



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

RESOLUTION

on

**"THE COUNCIL RECOMMENDATION ON BULGARIA'S 2013
NATIONAL REFORM PROGRAMME
AND DELIVERING A COUNCIL OPINION ON BULGARIA'S
CONVERGENCE PROGRAMME FOR 2012-2016 (SWD (2013) 352 final)"
(own-initiative resolution)**

Sofia, 2013

The President Board of the Economic and Social Council (ESC) decided to develop a resolution on

"The Council Recommendation on Bulgaria's 2013 National Reform Programme and Delivering a Council Opinion on Bulgaria's Convergence Programme for 2012-2016 (SWD(2013) 352 final)"

ESC President – Prof. Lalko Dulevski submitted for discussion to the Plenary Session the draft resolution adopted by the President Board.

At its meeting held on 18 July the Plenary Session adopted the resolution.

1. The Economic and Social Council has been actively involved in the preparation and implementation of the Europe 2020 Strategy and the related European Semester. In its Resolution on the Draft National Reform Programme (2011-2015) (NRP) ESC presented a number of specific comments and recommendations, many of which were reflected in the final version of this important document.
2. Within the framework of the European Semester ESC focused its work on several topics related to the recommendations of the European Commission (the Commission) to Bulgaria, namely the demographic challenges facing labour markets, active aging, job reconstruction and job creation, reduction of early school leaving, employment of people with disabilities, the social economy, "Single Market Act II – Together for new growth", etc. ESC organised or participated in public discussions with regard to part of these topics and presented its positions and suggestions.
3. Earlier this year ESC adopted a resolution on the "Annual Growth Survey 2013" (AGS) paying particular attention to the similarity between AGS 2013 and AGS 2012. According to ESC, it is a signal for the delay of some structural reforms in several Member States and insufficient progress in the implementation of specific national recommendations in 2012. In this regard, ESC noted not only the lack of necessary progress, but a definite lag in achieving the main objectives of the Europe 2020 Strategy, including in Bulgaria.
4. Generally, ESC believes that to some extent part of the current findings of the Commission with respect to Bulgaria are similar to those in 2012. However, in the recommendations specifically to Bulgaria the Commission recognises that the government has made some progress in the implementation of its budget programme, but unfortunately the most pressing challenges to the national policy remained largely unchanged in 2013. They are related to the labour market, education, healthcare, business environment, absorption of EU funds, public procurement, energy and resource efficiency.
5. ESC supports the actions of the Bulgarian government to preserve financial stability and fiscal consolidation, including bringing national

legislation in line with the Fiscal Pact and Directive 2011/85/EU on minimum national budgetary requirements under the newly adopted Public Finances Act.

6. ESC welcomes the Commission's proposal for an independent institution to prepare macroeconomic analyses and forecasts which can serve as a real corrective to the policies pursued by the government.
7. ESC is concerned about the finding of the Commission (after the second round of surveillance of macroeconomic imbalances of 13 Member States) that "in an effort to achieve sustainable and stable growth Bulgaria is facing a number of interrelated policy challenges, as well as some macroeconomic imbalances associated in particular with foreign currency debt, deleveraging in the corporate sector and the labour market". In this regard, ESC takes the view that the use of the indicator system in the early warning mechanism, based on which countries are identified for in-depth review, should be accompanied by a detailed analysis of all countries, to be compared between Member States with similar structural characteristics. According to ESC, this will contribute to the greater objectivity of the findings.
8. ESC draws attention to the high indebtedness of non-financial enterprises in the country, which the European Commission reports for another year in relation to the review of macroeconomic imbalances. ESC believes that it is imperative to undertake the urgent measures already announced by the new government for the delayed payments from the state and municipalities under executed contracts for public procurement, as well as accelerating the recovery of VAT. According to ESC, this will help to reduce inter-company indebtedness, in combination with measures to facilitate access to crediting – especially for SMEs – will create conditions that are much needed for Bulgaria's economic growth and employment.
9. ESC confirms its position that the excessive emphasis on fiscal consolidation and restrictive austerity policies could lead to a delay in the implementation of the targets of growth and employment as well as education, science, research and reducing poverty and social exclusion. In this regard, ESC expresses its concern for the considerable pessimism

in their expectations for growth in Bulgaria. While for most EU Member States such macroeconomic forecasts can be considered "sustainable", for a country like Bulgaria, which seeks to catch up with the EU average on a number of indicators, such pessimistic forecasts mean that in fact no economic development is previewed.

10. ESC supports the active measures envisioned by the NRP and aimed at attracting foreign investment, encouraging investment in value-added and export-oriented industries, despite the risk of some macroeconomic imbalances. According to ESC, an active policy for mobilizing efforts and resources for a faster growth of Bulgaria's productivity, as compared to the EU average, will guarantee the achievement of the key national goal laid down in the NRP – "to achieve by GDP PPP 2020 60% of the EU average"¹.
11. ESC accepts the recommendations of the Commission for more stringent criteria and mechanisms for controlling the granting of disability pensions in order to limit the abuse of the social security system. ESC also shares the need to implement active employment policies to enable older workers to remain longer in the labour market.
12. In 2012 ESC adopted an Opinion on "Active Ageing and Solidarity between Generations", which found that a key factor in stabilising the security systems is the economic dependence ratio reflecting the number of people receiving benefits and those contributing to social funds. ESC proposed concrete measures for the efficient use of the existing employment potential and increasing the incentives for older workers to remain at work by adopting measures to improve their employability.
13. ESC believes that the gradual abolition of early retirement options, as well as the alignment of the statutory retirement age for men and women, should first be subjected to broad social and civil dialogue in the context of a longer-term vision for the development of the pension reform in Bulgaria.
14. ESC highlights again that "retirement age in countries with low life expectancy should not be higher than that in countries with a

¹ Bulgaria's NDP for 2011-2015.

significantly higher life expectancy" and "believes that major European strategic documents should pay close attention to the better coordination and coherence of policies on the modernisation and reform of pension systems in Member States"².

15. ESC is concerned for the continuing rise in unemployment in our country (from 11.3% in 2011 to 12.3% in 2012), due to the rather poor recovery in the wake of the crisis, as well as due to the fact that disadvantaged people bear the brunt of the adjustment process. Undoubtedly, the unfavourable economic environment continues to impact negatively the labour market while the emerging structural challenges in the labour market exacerbate further this situation.
16. ESC draws attention to the obviously declining employment in the country. In addition to the general move away from the reference target of Bulgaria to reach 76% employment among persons aged 20-64 by 2020, the ESC notes a deteriorating situation of the major groups in the labour market. Traditionally, the levels of employment and unemployment among persons with primary or lower education in Bulgaria are significantly more unfavourable than the EU average, but with the development of the crisis in Bulgaria definite deteriorating trends have been observed concerning persons with higher and especially among those with secondary education. ESC also notes the need for more specific analysis of the emerging differences in employment between men and women and taking concrete steps in this direction.
17. According to the ESC, the low rate of employment exposes a significant part of the population to the risk of poverty and social exclusion. Therefore, ESC calls for implementation of the National Strategy to Reduce Poverty and Promoting Social Inclusion by 2020, adopted by the government in February 2013, which addresses a large part of the challenges (income support, access to services and active labour market measures, access to healthcare and education, etc.). In this regard, ESC considers necessary to timely adopt a plan for the implementation of the strategy and its financial support.

² ESC resolution "AGS 2013".

18. ESC has repeatedly indicated in its acts the underutilized employment potential of young people in Bulgaria, as well as their increased exposure to the risk of poverty. In view of the increasingly difficult situation with youth unemployment in the country ESC joins the Commission in recommending to accelerate the implementation of the measures proposed by the initiative "Youth Guarantee" within the "Youth Employment Package" proposed by the Commission, and to insist on obtaining financial support from EU funds.
19. ESC acknowledges the efforts of the government to modernise curricula, increase the qualification of teaching professionals, improve access of disadvantaged children to education, support for pilot schools for children with disabilities. In relation to specific recommendation 4, ESC emphasises that it has clearly expressed its support for the reform of the education system in Bulgaria in its opinion especially enacted on this topic.
20. The School Education Act, prepared and scheduled for enactment by the end of 2013, will provide a framework for making the necessary reforms, including modernising curricula and making improvements in the training of teachers and providing incentives for them. In its resolution on "Draft Strategy for Preventing and Reducing the Share of Dropouts and Early School Leavers (2013-2020)" ESC again urges that the speedy enactment of the Child Act, the Preschool and School Education Act, and the Vocational Education and Training Act should be among the top priorities of the new 42nd National Assembly.
21. Higher education in Bulgaria is still confronted with the challenge to respond more adequately to the needs of the labour market and the needs to increase the potential for innovation in the economy. Regardless of the observable efforts to modernise higher education and vocational training curricula, the impact of this process on the labour market is still insignificant and the results are rather unsatisfactory.
22. ESC repeatedly emphasized that to improve the correlation between higher education results and the needs of the labour market it is necessary to continually improve the cooperation between education, research institutes and businesses.

23. ESC believes that in relation to the demographic challenges and the cost pressures arising from population ageing is of particular importance to undertake reforms of the healthcare system to ensure its efficiency and sustainability, including more efficient use of public resources and access to quality healthcare.
24. The Commission's recommendations are fully consistent with the conclusions and recommendations of ESC presented in its Opinion on "The Healthcare Reform", adopted on 29 June 2010 in the context of the Europe 2020 Strategy. The opinion contains a number of specific proposals for the necessary policies and actions that need to be taken, such as the promotion of transparency and accountability in the functioning of the healthcare system to achieve measurable results; providing a healthcare system more responsive to the needs of the people; ensuring quality services for everyone – especially for vulnerable populations – designed in such a way as to meet people's needs, etc.
25. According to ESC, effective primary care is of crucial importance for achieving these goals because it will serve as a platform for cooperation at the inter-sectoral and multidisciplinary level, as well as for health promotion. In this sense, ESC believes that it is necessary to focus on improving the effectiveness of primary care as a condition for achieving better and more sustainable results and for adjusting the disproportionately high level of direct payments by patients for healthcare services.
26. ESC acknowledges the efforts and the measures taken to improve public services, but expects that based on the planned additional measures in the NRP 2013 more significant results will be achieved through implementing the second Action Plan for Reducing the Administrative Burden (2012-2014) which was adopted in June 2012. ESC fully supports the Commission's recommendation for further reducing bureaucracy, implementing the strategy for e-government and enforcement of the legislation on delayed payments from the national budget, as stated in ESC's previous acts. ESC has expressed its position in separate opinions on most of these issues, but it will also prepare a subsequent document on improving the business climate in Bulgaria.

27. ESC shares the conclusion of the Commission that the financial resources of EU operational programmes is an essential part of the public investment needed by the country and calls for mobilising the efforts of all parties involved in this process in order to utilize all available funds by the end of 2013, including funds to support the modernisation and effective implementation of employment, social and environmental policies. According to ESC, the insufficient absorption of EU funds can be defined as a loss of profits for Bulgaria. The apparent lack of capacity among the members of the administration responsible for this activity can be partly overcome by the introduction and extension of e-government.
28. ESC believes that Bulgaria has the potential for better utilization of available means from the Structural Funds and the Cohesion Fund (currently about 30%) and therefore has developed an opinion on the priorities and policies for the absorption of EU funds for the next programming period 2014-2020.
29. ESC draws attention to the potential for growth and job creation of the social economy and social entrepreneurship in Bulgaria against the background of the economic crisis. In regard to the adoption of National Concept for the Social Economy, in several of its documents ESC has proposed concrete actions and measures to stimulate participants in this sector, including Bulgarian cooperatives and the specialised associations of people with disabilities.
30. At the same time, small and medium enterprises (SMEs) do not have the financial resources to expand, develop their businesses and create more jobs. ESC emphasises the need to expand the sources for financing micro, small and medium-sized enterprises through the promotion of microcrediting, the creation of guarantee and risk funds, encouraging their participation in projects financed by EU funds. Along these lines, ESC welcomes the declared intentions of the Bulgarian government to provide resources and expand the application of the crediting instruments of the Bulgarian Development Bank (BDB) for SMEs, which will facilitate their access to finance.

31. ESC restates its recommendation³ for "expanding the number of electronic services offered by the state and municipal institutions, including the filing and recording of documents related to European projects electronically, which will reduce the administrative burden, which is still difficult for businesses and citizens in some Member States".
32. ESC also accepts the finding of the Commission that as the second-ranking country in the EU in terms of the lowest ratio between taxes and GDP, Bulgaria has a tax system which favours economic growth. Moreover, ESC shares the Commission's recommendations for dedicating more efforts to developing and implementing the comprehensive strategy for ensure compliance with tax legislation in order to increase tax revenues and tackle the informal economy. ESC has adopted an opinion on reducing the informal economy, but plans to continue its work on this issue in the context of European policies and the current trends observed in Bulgaria.
33. ESC shares the Commission's opinion that ensuring the independence and effectiveness of the judiciary system is essential for "unlocking" direct foreign investments in Bulgaria.
34. ESC supports the position expressed by the Commission that in order to increase the growth potential of Bulgaria, it is necessary to improve the business environment and the infrastructure, particularly in the areas of energy and transport, to strengthen innovation and to utilize of available EU funds.
35. According to ESC, reasonable concern is caused by the existing barriers to market entry, the mechanisms for guaranteed profit and the regulated prices together with the lack of wholesale markets for electricity and natural gas. ESC welcomes the measures laid down in the Second National Energy Efficiency Action Plan (NEEAP 2011) concerning public buildings and industrial sites whose application could increase energy efficiency and solve long-term problems related to high energy bills.

³ Resolution on "Annual Growth Survey 2013".

36. ESC recommends the liberalisation of the energy market to take place after extensive public consultation, taking into account the views of all interested parties, and reviewing the necessary estimates of the benefits and consequences of proposed changes.

In conclusion, ESC has declared its readiness to participate actively in broad public discussions on key challenges before Europe and Bulgaria in the current European Semester.

At the same time, ESC voices its unified that the adoption of key policies and measures, including those related to the implementation of the Europe 2020 Strategy, should be done only on the basis of broad and effective social and civil dialogue.

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