑](#footnote-ref-40)
41. Source: Population and Demographic Processes, 2011, NSI. [↑](#footnote-ref-41)
42. The index is aggregated and covers the productivity data from the Country Fact Sheet. [↑](#footnote-ref-42)
43. The EU27 rate for the same period (2010 and 2011) remained unchanged at 68.6%. According to NSI data revision not fully comparable with previous years: 62.9% [↑](#footnote-ref-43)
44. According to NSI data revision not fully comparable with previous years. [↑](#footnote-ref-44)
45. 2011 Yearbook, Employment Agency, MLSP [↑](#footnote-ref-45)
46. According to NSI 2011 data revision not fully comparable with previous years (410.3 thousand people in 2010) [↑](#footnote-ref-46)
47. According to NSI data, Labour Force Survey [↑](#footnote-ref-47)
48. The initiative is to be implemented in the period 2012–2013. [↑](#footnote-ref-48)
49. National Employment Action Plan 2012, MLSP [↑](#footnote-ref-49)
50. According to data of the Bulgarian Industrial Association [↑](#footnote-ref-50)
51. According to Eurostat, the poverty line is BGN295. It must be noted that according to the Eurostat methodology, the poverty line is 60% of the average total net disposable income using EU-SILC data. The methodology used by the MLSP is based on the structure of the consumption of food and non-food items (distribution under the first two deciles) and an intake of 2,700 kcal per day. The poverty line equals the median total net equivalent income satisfying the above criteria. The data used are from a survey of households in Bulgaria conducted by the NSI and refer to the previous year. [↑](#footnote-ref-51)
52. According to Eurostat, the percentage of the population at risk of poverty or social exclusion in 2010 was 41.6% (3,145 thousand people) and 49.1% (3,694 thousand people) in 2011 (editor’s note: The population at risk of poverty or social exclusion in 2010 was 49.2% (3,719 thousand people) and in 2011 – 49.1% (3,693 thousand people). The data on Bulgaria in EU-SILC were revised because of a change to one of the values of the material deprivation index.) [↑](#footnote-ref-52)
53. EU-SILC 2009, NSI. [↑](#footnote-ref-53)
54. According to the latest Eurostat data, the EU27 (excluding Ireland) estimated value is 16.9%. [↑](#footnote-ref-54)
55. EU-SILC 2011, NSI. [↑](#footnote-ref-55)
56. Monetary poverty [↑](#footnote-ref-56)
57. NSI data [↑](#footnote-ref-57)
58. According to the Institute for Market Economics [↑](#footnote-ref-58)
59. National Strategy for Reducing Poverty and Promoting Social Inclusion 2020, EU-SILK 2011, NSI [↑](#footnote-ref-59)
60. According to NSI calculations for 2011 [↑](#footnote-ref-60)
61. In relation to the objectives set in key areas by the Europe2020 Strategy, a combined indicator is calculated on the basis of the EU Statistics on Income and Living Conditions (EU-SILC) for regular monitoring of member states’ progress in the implementation of national targets. The indicator includes people living at risk of poverty, with material deprivations, and in no-income households or households with low intensity of economic activity. [↑](#footnote-ref-61)
62. Europe 2020 target: Poverty and social exclusion – active inclusion strategies; EC services, 2012 [↑](#footnote-ref-62)
63. Annual Actuarial Report 2012, National Social Security Institute [↑](#footnote-ref-63)
64. National Roma Integration Strategy of the Republic of Bulgaria (2012-2020) [↑](#footnote-ref-64)
65. According to NSI data of the 2011 Census, 55.4% of the people identifying themselves as Roma live in cities and towns. [↑](#footnote-ref-65)
66. As of 2011 [↑](#footnote-ref-66)
67. UN Convention on the Rights of Persons with Disabilities, ratified by Bulgaria on 26 January 2012 [↑](#footnote-ref-67)
68. According to the NSI [↑](#footnote-ref-68)
69. Sweden, Finland, Denmark, Austria, Hungary and Slovakia - the six EU countries closest to Bulgaria by population [↑](#footnote-ref-69)
70. Eurostat classification of technological intensity is used. In this part of the analysis high-tech production means high and medium production, and low-tech: low and medium-low industrial production. [↑](#footnote-ref-70)
71. Data as per SBA Fact Sheets 2012 [↑](#footnote-ref-71)
72. For comparison: in Finland these are 109; according to the European Patent Office [↑](#footnote-ref-72)
73. European Institute of Business Administration (INSEAD) [↑](#footnote-ref-73)
74. Report on strategies for smart specialization in Bulgaria, February 2013, World Bank [↑](#footnote-ref-74)
75. According to the NSI [↑](#footnote-ref-75)
76. Incl. communication networks of high-performance computers, grid networks, data storage centres etc. [↑](#footnote-ref-76)
77. non-profit organization granting access to universities and research organizations to European and global research networks through broadband information infrastructure [↑](#footnote-ref-77)
78. provides computing resources and services for R&D in areas such as computational chemistry, nanostructures studies, molecular and cell biology, pharmacy, medicine, environment conservation and climate change, industry, finance, etc. [↑](#footnote-ref-78)
79. http://www.mtitc.government.bg/page.php?category=604&id=5985 [↑](#footnote-ref-79)
80. <http://www.mtitc.government.bg/page.php?category=505&id=4580> [↑](#footnote-ref-80)
81. Digital Agenda Scoreboard [↑](#footnote-ref-81)
82. According to the Country Fact Sheet this percentage is 68,0% [↑](#footnote-ref-82)
83. Including the adoption of ICT product, process and organizational innovation or those related to improving the energy efficiency of enterprises from other economic sectors. [↑](#footnote-ref-83)
84. Also through the application of the information contained in the regulatory framework for telecommunications provisions in favour of people with disabilities through development and implementation of long-term policies for e-skills and digital literacy for disadvantaged groups and those contained in the Directive on audiovisual media services provisions in favour of people with disabilities [↑](#footnote-ref-84)
85. based on innovative educational technology, emphasis on the leading role of e-learning, wireless Internet connectivity to every classroom in the school, providing high-speed connectivity to the university and institutes of the Bulgarian Academy of Science building lasting optical connectivity at national level between the Ministry of Education and the regional inspectorates by aggregating existing public networks (ECNIS), etc. [↑](#footnote-ref-85)
86. Eurostat: http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do. The Agriculture part of GDP includes cropbreeding, stockbreeding and hunting, while the food industry includes foods, beverages and tobacco products. [↑](#footnote-ref-86)
87. According to Eurostat data and data of the “Agrostatistics” department of MAF based on observation of the land-use BPMAES [↑](#footnote-ref-87)
88. R. Popov (2011). „Mid-term priorities of the Agricultural policy of Bulgaria”. Avangard prima. Sofia [↑](#footnote-ref-88)
89. http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do [↑](#footnote-ref-89)
90. NSI. Statistical Yearbooks 2008-2012 [↑](#footnote-ref-90)
91. Publications of “Agrostatistics” Department of MAF on AHC in Bulgaria 2003 and 2010 and Structure of the agricultural holding 2005 and 2007 [↑](#footnote-ref-91)
92. N. Koteva “Influence of direct payments on the production-economic structure of agriculture“ in the Project “Effects of the application of CAP on agriculture and Food industry” of the Agricultural Academy’s Institute for Agricultural Economics 2011-2012 г. [↑](#footnote-ref-92)
93. B. Ivanov, R. Popov, R. Yongeneel, E.Sokolova (2012). “How to establish a viable and competitive agriculture: Evaluation of the oprimal package of measures for the agricultural policy of Bulgaria”. Avangard prima, Sofia, pg. 142 [↑](#footnote-ref-93)
94. Publications of “Agrostatistics” Department of MAF on AHC in Bulgaria 2003 and 2010 [↑](#footnote-ref-94)
95. Publications of “Agrostatistics” Department of MAF on AHC in Bulgaria 2010 [↑](#footnote-ref-95)
96. R. Popov (2011). „Mid-term priorities of the Agricultural policy of Bulgaria”. Avangard prima. Sofia [↑](#footnote-ref-96)
97. BNB. „Statistics on deposits and loans by quantity categories and economic activities”. http://www.bnb.bg/Statistics/StMonetaryInterestRate/StMonetaryStatistics/StDepositsAndCredits/StDCQuarterlyData/index.htm?forYear=2011 [↑](#footnote-ref-97)
98. R. Popov, B. Ivanov (2012). “Bulgarian agriculture and results expected from the proposed changes to CAP” Avangard prima, Sofia, pg. 100 [↑](#footnote-ref-98)
99. D. Mitova “Analysis and impact assessment of EU CAP and the national agricultural policy on organic farming” in the Project “Effects of the application of CAP on agriculture and Food industry” of the Agricultural Academy’s Institute for Agricultural Economics 2011-2012 г. [↑](#footnote-ref-99)
100. NSI. Statistical Yearbooks 2008-2012 in R&D section [↑](#footnote-ref-100)
101. Publications of “Agrostatistics” Department of MAF on AHC in Bulgaria 2010 [↑](#footnote-ref-101)
102. Eurostat: http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do [↑](#footnote-ref-102)
103. C. Kovacheva. “Impact of the European integration and policy on the development of the Food processing industry” in the Project “Effects of the application of CAP on agriculture and Food industry” of the Agricultural Academy’s Institute for Agricultural Economics 2011-2012. [↑](#footnote-ref-103)
104. B. Ivanov “Anlysis and imnpact assessment of EU CAP and the national agricultural policy on dairy stock breeding” in the Project “Effects of the application of CAP on agriculture and Food industry” of the Agricultural Academy’s Institute for Agricultural Economics 2011-2012. [↑](#footnote-ref-104)
105. C. Kovacheva. (2012) “ Restructuring of the Bulgarian food processing industry in conditions of eurointegration – status and prospects” In: CAP a guarantee for high quality and safety of food products in EU, second conference, COOP “Food processing industry”, pages 34 - 47 [↑](#footnote-ref-105)
106. C. Kovacheva. “Impact of the European integration and policy on the development of the Food processing industry” in the Project “Effects of the application of CAP on agriculture and Food industry” of the Agricultural Academy’s Institute for Agricultural Economics 2011-2012. [↑](#footnote-ref-106)
107. NSI. [↑](#footnote-ref-107)
108. Executive Forest Agency, Analysis of the implementation of the Strategic Plan for development of forestry 2007 – 2011; <http://www.iag.bg/data/docs/Analiz_Str.plan2007-2011.pdf> [↑](#footnote-ref-108)
109. See number 109 [↑](#footnote-ref-109)
110. National strategy for development of forestry in Bulgaria for the period 2013 -2020 [↑](#footnote-ref-110)
111. Executive Forest Agency, Analysis of the implementation of the Strategic Plan for development of forestry 2007 – 2011; <http://www.iag.bg/data/docs/Analiz_Str.plan2007-2011.pdf> [↑](#footnote-ref-111)
112. Executive Forest Agency, Analysis of the implementation of the Strategic Plan for development of forestry 2007 – 2011; <http://www.iag.bg/data/docs/Analiz_Str.plan2007-2011.pdf> [↑](#footnote-ref-112)
113. National strategy for development of forestry in Bulgaria for the period 2013 -2020 [↑](#footnote-ref-113)
114. National strategy for development of forestry in Bulgaria for the period 2013 -2020 [↑](#footnote-ref-114)
115. Based on data from the Mid-term evaluation of OP for the development of Fisheries sector of the Republic of Bulgaria 2007 – 2013, final report [↑](#footnote-ref-115)
116. According to Bulgaria's annual report on efforts in 2011 to achieve a sustainable balance between fishing capacity and fishing opportunities [↑](#footnote-ref-116)
117. According to EAFA register. [↑](#footnote-ref-117)
118. Based on data from the 2012 Report for aquaculture overproduction in Bulgaria, prepared in connection with the application of art. 28, para. 5 of Council Regulation 1198/ 2006 from 27 July 2006 on European Fisheries Fund. [↑](#footnote-ref-118)
119. Data from 2011 Annual Report on implementation OP Development of the fisheries sector 2007-2013. [↑](#footnote-ref-119)
120. In view of the ongoing preparation of General Transport Strategy, new data about the sector is expected to be available. [↑](#footnote-ref-120)
121. According to Eurostat. Total length of railway lines (km) [↑](#footnote-ref-121)
122. The length of the municipal road network is over 24 thousand km. [↑](#footnote-ref-122)
123. According to NSI data on the freight turnover of sea and river ports, see <http://www.nsi.bg/otrasal.php?otr=6> [↑](#footnote-ref-123)
124. Strategy for the Development of the Transport System of the Republic of Bulgaria until 2020 [↑](#footnote-ref-124)
125. Strategy for the Development of the Transport System of the Republic of Bulgaria until 2020 [↑](#footnote-ref-125)
126. EU Strategy for the Danube Region [↑](#footnote-ref-126)
127. MEW, Information on the activities of the National Automated Monitoring of air quality system on air quality in 2011. [↑](#footnote-ref-127)
128. Of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe [↑](#footnote-ref-128)
129. Energy Strategy of the Republic of Bulgaria until 2020 [↑](#footnote-ref-129)
130. According to the Institute of Fish Resources [↑](#footnote-ref-130)
131. As per the DG REGIO Report on „Measuring the quality of government and sub-national variation“, 2010 [↑](#footnote-ref-131)
132. Transparency International Survey, a leading international Anti-Corruption NGO - the index range is from 0 (high corruption) to 100 (low corruption) points [↑](#footnote-ref-132)
133. Global Competitiveness Report 2012 - 2013, World Economic Forum [↑](#footnote-ref-133)
134. According to a World Bank report - Bulgaria: administrative barriers to business at the municipal level, 2013. [↑](#footnote-ref-134)
135. Data from the 15th edition of the Index for measuring the sustainability of NGOs by the U.S. Agency for International Development from June 2012. [↑](#footnote-ref-135)
136. Additional information about the administrative capacity as regards the ESIF and the opportunities for reducing administrative burdens is contained in section 2.5. and 2.6. [↑](#footnote-ref-136)
137. The Strategic Report of the Republic of Bulgaria for 2012 [↑](#footnote-ref-137)
138. Immediately after the accession a series of significant steps were taken, including amendments to the Constitution, a new Law on the Judiciary, a new CPC, new amendments to the APC and PPC [↑](#footnote-ref-138)
139. Report of the Commission to the European Parliament and the Council on the Progress of Bulgaria under the Mechanism for Cooperation and Verification 2012. [↑](#footnote-ref-139)
140. In these areas, the SJC is supported by the independent judicial inspectorate, by court presidents and by the Bulgarian institution for training of magistrates - the National Institute of Justice. [↑](#footnote-ref-140)
141. Study from the European Commission for the Efficiency of Justice of the Council of Europe prepared for the European commission: The functioning of judicial systems and the situation of the economy in the European Union Member States. http://ec.europa.eu/justice/index\_en.htm [↑](#footnote-ref-141)
142. COM(2013)160 final [↑](#footnote-ref-142)
143. Council of Europe: Supervision of the Execution of Judgements and Decisions of the ECHR, Annual Report 2011, web site: http://www.coe.int/t/dghl/monitoring/execution/Source/Publications/CM\_annreport2011\_en.pdf ). [↑](#footnote-ref-143)
144. The EU Justice Scoreboard 2013. In this reform process the national justice systems play an important role for restoring trust and growth resumption. [↑](#footnote-ref-144)
145. Bulgaria is at one of the last places under the index of perception of the judiciary as independent, according to EU Justice Scoreboard 2013 . [↑](#footnote-ref-145)
146. <http://www.mtitc.government.bg/page.php?category=462&id=4698>, adopted in December 2010. [↑](#footnote-ref-146)
147. Socio-economic analysis of the OPRD 2014-2020 [↑](#footnote-ref-147)
148. European Commission, Cities of Tomorrow - Challenges, Visions, Ways Forward, 2011. [↑](#footnote-ref-148)
149. National Spatial Development Concept (NSDC) [↑](#footnote-ref-149)
150. Annex 1 of NSDC [↑](#footnote-ref-150)
151. All data for settlements, the size and structure of population in rural areas are calculated according to the scope of rural areas based on data from Population Census 2011, unless otherwise specified. [↑](#footnote-ref-151)
152. All data for population size and structure are from Population Census 2011, unless explicitly specified otherwise. [↑](#footnote-ref-152)
153. According to the typology at NUTS 3 level for predominantly rural, intermediate and predominantly urban areas from 2010, 15 from Bulgarian districts are classified as predominantly rural, 12 as intermediate and 1 as predominantly urban area: Sofia city. [↑](#footnote-ref-153)
154. Source: EUROSTAT [↑](#footnote-ref-154)
155. Source: EUROSTAT [↑](#footnote-ref-155)
156. Source: EUROSTAT [↑](#footnote-ref-156)
157. As in RDP 2007-2013 definition and territorial scope. [↑](#footnote-ref-157)
158. Broadband coverage in Europe in 2011;Mapping progress towards the coverage objectives of the Digital Agenda; A study prepared for the European Commission DG Communications Networks, Content & Technology. [↑](#footnote-ref-158)
159. Broadband coverage in Europe in 2011. [↑](#footnote-ref-159)
160. Referred are “Predominantly rural areas” at district level (NUTS 3) identified as such according to EC typology from 2010. [↑](#footnote-ref-160)
161. The inactive, which are outside the groups of pupils and students. The use of internet by still studying young people is 96,2%. [↑](#footnote-ref-161)
162. All data for the preparation and implementation of the LEADER approach in Bulgaria are from the Annual implementation reports of RDP 2007 – 2013. [↑](#footnote-ref-162)
163. Calculations based on the scope of rural areas according to Population Census 2011. [↑](#footnote-ref-163)
164. National Strategy for Sustainable Tourism Development 2009-2013 [↑](#footnote-ref-164)
165. http://ec.europa.eu/enterprise/sectors/tourism/index\_en.htm [↑](#footnote-ref-165)
166. World Travel & Tourism Council, Travel & Tourism Economic Impact 2012 Bulgaria [↑](#footnote-ref-166)
167. According to Birkenhauer [↑](#footnote-ref-167)
168. The Europe 2020Strategy outlines the framework for achieving smart, sustainable and inclusive growth at EU level. Based on the Strategy and taking into account the specific challenges faced by their national economies, all Member-States prepare National Reform Programmes defining their priorities and targets, as well as measures for their achievement. The European Semester is the common mechanism for coordinating the growth and employment policies in compliance with the Europe 2020 Strategy. [↑](#footnote-ref-168)
169. Preamble (13); art. 9 of Draft CPR [↑](#footnote-ref-169)
170. Preamble (17); art. 16 of Draft CPR [↑](#footnote-ref-170)
171. ESI funds will be co-financed in compliance with the existing legislation and used in accordance with the principles of additionality and co-financing. For all the investment priorities and measures that cannot be funded under the ESI funds or where the ESIF are insufficient, it will be necessary to use national funds or private funds in the form of equity investments or loans, etc. [↑](#footnote-ref-171)
172. NDP: Bulgaria 2020 – Chapter 2.2. [↑](#footnote-ref-172)
173. The specific data sources and periods to which they relate are quoted in detail in the analysis of disparities, development needs and growth potential. [↑](#footnote-ref-173)
174. According to MF 62.9% in 2011 and in 2012 – 63% [↑](#footnote-ref-174)
175. According to MF budgetary expenses are 0.2% of GDP [↑](#footnote-ref-175)
176. The national targets under the Europe 2020 Strategy are defined in the National Reform Programme of Bulgaria 2011-2015 and its 2012 update. By Decision No. 439 of June 1, 2012 the Council of Ministers adopted the Third National Action Plan on Climate Change for the period 2013-2020., where the national target as share of RES in final consumption is 16%: p. 9: "There is an individual commitment set for Bulgaria as to increase emissions from sectors outside EST by 20% above their 2005 level. The national objectives of the Member States for the share of renewables in final energy consumption by 2020 range from 10% to 49%. Bulgaria's target is set at 16%, including 10% share of biofuels in final consumption of transportation fuels." [↑](#footnote-ref-176)
177. Identified in the National Reform Programme 2011-2015 [↑](#footnote-ref-177)
178. Recommendation 2, of the Council Recommendations on the National Reform Programme 2013 and and the opinion on the Convergence Programme 2013-2016 [↑](#footnote-ref-178)
179. Recommendation 3, of the Council Recommendations on the National Reform Programme 2013 and and the opinion on the Convergence Programme 2013-2016 [↑](#footnote-ref-179)
180. National Youth Strategy 2010–2020 [↑](#footnote-ref-180)
181. Long-term Strategy for Employment of People with Disabilities 2011–2020 [↑](#footnote-ref-181)
182. Recommendation 3, of the Council Recommendations on the National Reform Programme 2013 and and the opinion on the Convergence Programme 2013-2016 [↑](#footnote-ref-182)
183. National Reform Programme of the Republic of Bulgaria 2011 [↑](#footnote-ref-183)
184. Among the population aged 20-64 [↑](#footnote-ref-184)
185. Recommendation 3, of the Council Recommendations on the National Reform Programme 2013 and and the opinion on the Convergence Programme 2013-2016 [↑](#footnote-ref-185)
186. National Strategy for Reducing Poverty and Promoting Social Inclusion 2020; National Concept for Promotion of Active Aging of the Elderly People in Bulgaria 2012-2030; National Demographic Strategy of the Republic of Bulgaria 2012-2030; Draft National Strategy for Long-Term Care; National Strategy for Roma Integration of the Republic of Bulgaria 2012-2020; National Strategy “Vision for Deinstitutionalization of Children in Bulgaria” 2010; Bulgaria has ratified the UNCRPD. [↑](#footnote-ref-186)
187. Rethinking Education: Investing in Skills for Better Socio-Economic Outcomes COM(2012) 669 final, 20 November 2012 [↑](#footnote-ref-187)
188. In accordance with the Strategy for Preventing and Reducing the Share of Dropouts and Early School Leavers (2013 – 2020) [↑](#footnote-ref-188)
189. Recommendation 4, of the Council Recommendations on the National Reform Programme 2013 and and the opinion on the Convergence Programme 2013-2016 [↑](#footnote-ref-189)
190. Recommendation 4, of the Council Recommendations on the National Reform Programme 2013 and and the opinion on the Convergence Programme 2013-2016 [↑](#footnote-ref-190)
191. Draft Report on the Smart specialization strategy, February 2013, the World Bank and draft Smart specialization strategy, the finalization of which is coordinated by the Ministry of Economy and Energy [↑](#footnote-ref-191)
192. According to the National Strategy for Promoting SMEs 2014-2020 [↑](#footnote-ref-192)
193. Innovations are reviewed as a separate sub-priority [↑](#footnote-ref-193)
194. Recommendation 5 of the Council Recommendations on the National Reform Programme of Bulgaria for 2013 and an opinion of the Council on the Convergence programme of Bulgaria 2013-2016 [↑](#footnote-ref-194)
195. Recommendation 5 of the Council Recommendations on the National Reform Programme of Bulgaria for 2013 and an opinion of the Council on the Convergence programme of Bulgaria 2013-2016 [↑](#footnote-ref-195)
196. If technology transfer centres demonstrate that they can be successful in increasing the effectiveness of the activities for the commercialization of technology in Bulgaria, they will continue to be supported. [↑](#footnote-ref-196)
197. Incl. rural areas [↑](#footnote-ref-197)
198. E-governance is part of Priority 4 [↑](#footnote-ref-198)
199. National target 2 “Investments in R&D in the amount of 1.5% of GDP”, National target 1 “Reaching 76% employment of the population aged 20 – 64 by 2020” and National target 4 “11% share of early school-leavers by 2020, and a 36% share of people aged 30 – 34 with higher education by 2020”. [↑](#footnote-ref-199)
200. Recommendation 7, of the Council Recommendation on the National Reform Programme of Bulgaria for 2013 and an opinion of the Council on the Convergence programme of Bulgaria 2013-2016 [↑](#footnote-ref-200)
201. Possible financing through the Connecting Europe Facility [↑](#footnote-ref-201)
202. Pre-defined on the basis of the National Road Strategy for the period 2014-2020 and the Prioritization Methodology developed by the Road Infrastructure Agency [↑](#footnote-ref-202)
203. A certain number of road sections of national and regional significance giving access and connection to the TEN-T network, sites of natural and cultural heritage will be funded [↑](#footnote-ref-203)
204. For the implementation of multi-sectoral approach to the utilization of ESIF funds in the area of environmental and climate change “Guidelines  [on Mainstreaming of Environmental Policy and Climate Change Policy in CP, CAP and CFP Funds 2014 - 2020](http://ope.moew.government.bg/files/useruploads/files/Programirane/2013_02__22_guidelines_mainstreaming_en_t_ms.pdf)” was developed. [↑](#footnote-ref-204)
205. National maritime strategy, the Marine environment monitoring programme and a Programme of measures for achieving a healthy marine environment [↑](#footnote-ref-205)
206. According to Art. 17 of the Habitats Directive 92/43/EEC and art. 12 of Directive 2009/147/EC on the conservation of wild birds [↑](#footnote-ref-206)
207. Recommendation 5 of the Council Recommendations on the National Reform Programme of Bulgaria for 2013 and an opinion on the Convergence programme of Bulgaria 2013-2016. [↑](#footnote-ref-207)
208. Identified as growth factors 1 and 3 in the National Reform Programme. [↑](#footnote-ref-208)
209. Recommendations 2, 6 and 7 of the Council Recommendations on the National Reform Programme of Bulgaria for 2013 and an opinion on the Convergence programme of Bulgaria 2013-2016 [↑](#footnote-ref-209)
210. an inter-institutional working group has been established to develop and test the draft methodology for prioritization of the tourism and cultural policy of regional importance [↑](#footnote-ref-210)
211. In the course of the evaluation, it was established that a part of the sectorial analyses and policies are being developed at the time of preparing the Draft Analysis of the objectives of the PA. Analyses are being developed separately by the Ministry of Healthcare, Ministry of Agriculture and Food, as well as sectorial strategies and analyses on the Memorandum for Cooperation with the World Bank in the spheres of transport, water and wastewater management and smart specialisation. [↑](#footnote-ref-211)
212. Based on Draft Strategic Framework for Healthcare Policy for Improving the Nation’s Health 2014 – 2020 [↑](#footnote-ref-212)
213. National Development Programme: Bulgaria 2020, National Programme for Reform, National Strategy for Regional Development of the Republic of Bulgaria for the period 2012-2022. [↑](#footnote-ref-213)
214. In view of the lack of a final decision on the total amount of the allocation for Bulgaria, the indicative allocation of the support by thematic objectives and funds is presented in percentage point. These have been calculated as shares of total amount of the ESI funds for Bulgaria including the funds for technical assistance. [↑](#footnote-ref-214)
215. Decree No.5 of the Council of Ministers of 18.01.2012 on the preparation of the strategic and the programming documents of the Republic of Bulgaria for the management of Funds under the Common Strategic Framework of the European Union for the programming period 2014 - 2020 [↑](#footnote-ref-215)
216. <http://www.moew.government.bg/?show=19> [↑](#footnote-ref-216)
217. <http://www.mi.government.bg/en/themes/the-energy-strategy-of-the-republic-of-bulgaria-till-2020-147-295.html> [↑](#footnote-ref-217)
218. Micro-credit Guarantee Fund; [↑](#footnote-ref-218)
219. In the beginning of 2012 the Public Procurement Agency (PPA) has been included as part of the structures for management of SCF at national level in view of its functions for ex-ante control of the public procurement procedures fully or partially financed by EU funds. [↑](#footnote-ref-219)
220. Summary of the Evaluation of Operational Programme "Transport" "Study of the process of implementing projects at the level of final beneficiaries' - http://www.optransport.bg/upload/docs/Reszume\_ocenka\_beneficienti\_BG.pdf [↑](#footnote-ref-220)
221. Final report on the analysis and evaluation of the progress towards achieving the objectives/priorities of the NSRF and the respective contributions of the operational programmes, May 2012 [↑](#footnote-ref-221)
222. At least 5% should be allocated to the LEADER Approach from the EAFRD funds extended to the MS; Bulgaria, due to the implementation specifics, has negotiated derogation from the common rule, and in the reported period has allocated to LEADER half the common percentage. [↑](#footnote-ref-222)
223. The list of the cities includes: Sofia, Plovdiv, Varna, Burgas, Ruse, Stara Zagora, Pleven, Veliko Tarnovo, Blagoevgrad, Vidin, Montana, Vratsa, Lovech, Gabrovo, Targovishte, Razgrad, Shumen, Silistra, Dobrich, Sliven, Yambol, Haskovo, Kardjali, Smoljan, Pazardjik, Pernik, Kjustendil, Svishtov, Gorna Oryahovitsa, Kazanlak, Dimitrovgrad, Asenovgrad, Karlovo, Dupnitza, Petrich, Sandanski, Velingrad, Svilengrad, Samokov, Botevgrad, Trojan, Sevlievo, Karnobat, Nova Zagora, Lom, Gotze Delchev, Panagjurishte, Popovo, Peshtera, Pomorie, Razlog, Devin, Novi Pazar, Mezdra, Provadia, Cherven Brjag, Kozloduy, Berkovitza, Tutrakan, Elhovo, Belogradchik, Zlatograd, Nikopol, General Toshevo, Krumovgrad, Ivajlovgrad, Malko Tarnovo. [↑](#footnote-ref-223)
224. Data from MRD from September 2012 [↑](#footnote-ref-224)