



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

OPINION

on

"PRIORITIES AND POLICIES FOR THE ABSORPTION OF EUROPEAN UNION FUNDS IN BULGARIA FOR THE PERIOD 2014-2020"

(own-initiative opinion)

Sofia, 2013

The Economic and Social Council included in its Action Plan for 2013 the elaboration of an own-initiative opinion on:

"Priorities and Policies for the Absorption of European Union Funds in Bulgaria for the Period 2014-2020".

The elaboration of the opinion was assigned to the Budget, Finance, Insurance and Social Security Commission (BFISSC) and the Economic Policy Commission (EPC). The BFISSC was appointed leading commission.

Dr. Milena Angelova, ESC Member, Chief Secretary of the Association of Industrial Capital in Bulgaria and Mr. Plamen Dimitrov, ESC Member, President of the Confederation of Independent Trade Unions in Bulgaria, were appointed rapporteurs on the opinion.

A joint meeting of the two commissions was held on 8 July 2013 together with a public hearing on the issue, attended by members of the President Board and chairpersons of the Standing Committees of the ESC, the Deputy Prime Minister and Minister of Justice, deputy ministers and experts from all governmental bodies, responsible for the making of Agreement for Partnership and operational programmes for the Programming Period 2014-2020.

At its meeting, held on 18 July 2013, the Plenary Session of the Economic and Social Council considered and adopted the opinion proposed by the Budget, Finance, Insurance and Social Security Commission and the Economic Policy Commission.

GLOSSARY OF ABBREVIATIONS

PGI – Protected Geographical Indication
PDO – Protected Designation of Origin
SGI – Services of General Interest
SMART indicators – (Specific, Measurable, Achievable, Realistic, Time-Dependent)
specific, measurable, achievable, realistic and consistent with the phase indicators
SWOT analysis – (Strengths Weaknesses Opportunities Threats) analysis of the pros, cons, possibilities and hazards
TEN-T – Trans-European Transport Network
TSG – Traditional Specialties Guaranteed
GDP – Gross Domestic Product
BDZ – Bulgarian State Railways
BDS – Bulgarian State Standard
WSS – Water Supply and Sewerage
NRIC – National Railway Infrastructure Company
CA – Contracting Authority
EC – European Commission
EU – European Union
ESCF – European Structural and Cohesion Funds
ESF – European Social Fund
ERDF – European Regional Development Fund
EMFF – European Maritime and Fisheries Fund
EGA – Electronic Governance Act
PPA – Public Procurement Act
EUFMA – European Union Funds Management Act
ESC – Economic and Social Council
MIS – Management Information System for the EU Structural Instruments in Bulgaria
ITI – Integrated Territorial Investments
MC – Monitoring Committee
CoM – Council of Ministers
SME – Small and Medium Enterprises
MLSP – Ministry of Labour and Social Policy
R&D – Research-Innovation and Development
OP – Operational Programme
OP CI – Operational Programme "Competitiveness and Innovation"
OP SESG – Operational Programme "Science and Education for Smart Growth"
OP E – Operational Programme "Environment"
PCC – Policy on Climate Change
CoMD – Council of Ministers Decree
EP – Environmental Policy
PRD – Programme for Rural Development
OP HRD – Operational Programme "Human Resources Development"
PA – Partnership Agreement
Road Tolls – Tolls for the use of roads
MA – Managing Authority
LLL – Lifelong Learning

1. CONCLUSIONS AND RECOMMENDATIONS

1.1. The Economic and Social Council calls for a clear political commitment to the accelerated elaboration of the Partnership Agreement for the period 2014-2020, along with the operational programmes planned for the period¹, in dialogue and consensus with the social partners and the structures of civil society, taking into account the economic realities in Bulgaria and the challenges for the future development of the country, as well as using the experience gained during the current financial period.

1.2. ESC is pleased to report that during the hearing of the draft opinion the competent authorities declared their support for the majority of the proposals and announced that they are already working on their implementation. ESC has declared its readiness to continue the active dialogue and to provide expert assistance in the elaboration of all documents related to the preparation of the PA and the operational programmes planned for the period.

1.3. ESC insistently reminds that in order to activate the full potential of the nation it is necessary to establish a mechanism for ongoing involvement of the social partners and organised civil society in the whole process – from the realistic programming to the design, coordination and implementation of priority economic and social policies.

To achieve this ESC:

1.3.1. Recommends that minimum absorption quotas for private beneficiaries should be adopted for each programme in the second programming period 2014-2020, which may not be overstepped without the agreement of the social partners. These quotas should receive increased attention from the Monitoring Committees and at each of their meetings the Contracting Authorities / Managing Authorities should submit a progress report on their observance. In case of establishing any problems the means should be promptly allocated to other operations, which must again be private beneficiaries, unless specifically agreed otherwise with the social partners.

1.3.2. Insists that the representatives of the social partners and the organised civil society should have blocking minority in taking important decisions by the Programme Monitoring Committees (and prior to this by the Programme Preparation Working Groups), in order to guarantee that the consensual views of such groups will not be neglected.

1.4. The new approach adopted by the European institutions in defining and administering the Multiannual Financial Framework 2014-2020 implies many challenges to all stakeholders. In order to address them appropriately ESC:

1.4.1. Recommends the introduction of measurable and achievable financial and performance indicators in the Partnership Agreement. Their achievement should be reviewed at each meeting of the Programme Monitoring Committees. The number of such meetings should be increased from two to four per annum, including those concerning the programmes.

1.4.2. Reminded that the changed rules should not lead to increased administrative

¹ According to their versions as of 1 July 2013.

burden for beneficiaries.

1.5. ESC calls for maximal simplification and standardisation of the procedures for project preparation, project submission, project evaluation and reporting on the implementation of projects. All these operations must take place electronically, within clear rules and by means of uniform electronic forms. The application process should require a minimal amount of information from the beneficiaries (using mainly the declarative principle), while the establishment of the necessary circumstances should take place before signing contracts and should conform to all provisions of the EGA.

2. PARTNERSHIP AGREEMENT

2.1. The grave economic situation, coupled with the growing social tensions, the expected relatively weak economic growth and the insufficient domestic and foreign investment, enhance the role and importance of EU funds. At the same time, the introduction of mandatory pre-conditions for achieving specific objectives of national development only for the performance of which our country will obtain actual funding, significantly complicates the process of programming and predicates the key role of the appropriate organisation of investment priorities.

2.2. ESC draws attention to several groups of challenges arising from the specific socio-economic environment in Bulgaria, which need to be clearly addressed and thoroughly analysed in terms of the reasons causing them in the context of the recommendations of the European Semester². ESC proposes that after ranking the leading challenges they should be included in the programming process:

- Economic: inefficient use of resources and energy, lower rate of innovation and lower share of investment in innovation, insufficient competitiveness, low purchasing power and weak domestic market;
- Social: low economic activity, high and rising unemployment, especially among young people, reduced and inefficiently managed public spending leading to degraded education and training of the workforce, who in effect do not meet the requirements of the labour market, healthcare system in need of major reform and many other challenges involved in the analysis that deepen poverty, including among the "working poor" and leading to increased social tension;
- Environmental: lower quality of water and air, poor condition of the water supply system, threatened biodiversity etc., which affect adversely the quality of life;
- Administrative and legal: frequently changing legislation, a large number of regulations containing ambiguous provisions leading to legal uncertainty and increasing administrative and regulatory burdens.

2.3. The Economic and Social Council stresses that it is essential for the prosperity of Bulgaria that the Partnership Agreement is developed in close cooperation and with regard to the views of the social partners and the structures of the organised civil society. This would allow optimisation of the process of the absorption of funds on the basis of the challenges revealed during the programming period 2007-2013. ESC

² ESC reminds this in reference to its Opinion on the Strategic Priorities of Bulgarian Economy within the Europe 2020 Strategy.

proposes to increase the number of meetings of the Monitoring Committees from two to four per annum, with a view to achieve more effective ongoing monitoring of programme implementation and the timely application of corrective action, when necessary.

2.4. ESC insistently reminds that to activate the full potential of the nation it is necessary to establish a mechanism for ongoing involvement of the social partners and organised civil society in the whole process – from the realistic programming to the design, coordination and implementation of priority economic and social policies. The social partners have the capacity and willingness to support the implementation of the four strategic funding priorities³ and the strategic territorial dimension, as well as the horizontal principles.

2.5. The Economic and Social Council draws attention to the need for using measurable and achievable financial indicators and outcome indicators in the performance of each programme. The achievement of such indicators should be reviewed at each meeting of the Monitoring Committee. ESC highlights the need to incorporate in the PA mechanisms which could ensure that these indicators allow an objective and fair reporting of the programmes' progress. This is a means to avoid the imposition of financial corrections for failure to meet agreed targets, resulting from a possible negative review at any of the regular progress assessment stages.

2.6. ESC expresses its doubts in the feasibility of the target to achieve an employment rate of 76% of the population aged 20-64 and rate of 36% of the population aged 30-34 with tertiary education by 2020⁴. ESC reminds that the objective concerning the share of the population with tertiary education should be in line with the estimated human resources demand for professionals and persons with relevant qualification profiles.

2.7. ESC further reminds that the envisioned requirements concerning the Partnership Agreement, the mechanisms for thematic concentration, the preconditions and the annual clearance of accounts should not lead to an increase in the administrative burden for the beneficiaries.

2.8. The Economic and Social Council believes that a key point in planning the commitments that Bulgaria will undertake under the Partnership Agreement, is that the fulfilment of all general preconditions, and especially the thematic preconditions at the national level, should be actually possible by 31 December 2016. ESC recommends a thorough analysis of all conditions, and in case it is found that there are conditions, which are difficult or impossible to meet within the given time limit – a revision of the choice of thematic objectives and elimination of those predicated on the performance of unrealistic preconditions. Thus, the hypothesis of future financial corrections or stopping programmes because of failure to meet the relevant preconditions will be bypassed at the planning stage.

2.9. The Economic and Social Council calls to plan appropriately the spending of

³ Education , qualification and employment for inclusive growth; innovation and investment for smart growth; connectivity and green economy for green growth and good governance and access to quality public services.

⁴ In the light of 61.7 % employment among the population aged 20-64 and 27.3 % share among those aged 30-34 with completed higher education by 2013.

ESKF resources⁵ to avoid the risk of cancelling the payment of amounts not included in the pre-financing payments or in the payment request within the period of N+3. When planning this it should be noted that the EU will not reimburse certified costs before considering and confirming all preconditions (i.e. in 2017).

2.10. This imposes difficulties in financing advance, interim and final payments concluded during the period 2014 – 2016 year contracts with beneficiaries. ESC calls at this stage to think about the possibilities for national funding provided by the budget or through a loan. It is better to intensify the use of sovereign debt, especially in financing larger projects.

2.11. The Partnership Agreement needs serious improvement in all its parts. In its present form it contains too many facts, findings and statistics. Their function in the document is not clear – they do not build a logical argument and do not work towards conclusions and guidelines for policies and interventions at the national, sectoral and regional level. The analytical part should be shortened, thereby identifying the priorities and objectives to be achieved by means of complementary national and EU co-financing by 2020.

2.12. The Economic and Social Council suggests making a small addition to the section on factors, conditions and prerequisites for socio-economic development of Bulgaria, which should be devoted to the peculiarities and the global trends in economic, social and environmental policy for the respective period. Bulgaria should identify the priorities of its future development on the basis of its adequate evaluation of important future trends – for example, the increased demand for food and water on a global scale, climate change and energy sources, rapid socio-economic development in vast areas and third world countries and the resulting consequences for our country.

2.13. The analytical part of the PA should be synthesized, but supplemented with estimates in the medium term in optimistic, realistic and pessimistic scenarios. Sections associated with extrapolation of the data are quite imprecise and sometimes even contradictory. They are interpreted in terms of different national, European and global data contexts which are incomparable, diverging in kind and use different methodologies and synthetic indicators for different years.

2.14. A key issue is the proper definition of the objectives and the priorities of the Partnership Agreement and its inherent strategy. At present, it is clear that Bulgaria has to solve many socio-economic problems. In the current form of the Agreement an attempt is made to address as many of these problems as possible without a clear rationale for the choice of priorities and related interventions. The document lacks focus and explanation of the relationship between its objectives, priorities and areas of influence. This imbalance calls for reconsidering the priorities and thematic objectives, so as to highlight those that ensure sustainable results and higher efficiency, as well as those that allow combined spending of ESCF resources.

2.15. ESC recommends unambiguous wording that clearly states which priority

⁵ For the programming period 2014-2020 it is expected that the percentage of preliminary funding from the European Commission under the relevant programmes, as provided in the Common strategic framework, will be reduced as follows: 1.5 % in 2014; 1.5 in 2015 and 1% in 2016 of the total amount of the EU funds for the whole programming period of each programme.

policies on specific thematic objectives will be gradually deployed by the end of 2016 to obtain achievable results. The impact of the results should be then assessed in the medium and long term and it should be indicated how they address the challenges selected for EU funding and seek to prevent potential adverse trends based on risk analysis.

2.16. ESC insists on the use of executable SMART indicators for preliminary mandatory conditions through which progress can be reported quarterly to ensure funding for the achievement of the national and European investment priorities and the 11 thematic objectives for smart, sustainable and inclusive growth – which need further specification. For this purpose, alongside the Action Plan and the mechanism for coordination and performance monitoring, ESC calls for timely preparation of the framework for assessing performance under the cohesion policy for the mid-term review in 2016 and 2019.

2.17. ESC expresses its concern for the imprecise programming of the policies and interventions addressing significant regional differences in the socio-economic development of Bulgaria. This is a very important section of the document that requires substantial improvement, reasoning, and a more concrete formulation of the policies and the expected impacts. The regional survey should highlight leading industries by using the general classification of economic activities in order to present in greater detail the specialization of the industry structure. Of particular importance is the emphasis on sectoral policies, particularly in sectors providing services of general economic interest and in sectors with high added value.

2.18. ESC proposes that the analytical part of the Agreement should be improved, updated and made more specific with regard to the expected dynamics of the socio-economic development of Bulgaria during the period 2014-2020. The section on the factors of economic growth is not convincing and should be rewritten after clarifying the relationships between various factors and the reasons for choosing one or another policy to promote economic growth. It should include a realistic assessment of the factors of economic growth and development prospects in each thematic area.

2.19. The Partnership Agreement lacks conceptual solutions for the sectors "e-government" and "healthcare" which are among the key preconditions and may contribute substantially to the achievement of the investment priorities.

2.20. When programming the financial framework of the Partnership Agreement along with the operational programmes planned for the period, it is necessary to take into account the expected time frame of the actual signing and performance of contracts with beneficiaries. If excessive payments are scheduled for the beginning of the programming period, they would hardly be realised because for each programme it will take time to constitute Monitoring Committees, make and adopt funding schemes and actually perform them.

2.21. The Economic and Social Council calls that effective solutions to the following problems should be found during the preparation of the National Partnership Agreement and the operational programmes planned for the period:

2.21.1. The Economic and Social Council is greatly concerned by the many cases of

fund transfers between the axes of many operational programmes at the end of the previous year and during this year, most of which can be assessed as inappropriate. The social partners declared themselves against these actions because they lead to the shifting of funds from operations for private beneficiaries to municipal and public beneficiaries, or from operations directly aimed at the realisation of the programme's objectives to relatively irrelevant purposes. Therefore, the ESC proposes the introduction with regard to the programming period 2014-2020 of a minimum quota for the absorption of EU funds by private beneficiaries under any programme that cannot be changed without the consent of the social partners. This quota should receive increased attention on part of the Monitoring Committees and the Contracting / Managing Authorities should submit a progress report on their implementation at each meeting. In establishing any problems the means should be promptly allocated to other operations involving private beneficiaries, unless the social partners have expressly agreed to different action.

2.21.2. Serious attention should be given during the period 2014-2020, including through determining quotas – so that funds cannot be of allocated (or reduced) without the agreement of the social partners, to the following areas:

- Creation of basic infrastructure;
- Grants aimed at private beneficiaries (effort should be made to avoid regulations for "*de minimis*" state aid through block exemptions, and to increase the maximum limit of such grants).

2.21.3. Some of the serious challenges include: simplification of both the application and the report forms; development and dissemination of consistent interpretation of regulations, especially with regard to the rules for the selection of contractors, the regulations for state aid, mechanisms for reporting and verification of costs, etc. Often the uncertainties and the lack of practice, including judicial practice, on these issues create serious difficulties not only for the beneficiaries, but also for Managing Authorities and Intermediate Bodies.

2.21.4. A major opportunity for improving the absorption of funds is the optimisation of the complicated auditing and controlling systems – both at the national and at the European level – which lead to unnecessary administrative burdens for all parties involved in the process. In many cases there is no opportunity for adequate representation and protection of the interests of the beneficiaries.

2.21.5. The Economic and Social Council expresses its strong concern for the continuing practice of penalising beneficiaries for errors of the state administration by imposing financial corrections which cannot be appealed in court. ESC proposes the introduction of a fast track for appealing such acts before the Administrative Court.

2.21.6. In order to encourage the absorption of funds, the Economic and Social Council calls for a serious revision of the policy of granting advance payments, especially when the beneficiaries are private entities. ESC believes that the amount of such payments shall be increased at least to 40%, while at the same time more diverse, flexible and low-cost instruments should be developed to secure such transactions – insurance policies, promissory notes, etc. ESC recommends increasing the threshold, calculated as the sum of the amount of the advance and interim

payments, for private beneficiaries to 95% in accordance with Regulation 1083/2006, Art. 79⁶.

2.21.7. The Economic and Social Council is concerned by the fact that the process of absorption of EU funds is delayed and obstructed by imperfect legislation in the area of public procurement and the selection of subcontractors. Therefore, ESC recommends that the Public Procurement Act and the procedures for its implementation should be amended quickly and unified types of public procurement procedures should be created for each operational programme. The content, scope and mode of implementation of CoM Decree 69 should be further specified, including with regard to harmonising the thresholds for compulsory tenders that need to be published in the Official Journal of the EU⁷.

2.21.8. The state aid register is not up-to-date and impedes the participation of the private beneficiaries in the process of absorption of EU funds due to the lack of up-to-date information on the status of reaching the limit under the "*de minimis*" state aid regime. The Economic and Social Council calls for the register to be managed accurately, so that it can show a real-time record of verified (not certified) costs. This can only be guaranteed when the full functionality of the MIS is achieved, which will also bring an end to the requirement of unnecessary accountability and a number of other administrative burdens on the beneficiaries.

2.21.9. Unfortunately, during the current period it has become consistently clear that the state administration has failed to develop the capacity to work effectively for the absorption of EU funds. This has delayed the process of absorption for the following reasons: unacceptably long evaluation procedures for project proposals, wrongful rejection of good project proposals (based on purely technical deficiencies rather than on the lack of quality project ideas), significant delays in the process of verification and payment of expenses, complex and ambiguous application procedures, requiring too many documents containing overlapping information. The only solution to this problem, according to ESC, is to maximally simplify and standardise the procedures for preparing, submitting and evaluating projects as well as reporting on their implementation. If possible, these operations should be carried out electronically, pursuant to clear rules and using uniform electronic forms. A minimal amount of information should be required from the beneficiary during the application process (mainly using the declarative principle), while the verification of the necessary circumstances should at the time of signing the contracts, subject to the provisions of the EGA (the state should not require verification for issues it already has information about). With respect to the grant schemes – a list of replacement projects should be created during the evaluation stage, so that projects that have not resulted in a contract, due to failure to verify declared circumstances, can be timely replaced. Simple and clear procedures for detecting and solving technical problems should be developed for every stage of the process.

2.21.10. ESC points out that a prerequisite for the successful implementation of the

⁶ In May this year a CoM Decree was passed which increased the amount of advance payments for projects, subject to state aid, up to 65% of the admissible grant amount. The total amount of advance and interim payments for projects was also increased to 95% of the total admissible expenses, financed through grants.

⁷ Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (OJ EC L 134, 30 April 2004, p. 114).

PA is the acceleration of the process of integrated improvement, discussion and adoption of a straightforward, unambiguous legislation, particularly in terms of the Public Procurement Act and the long-expected European Union Funds Management Act, which should make the procedures easier and allow for the application of the multi-fund approach. To achieve this effect, efforts should be made to produce unified, streamlined documentation for the beneficiaries, complete computerisation of the process from application to reporting and support from the administration through timely joint decisions rather than sanctions and financial corrections under a more exigent auditing and control system.

2.21.11. The low absorption of EU funds during the current programming period and the low provision of necessary national funding require maximum mobilisation and constructive partnership between institutions for the remaining 30 months of effective spending, verification and certification of the contracted resources, especially in areas of urgent sectoral reforms promoted by the European Semester, such as in healthcare, education and R&D, to create a stable base for sectoral growth and territorial cohesion during the new programming period.

2.21.12. Monitoring Committees are currently structured in such a way that the public administration always holds a qualified majority. This neglects the incorporation of the views of the social partners and the structures of organised civil society in decisions on the optimal absorption of resources, thereby violating the principles of partnership. In most cases, this has led to inefficient absorption of the funds and their direction to areas that do not add much value to the improvement of the socio-economic environment in the country. Therefore, ESC proposes that representatives of the social partners and organised civil society should have a blocking minority in important decisions of the Monitoring Committees (and prior to this by the Programme Preparation Working Groups).

2.21.13 ESC encourages the Monitoring Committees to intensify their work during the coming months, so that the funds within the elapsing programming period may be effectively absorbed (the goal should be to utilize at least 2/3 of these funds). This will guarantee the funding for the next period 2014-2020 r. by a reasonable optimisation of the programmes. The social partners will continue their commitment to responsible participation in the MCs and in the Working Groups, as well as in Future Monitoring Committees under the Partnership Agreement along with the operational programmes planned for the period. Based on the lessons learned from past practice, they rely on realistic scheduling of the expected financial flows within the restrictive parameters of the Common Strategic Framework, so as to minimise the administrative burden for specific groups of beneficiaries and to ensure the timely implementation of planned indicators and targets.

2.21.14. In order to encourage the creation of new jobs and boost economic growth, the Economic and Social Council calls for increasing (or at least not reducing), the share of funds from the European Social Fund in the total amount of EU funds. The reason for this is the significant positive effect that ESF funded operations have on promoting growth and employment. ESC recommends that while further developing the indicative allocation of EU funds according to thematic objectives, main results and funds it is necessary to take into account the agreements made at the European

level – namely, 25% of the ESF funds to be directed to thematic objectives 8 (Promoting employment and supporting mobility of the workforce) and 9 (Promoting social inclusion and combating poverty), especially to promote employment and support labour mobility⁸.

2.21.15. Regarding the possible formation of a new operational programme dedicated to the management of the Fund to provide food for the needy, ESC believes that it is appropriate to entrust its management to the Agency for Social Assistance.

2.21.16. Together with the recommendations expressed herein, the Economic and Social Council declares its full support for the proposals in the report "Reducing Administrative Burdens" prepared under contract № MS-92/10. 08. 2012

2.22. Given the severe economic crisis, the large differences in economic development between different regions in Bulgaria and the presence of several large vulnerable groups in need of integrated measures, ESC calls for the planning of integrated territorial investment which should be implemented during the period 2014-2020.

2.22.1. ESC suggests that at least two packages of Integrated Territorial Investments should be developed – one aimed at young people and the second aimed at the Roma communities and other marginalised groups living in poverty and poor living conditions at the level of "planning region".

2.22.2. This integrated approach allows for the use of resources from several funds. The ultimate objective of achieving better living conditions, employment and overcoming poverty can only be achieved through a combination of ERDF and ESF funds, so that educational measures may be informationally linked with investments in physical infrastructure. Integrated Territorial Investments can be used not only to solve separate problems in such communities, but also to eliminate the causes for them. Bulgaria should under no circumstances miss the opportunity to use this tool.

2.23. ESC strongly recommends that the objectives and interventions contained in the Partnership Agreement and the individual operational programmes planned for the period should be coordinated with more precision.

3. CONCEPT FOR OPERATIONAL PROGRAMME "COMPETITIVENESS AND INNOVATION" 2014-2020

3.1. The Partnership Agreement and the Concept for the new operational programme highlight several areas of development: innovation, technological modernisation aimed at reducing the consumption of resources (energy intensity) of manufacture, meeting environmental standards by introducing low-carbon technologies, meeting the quality standards, promoting entrepreneurship, promoting export, attracting investments, financial instruments to support SMEs – start-up or already operational.

⁸ At their operative meeting the Council of Ministers decided to uphold the proposal of the European Commission that the minimal share of ESF in the Structural Funds for 2014-2020 should be at least equal to the respective percentage of the current period. For 2007-2013 the share of ESF is 26.9% and according to the national position at the current stage of the negotiations it will increase to almost 29%. The funds will be earmarked for measures under thematic objectives 8 and 9 and at least 50% of them should come from the ESF.

3.2. Despite the overall first impression that the leading needs of businesses are addressed, it should be noted that:

- The Operational Programme "Competitiveness and Innovation" is lagging significantly behind and should imperatively be speeded up;
- The four main directions, described in the Partnership Agreement, for improving the condition of SMEs (entrepreneurship, innovation, internationalisation and environment) are far from meeting the basic needs of such companies;
- The role of innovation is overstated. Without denying the importance of this growth factor, we believe that there are other important incentives for growth. For example, very little attention is paid to the role of technological modernisation related to increasing labour productivity, not only in the context of reducing the consumption of resources;
- There are no ideas on how to stimulate the broadening of product portfolios of businesses;
- It is not clear how relevant industries are clustered and whether the document is talking about actual operational clusters or about intentions to form administratively such groups of enterprises. It should be borne in mind that over-reliance on the cluster approach is not always possible and appropriate;
- Industrial sectors form a very small part of the sectors that are intended to receive stimulation;
- It is not clear what are the reasons and criteria for the recommendation of certain sectors and what will be the impact of their accelerated development – i.e. what are the reasons for choosing precisely these sectors;
- There are no objectives for improving corporate governance.

3.3. The Economic and Social Council expresses its great concern for the considerable delays in the preparation and discussion of this fundamental for the development of Bulgarian businesses and their competitiveness operational programme as well as for the unwillingness of the state administration to use dialogue demonstrated in the discussions held so far⁹.

3.4. The Economic and Social Council regrets to note critically that the achievements and failures of the current programming period have not been taken into consideration during the development of the new Concept. ESC is concerned that behind the apparently scientific style of the document, unfortunately, no specific measures and actions for the development of competitiveness and innovation in the country can be clearly identified.

3.5. The Economic and Social Council is of the opinion that targeting resources under the future operational programme mainly to the construction of buildings and developing financial instruments is counterproductive and unfortunately will not lead to the creation of sustainable jobs. At the same time, grant schemes that have proven to have an extremely positive effect on the development of the businesses, the increase of their competitiveness and the creation of jobs, make up a very slim share of the planned operations. ESC understands the desire of the public administration to direct the majority of funds to large and easily administered projects, but at the same time reminds that the OP "Competitiveness and Innovation" should be strictly tailored to the needs of Bulgarian businesses. ESC insists that during the next

⁹ According to their versions as of 1 July 2013.

programming period the main part of the funds should be directed to grant schemes supporting actual businesses and those intended for developing financial instruments and constructing buildings should be reduced to minimum.

3.6. The area of innovation in Bulgaria is truly lagging behind, but the construction of buildings as innovation incubators and technology parks will not speed up this process. Instead, ESC proposes to introduce "innovation vouchers" that businesses can use to pay to teams of specialists selected by them to develop innovations. It is in this regard, it is necessary to clarify what the meaning of the term "innovation" should be.

3.7. The Economic and Social Council is concerned that the Concept does not include solutions for the problems identified during the current programming period, the most important of which are:

3.7.1. The priority sectors (products) are very limited and loosely defined. A number of sectors with export potential that can generate added value and competitive advantages for our country are not included, e.g. machinery, metals, furniture, etc.

3.7.2. It is necessary to shorten considerably the lengthy interval between the submission of the project proposal to the conclusion of the contract and the practical implementation of the project. It is necessary to reduce the simplify the required packages of reporting documents under some of the schemes and to reduce the time for verifying the expenses in accordance with the requirements for interim/final payments. For this purpose, ESC calls to fully optimise the packages of documents and minimise the intervals for evaluation and approval of projects and requests for payment and verification and certification of expended funds. Process should be computerised.

3.7.3. There is a lacks of sufficient capacity for the development, implementation, management, monitoring and reporting of projects, both among applicants and the relevant administration, especially in the beginning of the period. Clearly, such capacity needs to be trained on the fly.

ESC recommends:

- When the performance of contracts under a certain scheme starts (especially in case of schemes of high interest) trainings may be initiated by the Contracting Authority / Managing Authority on the practical implementation and reporting under such contracts: changes in the technical implementation and the budget of projects; requirements, documents and methods of holding procedures for selecting contractors; reporting the technical and financial implementation of the project; monitoring and auditing as well as other similar considerations – crucial for the successful implementation of any project;
- Joint training should also be provided for experts-evaluators, both those employed by the beneficiaries responsible for the execution of the respective contract and those employed by the Contracting Authority / Managing Authority, in order to harmonize the approach to the job, define clearly the rights and responsibilities of all parties involved, and avoid subjectivity.

3.7.4. The large number of documents required for application and during the implementation and reporting phases of the projects require considerable human and financial resources for their development and completion. To overcome this problem, ESC proposes to create a possibility for online application for all programmes/schemes as well as for tracking and reporting performance under the contracts electronically. All application forms should be as simple and as standard as possible.

3.7.5. It is widely believed that candidatures are evaluated incompetently, subjectively and according to non-transparent procedures. In this regard, ESC believes that including in the evaluation process independent experts with already established reputation for competence and good faith, will contribute significantly to overcome this problem.

3.7.6. ESC calls for a national position of our country, so that in the implementation of the programming period 2014-2020 SME criteria will only apply cumulatively. Alternatively, in case of failure to meet the cumulative criteria, the leading consideration for determining whether an enterprise is large or small should be the size of its turnover and assets – not the number of its employees.

4. OPERATIONAL PROGRAMME REGIONS IN GROWTH 2014-2020

4.1. The Economic and Social Council attributes great importance to Priority Axis 1. "Urban Development", Section 1.1. "Energy efficiency in administrative and residential buildings" because as it is directly aimed at improving the living standards of Bulgarian citizens. ESC has the following recommendations concerning its programming:

4.1.1. To ensure that at least 50% of the project funding is provided via a grant funded under the programme. Using grants lower than 50% of the project funding will render the measures unattractive and therefore ineffective. This implies the risk of too few candidates and non-utilization of the funds. Ways of funding poor and needy apartment owners should be considered. Funding should comply with previously specified criteria. Securing funds for needy apartment owners will eliminate the risk of non-performance of energy efficiency projects due to the inability of some apartment owners to pay their share of the investment.

4.1.2. To provide imperatively funding for structural renewal, if such a need is found necessary after technical examination. To ensure that energy efficiency measures are applied to structurally sound buildings which are fit for their intended purpose.

4.1.3. In preparing the projects for "Energy efficiency in administrative and residential buildings" top priority should be given to thermal insulation and waterproofing of the surrounding structures. Energy efficiency is first and foremost achieved when the heat loss from the surrounding structures is minimised, and only then it is possible to think about energy sources and consumers. Isolation of surrounding structures suggests ensuring their reliability in the long term, beyond the life of energy sources and consumers.

5. OPERATIONAL PROGRAMME "TRANSPORT" 2014-2020

5.1. The Economic and Social Council insists that the major part of the funds under this operational programme should be directed to the construction of basic infrastructure, working towards the fulfilment of Bulgaria's commitment to develop integrated transport networks with intermodal connections and a high level of internal and external accessibility. In this regard, it is necessary to allocate prioritatively funds to build intermodal connections between water, rail, road and air transport. In addition, ESC believes that another vital step would be the revitalisation of the Bulgarian Railways, Department "Passenger Transport", and its inclusion as a beneficiary under the operational programme.

5.2. ESC expresses its concerns regarding the adverse effects of possible reductions in the budget of the proposed programme. Such a reduction would compromise the implementation of the objectives as a whole and would require detailed analysis and redistribution of the key works and priorities. The biggest threat is related to an automatic reduction in the funding for all planned works regardless of their strategic importance¹⁰. The development of basic road and railway infrastructure is a task that has remained unsolved since the last quarter of the previous century. Both pre-accession instruments and EU funds were aimed at overcoming this inherent lag. Unfortunately, due to the all too familiar failure to absorb these funds at the initial stages have already reduced the total amount of available funds. A new reduction holds the risk of inflicting long-term damage that would be hard to overcome. Bulgaria risks in the foreseeable future to lose its status as a Eurasian transit transport destination, or to avoid this at the expense of overstraining its economy and expending national funds that are crucial for other sectors. Therefore, ESC recommends that the funding should be reduced only for projects that are not essential for achieving the main objectives of the operational programme or have lower strategic priority. Careful analysis should also be devoted to finding additional compensatory sources of investment, including through public-private partnerships or through other international programmes and grants.

5.3. ESC is very concerned by the fact that for a second programming period no funds are provided for the development of airport infrastructure, which clearly is an obstacle to the development of air transport. The deprivation of funding for the period 2007-2020 of this sector, which is of strategic importance for the country, puts it at a disadvantage compared to the other modes of transport.

5.4. ESC is concerned by the fact that so far Bulgaria has not provided the vital resource amounting to BGN 47 million for the preparation of projects in the area of rail transport. This delay may well prove fatal, while EC representatives are adamant that in case of failure, unused funds can only be transferred to other operational programmes, but not to be redistributed under OP Transport. This will be a severe loss to the transport infrastructure of the country, as the funds cannot be diverted from rail to road infrastructure and metro transport.

6. OPERATIONAL PROGRAMME ENVIRONMENT 2014-2020

6.1. Sustainable development is a key priority for Bulgaria, which gains even greater significance in the context of the Europe 2020 Strategy. The effective use of limited

¹⁰ With reference to the possibilities priority direction of funds to trans-European projects, as well as the creation of the Connecting Europe financial instrument, discussed at the level of the European Union.

natural resources, the protection of the environment from anthropogenic influence and the achievement of specific objectives relating to the environment are at the core of this priority. ESC believes that the priorities set out in the Operational Programme Environment are extremely important and will contribute to the achievement of the identified objectives¹¹.

6.2. ESC stresses that improving the monitoring system of waters, the proper use of organic and mineral fertilizers and their proper storage is a necessary condition for improving water quality assessments. It is imperative that farmers whose farms falls within the vulnerable areas implement good agricultural practices.

6.3. ESC believes that it is necessary to build new stations for water monitoring and welcomes their inclusion in the OP Environment 2014-2020. The degree of purification of wastewater from settlements is also relatively low. It is therefore necessary to build new wastewater treatment plants.

6.4. ESC evaluates the areas of water supply and sewerage as very important to people's quality of life and welcomes their inclusion in OP Environment 2014-2020. Drinking water currently meets the criteria for quality, but it is necessary to continue the construction and maintenance of the water supply system.

6.5. ESC shares the challenges for the future, which are related mainly to meet the requirements for waste treatment in respect of which priority is the construction of the necessary facilities. It is also important to complete and optimise the systems for waste sorting, improving the system for measuring the quantity of waste by installing scales at landfills and increasing the scrutiny of stakeholders. ESC welcomes the emphasis on activities related to waste prevention and recycling with the participation of the businesses.

6.6. With respect to biodiversity and the European ecological network "Natura 2000", ESC emphasises that Bulgaria should complete the process of mapping and determining the conservation status of species and habitats of the Black Sea. This work has been started, but should be completed within the next programming period of the OP Environment 2014-2020.

6.7. ESC calls for monitoring the air quality and welcomes the inclusion of this issue in the OP Environment 2014-2020. It is necessary because:

- In Bulgaria there is still pollution – emissions of particulate matter exceed the permissible concentrations and so do nitrogen dioxide emissions. This is the direction to improving the air quality;
- Since 1990 in Bulgaria there has been a steady trend towards reducing the emissions of greenhouse gases, which as of 2010 have decline by almost 50% (47.8% at baseline in 1988 = 100%) at 85% for EU-27 for the same year. The overall aim by 2020 is for greenhouse gas emissions to reach average levels of 80% of EU-27.

¹¹ The Bulgarian Ministry of the Environment and Water has developed in cooperation with the competent authorities "Guidelines for the integration of the environment and the climate change policies". The document proposes priority measures which are to be financed from the operational programmes during the new programming period with the objective to integrate the Environment Policy and the Climate Change Policy in economic sectors as early as the moment of their programming. The second stage – Guidelines for implementation of the programmes – is yet to be developed.

The highest share is that of carbon dioxide emissions, which varied over the years between 94.69% in 2000 to 96.26% in 2010, followed by the proportion of methane emissions (1.39% in 2010) and sulphur oxides (0.75% in 2010). To achieve a continued reduction in ammonia emissions (74% of total emissions) and methane (27% of total emissions) released by the biological fermentation in the livestock sector, it is necessary to undertake measures for improving the storage of manure and techniques for its use, as well as measures for afforestation aimed to reduce the emissions of carbon dioxide.

6.8. Based on analysing the performance of hazardous emission reduction targets, ESC concludes that Bulgaria should be granted the necessary derogation to allow companies to pay only one-third of the cost of carbon emissions, provided they use the remainder of the purchase price to invest in the construction of treatment plants.

6.9. ESC recommends taking action for preserving the environment and the natural resources in rural areas. It is necessary to avoid the destruction of valuable semi-natural habitats due to the construction of drainage systems, the excessive use of fertilizers and pesticides; soil and groundwater pollution; soil structure degradation of arable land; pacing forests at high risk of damage from natural disasters; disregard by landowners of the high natural value of the land and the benefits of sustainable land use.

6.10. ESC demands clarification as to what thematic objective will include measures relating to the improvement of air quality.

6.11. The Economic and Social Council proposes once again that private beneficiaries should be allowed to apply under this operational programme¹². ESC believes that designating separate operations aimed at environmental investments by companies that possess the necessary licenses will undoubtedly contribute to improving the quality of the environment (air, soil, water, etc.).

6.12. The Economic and Social Council identifies a number of weaknesses in the implementation of this operational programme during the current period (including but not limited to the delay and the low level of absorption of EU funds – which does not exceeding 35%) and urges that they are remedied as follows:

6.12.1. The main part of the programme's resources are directed to similar projects – construction of municipal wastewater and waste treatment facilities. Currently, each municipality prepares a project and applies on a competitive basis to obtain funding. This renders the process chaotic and prevents a planned, organized and efficient utilization of the resources. ESC proposes that the process for the preparation of municipal projects should be centralized by the introduction of a schedule for funding (starting from the largest settlements). This would lead to optimising the use of resources. Hopefully an active role in this process will be played by the minister of investment planning.

6.12.2. The process of absorption of funds is slowed down by problems related to the mechanism of awarding and managing public procurements, in particular to the many appeals claiming violation of the free competition principle. It is no secret that many

¹² ESC Opinion on Challenges to Absorbing EU Funds, Financial Perspective 2007-2013 (2008).

tenders involve conditions for used materials that point to specific manufacturers and suppliers¹³. The criteria for evaluating contractors also often allow unfair competition¹⁴. ESC proposes to standardise the requirements of the tenders so as to minimise the grounds for appeals against discriminatory conditions. Another measure may involve the introduction of legal and/or administrative amendments that would ensure fast-track consideration of such appeals. The standardisation of procedures would significantly reduce the number of complaints and ESC welcomes the fact that this need is identified in the draft PA.

6.12.3. The main part of the interventions within this operational programme are, so far, aimed at improving the environment, but this does not address the problems of the water supply network¹⁵. Given the declining water resources, ESC proposes that this problem should be adequately addressed within the following programming period, water supply operators should also be constituted as beneficiaries under the operational programme (at present they only may have the status of partners).

7. OPERATIONAL PROGRAMME HUMAN RESOURCES DEVELOPMENT 2014-2020

7.1. The Economic and Social Council notes that the work on the new operational programme is running according to schedule. Due to the experience and dialogic approach of the managing authority the main elements of the programme are consistent with the expectations of the social partners and the structures of organised civil society.

7.2. At the same time, there are several points that ESC sees as crucial and believes that they must be considered as early as during the period of planning:

7.2.1. Sufficient financial resources should be allocated to employees to improve the quality of human resources, sustainable employment and career development based on acquired and recognised competences.

7.2.2. Considering the scale of diverse and innovative partnership policies, activities and results, ESC believes that during the new programming period the funds for interventions of social partners as direct beneficiaries, as absolute values, should not be inferior to those planned for the current programming period.

7.2.2.1. Following the recommendations of the European Commission and the positive experience of the current programming period, ESC recommended earmarking a specific part of the funds under the future operational programme for joint actions of the social partners. ESC proposes that the amount of this funding should be at least 3%, so that they can act together and carry out coordinated policies

¹³ For example in many public procurement procedures instead of stating that fibre-glass pipes must conform to BDS EN 1796 and BDS EN 14364, it is stated that such pipes must be produced using a particular technology, which clearly restricts competition and increases the price of the supplied materials. Similar examples can be provided for other materials.

¹⁴ For example an estimate of future expenses for the exploitation of given machinery is provided and each participant is free to use the foreseeable expenses of the supplied machinery and also unforeseeable expenses such as the price of electricity at a given future date. It would make sense for this price to be fixed, so that all bidders operate under the same circumstances.

¹⁵ The losses from water supply are about 60%; 70% of pipelines in Bulgaria are made of asbestos cement, and 65% of them are aged above 35 years.

for developing and improving the efficiency of the labour market.

7.2.2.2. ESC insists on giving priority to the planning of measures, interventions and resources aimed at creating sustainable employment. State aid should be closely linked to improving the education and qualification as well as to the development of working habits. Efforts should focus on providing employment for young people. It should not be allowed for young people to remain unemployed, especially over a long period of time, because this not only burdens the social protection systems, but deprives the economy of skilled human resources and reduces its competitiveness.

7.2.2.3. A useful tool in this area is the collection and dissemination of best practices of corporate social responsibility and ethical behaviour of businesses – initiatives that shape the relationships between businesses, human resources and society and influence positively employment.

7.2.2.4. Restricting the informal economy and undeclared work is another area recommended by the European Commission in which the social partners continue to implement joint activities. To achieve greater results in this direction, as the European Commission indicates, the rates of social security payments must be optimised, which will be made possible only if the spending for social security become more efficient. In this respect, the joint activities of the social partners and the development of their capacity will have a strong positive effect also during the next programming period, especially given their serious potential to support the realisation of effective and efficient action in these areas.

7.3. ESC proposes the eligible activities under Axis 1, Investment priority № 4, Specific Objective: "Improving access to life-long learning and matching of the skills of employees to the demand of the labour market" to be supplemented by: The establishment and operation of bipartite Sectoral funds on education and training, particularly in sectors with high added value prioritised in the Partnership Agreement. Sectoral funds can contribute to: improving the access to education/training, widening participation in life-long learning, enhancing the quality of the provided training (public and private), enhancing the fitness for dignified employment, expanding the opportunities for training and retraining for redeployment; strengthening social dialogue in the field of LLL through increased shared responsibility.

7.4. ESC proposes that the schemes under Priority Axis 1, Investment priority 2, Sustainable integration into the labour market of young people aged 15-24 not in employment, education or training, in particular in the context of the Youth Guarantee, to be defined as block exemptions from the regulation for "*de minimis*" state aid. ESC expects that this approach should be applied more widely particularly in relation to grant schemes.

8. OPERATIONAL PROGRAMME SCIENCE AND EDUCATION FOR SMART GROWTH 2014-2020

8.1. The Economic and Social Council supports the formation of a separate operational programme dedicated to science and education, since these two areas are the key to the creation of sustainable economic growth and quality jobs. ESC reminds

that the necessary condition for its development is the adoption of the National Education Strategy with the unanimous consent of the social partners and all stakeholders, as well as the adoption of the new Higher and Secondary Education Act. The Strategy should include the main objectives and national policies in this area, the achievement of which should be planned through clear measures and secured financially according to priority activities.

8.2. Since one of the important general preconditions for Bulgaria in the next programming period is to carry out an educational reform, the Economic and Social Council will pay particular attention to the development of this operational programme.

8.3. According to the ESC, it is necessary to put in place a sustainable and long-term state policy in the areas of science and education, which should involve modernisation of the regulatory framework, control over educational systems, ensuring adequate funding and attracting private investment in educational institutions by providing appropriate incentives.

8.4. ESC appreciates the current work on the new operational programme and proposes a substantial increase in the emphasis on applied research and development because namely these are the instrument through which science may give a direct boost to the economy. The implementation of this recommendation is only possible in close cooperation with the business sector.

8.5. ESC proposes that special attention should be paid to fundamental science not only because it is at the heart of most scientific research, but because it informs many educational programmes at all levels of the educational system.

8.6. ESC believes that it is imperative to reduce the administrative burden of patent procedures and to revise substantially Bulgarian legislation in the area of copyright and related rights.

8.7. ESC also notes that the promotion of youth employment and securing employment for young people is only possible after the introduction of educational profiles and admission quotas closely aligned with the needs of businesses. The role of the social partners in this process is crucial.

8.7.1. If young people are unable to find work in their specialty and are forced to accept low-skilled employment, this renders the time and money invested in their education meaningless and wastes their constructive potential. An indispensable condition for the successful provision of a first job is that the educational profiles and admission quotas of academic disciplines are aligned with the current economic environment and the actual demand of the labour market for different professionals.

8.7.2 Disciplines that have been identified as strategic for the development of the economy and certain sectors, as well as those in which Bulgaria has a competitive advantage, or those that have been attributed high priority, should be given a protected status. It is advisable to provide funding for traditionally neglected disciplines by amending the regulatory framework concerning leading areas such as teaching, engineering, agricultural sciences, veterinary medicine and the arts, in

accordance with the criteria of the university rating system, including using EU funds.

8.8. ESC calls for the development of objective criteria for the evaluation and accreditation of higher education institutions which should take into consideration their specific nature, available resources and territorial placement. The same applies to the criteria of the rating system. These activities should be carried out in close cooperation with the social partners and the relevant structures of organised civil society.

8.9. ESC calls for the development of objective criteria for the evaluation and accreditation of higher education institutions which should take into consideration their specific nature, available resources and territorial placement. The same applies to the criteria of the rating system. These activities should be carried out in close cooperation with the social partners and the relevant structures of organised civil society.

8.10. ESC emphasises that the involvement of young people and people with practical experience in teaching and research is a challenging task. Factors for achieving this goal include: easing statutory requirements without influencing negatively the quality of education, increasing teachers' remuneration and the amount of scholarships for doctoral students¹⁶, as well as establishing minimum standards for the remuneration of part-time lecturers.

8.11. ESC believes that it is necessary to increase the post-accreditation control of higher education institutions to improve the quality of teaching and research.

8.12. ESC recommends that the state and the social partners should work together to develop a mechanism for predicting trends in the needs of human resources in Bulgaria and meeting those needs. At the moment these processes are expected to be regulated automatically by the natural mechanisms of the labour market. However, such mechanisms operate effectively only in the long term and cannot meet the challenges of a rapidly changing economic environment with ongoing restructuring processes. As a result, there are large groups of unemployed graduates with degrees in areas such as finance, banking, fashion design, public communications, and shortage of graduates with degrees in medicine, technology, engineering, and agricultural sciences. The situation is further complicated by the globalization of the labour market which allows for adequate realisation of professionals within the European Union and on a global scale.

8.13. ESC stresses the importance of conducting motivational campaigns to managed properly the expectations of young people even at the stage of primary education. The positive affirmation of secondary special education among students and encouraging them to gravitate to occupations which are currently in high demand will contribute significantly to reducing youth unemployment.

8.14. ESC recommends encouraging action to prevent early school leaving – as school dropouts form a particularly stable contingent of the social protection systems – young unemployed without education who become long-term unemployed and

¹⁶ Last updated in 2008.

discouraged workers. Many of these young people belong to minority groups with impaired family and social environment. They typically rely on social protection systems and semi-legal activities for their subsistence.

8.15. Due to their direct relationship to the economic and spiritual development of the nation, ESC supports investment in education and youth infrastructure aiming to increase access to quality education and youth services, with a special emphasis on less developed regions of the country (e.g. North-western Bulgaria).

8.16. In this context, and considering the growing globalization and the opportunities offered by the membership of Bulgaria in the EU, ESC proposes to increase the role of providing positive incentives to activate the international cooperation between higher education institutions.

8.17. In view of the demarcation between other operational programmes, ESC proposes that vocational training should remain within the scope of OP Human Resources Development, while vocational education should be included in that of OP Science and Education for Smart Growth. This will allow the allocation of more funds to reforming the system of education, while allowing to draw closer links between vocational training and the needs of the labour market.

8.18. ESC notes with regret that there is no communication between the Ministry of Education and the Ministry of Economy to determine lines of demarcation and coordination between the priorities of OP Science and Education for Smart Growth and OP Innovation and Competitiveness.

9. RURAL DEVELOPMENT PROGRAMME 2014-2020

9.1 ESC insists on discussing the necessity of developing thematic sub-programmes; specifying the financial parameters and determining the measures in the future programme. According to the draft Regulation of the European Commission on Rural Development, a package of measures is proposed, of which each Member State should choose the most appropriate for achieving the envisioned objectives.

9.2. ESC supports the proposal of the European Parliament to direct 15% of direct payments to specific sectors and insists on its implementation. Thus, Bulgaria will be able to support its priority sectors and to address specific regional problems related to providing conditional support for agricultural industries such as horticulture, livestock, perennial crops, and create both traditional and permanent jobs.

9.3. Given the large amount of the funding under this programme (as much as that under all other programmes taken together), the Economic and Social Council calls for Bulgaria to become active in the negotiations on the Common Agricultural Policy for 2014-2020 and to defend the following positions:

9.3.1. When preparing the programming documents to include a measure of flexibility in the absorption of the funds allowing to transfer means between the first and the second pillar.

9.3.2. Bulgaria and Romania to reach 100% of their estimates for direct payments by

2016 and not by 2014

9.3.3. To determine a reasonable "ceiling" of direct payments or to grant to Member States the discretion to determine them within the limits provided by the European Commission This will necessitate changes in the imbalances of the production structure by industry and the social improvements. ESC welcomes the introduction of the progressive scale for determining the payment "ceiling" which involves the deduction of wages, social security, health insurance payments and taxes for the previous year which will result in the formalisation of the employment relationships between farmers and farm workers. Moreover, the reduction of the payment "ceilings" with the amount of paid wages, taxes and social security and health insurance payments is an additional stimulus for farmers who hire more farm workers (mainly in horticulture, fruit production, livestock) and thus support the vitality of the regions, particularly rural regions.

9.3.4. To support the replacement of the "axis" approach in the policy of the development of rural regions with the thematic approach.

9.4. The following priorities should be incorporated in the Rural Development Programme 2014-2020:

9.4.1. From an investment perspective:

- Bridging the technological gap in agricultural production;
- Increasing labour productivity by improving the mechanisation of production;
- Creating conditions for the revival of animal breeding, the production of vegetables and permanent crops, without reducing the support for the production of grain and industrial crops, including through planning of measures for:
 - Creation and equipment of dairy farms in mountainous regions, preserving the Rhodopes Shorthorn cattle and other species;
 - Preservation and promotion of sheep, goat and buffalo milk production;
 - Protection of geographical indications, designations of origin and traditional specialties (PDI, PDO, TSI), with beneficiaries industry associations of food producers, as is the practice in other Member States;
 - Better organisation of the food chain (including irrigation) and risk management in the sector;
 - Farms and processors of organic products;
- Establishing an infrastructure for irrigation;
- Methods and technologies for adding value to agricultural production;
- Aiding the re-incorporation in the arable land fund of abandoned or self-propagating old vineyards and orchards.

9.4.2. From an innovation perspective:

- Development and introduction of varieties and optimisation of varietal structure in terms of trends in climate change;
- Development of new products as a result of additional or deep processing of agricultural produce;
- Incentives for innovative piloting projects in crop and livestock breeding as well as food production.

Funding priorities must be clearly related to the merit and the contribution of the

Bulgarian Agrarian Sciences and in particular of the Agricultural Academy. Specific measures should be laid down to link science with industry and to promote Bulgarian science's contribution to Bulgarian agricultural production, and not for export.

9.4.3. ESC calls for planning investments in human capital and improving the skills of workers and employees in the sector by:

- Including measures for vocational training and retraining of workers to ensure better achievement of policy objectives;
- Including measures for disease prevention and work safety for the employees by encouraging the provision of training and information on the prevention of occupational accidents and diseases.

9.4.3. In regard of the income of those employed in agriculture: the country should fully benefit from all opportunities, provided by EU documents, to provide national subsidies by area at the maximal possible rate for Bulgaria in 2014 and 2015 and this should be incorporated the Rural Development Programme 2014-2020.

9.5. ESC proposes that the section on "Agriculture and Forestry" should be supplemented with a provision creating the conditions for the construction of social farms. Currently, because of the demarcation between OP Human Resources Development and the Rural Development Programme, including the demarcation between measures at the national level, there are very limited opportunities for disadvantaged and vulnerable people to start their own agricultural businesses. ESC proposes that the Rural Development Programme should include measures to promote women's entrepreneurship as an opportunity to tackle poverty in rural areas. Social farms are an established instrument in many other EU Member States that has already proven its usefulness and should find its place as an innovative tool in the Rural Development Programme 2014-2020.

9.6. ESC insists that technical assistance should not be financed under the first pillar during the new programming period 2014-2020.

9.7. ESC strongly suggests incorporating in the text of the programme of the possibility for "early retirement" for farmers as novel and so far unused measure in Bulgaria. In this regard, ESC proposes that the development of the Farmer Register should start as soon as possible.

9.8. ESC insists that the Rural Development Programme should be coordinated with other EU policies, especially with the policy for employment, education and innovation, so it can become a driving force for developing "green policies" in the EU and promoting "green jobs", but mostly for keeping people in rural areas by providing them with quality lifestyle and career opportunities. ESC insists in the Rural Development Programme should apply the integrated approach "farming – processing – tourism", which will preserve the traditions, customs, innovation and will create jobs.

9.9. ESC insists that public funds under the Rural Development Programme should be allocated to farms and farmers who comply strictly with European and Bulgarian legislation. ESC warns that it is necessary to pay close attention to the reduction and

prevention of undeclared work and informal economy practices in the sector¹⁷.

9.10. ESC proposes that the preparation of the Rural Development Programme may involve an evaluation of the impact of all programs and projects implemented so far on the employment in the sector.

10. PROGRAMME FOR THE DEVELOPMENT OF FISHERIES AND AQUACULTURE 2014-2020

10.1. Based on the negative results obtained by implementing the operational programme during the current programming period (the expected absorption of the allocated funds by the end of the period is 40%), ESC proposes that the new programme should incorporate the following measures:

10.1.1. Creating an adequate National strategy for prioritised, enhanced and sustainable development of fisheries (aquaculture). Fishing and aquaculture should be formulated as separate priorities, and over 70% of the funds provided by the EMFF should be allocated to the Axis Fish farming (aquaculture).

10.1.2. Conducting a special review of all specialised legislation in this area, with the participation of specialists from the field, in order to identify and eliminate any problems and obstacles for businesses contained therein. Procedures and application documents should be simplified as much as possible and instead of using systems of national regulations, the EU Regulation should be applied directly.

10.1.3. Introducing simplified electronic application procedure, with clear and precise criteria for eligibility of investment proposals.

10.2. ESC proposes that special attention should be paid to the improvement of fishing conditions. The Bulgarian fishing fleet is aging, with predominantly small vessels whose condition is poor in terms of vessel safety, working conditions, product quality, energy efficiency and selectivity of the gear, their impact on the environment, etc. Therefore, and due to the fact that action needs to be taken to promote and preserve even this small fishing fleet, as well as to improve the condition of the vessels, the future programming period should include the following measures:

10.2.1. Preserving the measure "Support for the start-up of young fishermen" in the programming period 2014-2020, in the light of promoting youth employment.

10.2.2. Measures aimed at improving the competitiveness and viability of companies in the sector should be enhanced in order to promote:

- Investments: for improving safety, reducing emissions of pollutants and greenhouse gases and increasing energy efficiency on board in order to improve working conditions and environmental suitability;
- Diversification of the income of fishermen by developing additional activities outside the fisheries sector, such as the provision of environmental or educational

¹⁷ Only 11.1% of the persons employed in the sector (738,634 persons) participate in the Bulgarian social security system. The minimal income for calculating social security payments for producers of tobacco for 2012 was BGN 240. Regardless of this low threshold, in 2012 the insured agricultural producers were only 26,780.

services and tourism;

- Developing or introducing new technical or organisational knowledge, including improved fishing techniques and higher selectivity of fishing gear that reduce the impact of fishing activities on the environment or contribute to a sustainable use of marine biological resources;
- Taking measures for the conservation and restoration of marine biodiversity and ecosystems within sustainable fishing activities.

10.3. ESC proposes that Bulgaria should take an active position by urging the European Commission to reconsider the possibilities for granting direct payments to farmers growing aquaculture as is currently done for all livestock farmers.

Prof. Lalko Dulevski, Ph.D

PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL