



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

RESOLUTION

on

**"Recommendation for a Council Recommendation
on the National Reform Programme of Bulgaria
for 2014 and delivering a Council opinion on the Convergence
Programme of Bulgaria for 2014"
COM (2014) 403 final**

(own-initiative resolution)

Sofia, 2014

The President Board of the ESC decided to develop a resolution on the topic of

**"Recommendation for a Council Recommendation
on the National Reform Programme of Bulgaria
for 2014 and delivering a Council opinion
on the Convergence Programme of Bulgaria for 2014 "**

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 2014, the Plenary Session adopted the resolution.

I. INTRODUCTION

1. Within the European semester ESC adopted acts on specific problems in areas where, according to the Commission, there are still significant challenges. These include opinions and resolutions developed and adopted by ESC on education and early school leaving; job recovery and job creation; the social economy and social entrepreneurship; supporting young people and combating youth unemployment; guidelines in the reinforcement of the single market as a prerequisite for sustainable growth in the EU; improving the business environment in Bulgaria as a condition to increase the country's competitiveness.
2. ESC notes with concern that, despite the findings of the Commission concerning the definite progress achieved by the government in implementing the country-specific recommendations from 2013, the most pressing challenges facing the country's policy remain largely unaddressed. They are related to the labour market, education, healthcare, business environment, public procurement and energy and resource efficiency.
3. While ESC welcomes the action taken by the creation of a fiscal council as an independent institution which prepares macroeconomic analyses and forecasts and is responsible for supervising the budgeting rules under the Public Finance Act.
4. ESC also notes the progress made by the government in recent years with respect to the absorption of resources under the operational programmes and other EU investment funds. Following the recommendation of the European Commission of 2013 ESC conducted consultations with the government and expressed its position in an opinion on the priorities and policies for the absorption of EU funds in Bulgaria during the period 2014 – 2020 and the Bulgaria's 2014-2020 Partnership Agreement (PA).
5. Earlier this year the ESC adopted a resolution on the "Annual Growth Survey – 2014" (AGS). In it ESC focuses on the social consequences of the crisis, the need for more support to restore jobs and growth and again emphasizes the need for joint action by Member States to achieve the objectives of the Europe 2020 Strategy.
6. In the context of the recommendations of the Commission on Bulgaria's 2014 National Reform Programme, ESC believes that in order to achieve growth and employment, the most important actions that should be taken are connected with the normalisation of the labour market, providing support to young people and their education, and guaranteeing the stability of the pension and healthcare systems.

II. LABOUR MARKET AND YOUTH POLICIES

1. Repeatedly in its acts ESC has noted that due to the low levels of employment a significant part of the population in the country is at risk of falling into poverty and social exclusion¹. At the same time, the Council finds the unused labour potential of young people in Bulgaria and the growing risk of poverty for them. This is confirmed by Eurostat data on the economic activity in Bulgaria of young people aged 25-29 years, which is one of the lowest in the European Union².
2. Given the increasingly complex situation with youth unemployment in the country, ESC supports the recommendation of Commission to extend the active employment policies in order to increase their effectiveness by identifying employees with the appropriate professional profile and reach unregistered young people from the so-called NEET group (not in education, employment or training) in line with the "Youth Guarantee". ESC again calls for urgent implementation of the measures identified in the national plan for the implementation of the "Youth Guarantee" and their funding from the national budget and EU funds.
3. ESC once again insists on launching the activities set out in the adopted "National Strategy to Reduce Poverty and Promote Social Inclusion 2020" covering policies to improve access to healthcare and education, access to active labour market measures, to social services, etc. This requires the urgent adoption of a plan for the implementation of the Strategy and its provision with finances.
4. With regard to the Commission's recommendation for the establishment of an effective monitoring system to control the activities of the Employment Agency, as well as for better focusing the efforts on the most vulnerable low-skilled groups, ESC believes that key importance should be attributed to monitoring and controlling the spending on active policies on the labour market both of European funds and payments from the national budget. ESC believes that the transparency of the process of monitoring can be achieved through the active participation of the social partners and civil society organisations³.
5. In its resolution⁴ ESC calls on the Bulgarian government for targeted active measures on the labour market to tackle youth unemployment and to promote entrepreneurship among young people. ESC also notes that a key problem in Europe remains the transition from education to employment.

¹ ESC Resolution on "Council Recommendation on the National Reform Programme of Bulgaria for 2013 and for a Council opinion on the Convergence Programme of Bulgaria for the period 2012-2016

² Bulgaria ranks second lowest in the EU in terms of the economic activity of young people aged 25-29 - for 2013 - 74.4% against EU-28 average of 82.5%.

³ ESC resolution entitled "Actions to Support Young People and Tackling Youth Unemployment in Bulgaria ", November 2013

⁴ ESC Resolution on the "Annual Growth Survey 2013"

6. Many young people who have precarious jobs or are employed only for short period have no guarantee for their right to unemployment benefits. In this regard, ESC fully supports the recommendation of the Commission to increase the scope of unemployment benefits and social assistance, and again insisted to undertake legislative amendments to ensure young people's access to social security and welfare systems⁵.
7. ESC repeats its proposal from its earlier decisions for the introduction of specific regime of the accumulation of social security rights and access to unemployment benefits for persons with other forms of employment different from the traditional full time employment contracts (seasonal workers, homeworkers, part-time workers, etc.).
8. ESC again insists on its proposal for the legal regulation of social assistance for unemployed young people for a period of four months at the rate of not more than 50% of minimum wage, which should be granted if after the expiration of the fourth month of the completion of their education young people have not found a first job or are not involved in an internships or other target youth programs and measures. A necessary condition for the entitlement to social assistance of such young people should be their inclusion in appropriate forms of further education and training by providing targeted measures and incentives, including financial, to encourage employers to hire them for a "first job"⁶.
9. In connection with the outlined challenges facing the labour market in Bulgaria, ESC notes that the guiding principle in the active policy on the labour market should be linking it with the particular characteristics of the respective target groups, including in terms of education, qualification, age, gender, ability to work, etc.
10. ESC holds a consensual opinion that for the implementation of active employment policy the Employment Agency and its subsidiary structures should not function as employer of young people, but rather as intermediary and mediator between unemployed young people, training institutions and employers from the real economy.
11. ESC puts forth as a major weakness of the National Implementation Plan of the European Youth Guarantee that it fails to identify and establish contact with young people unregistered with the labour offices. In this regard, ESC recommends to improve the dialogue and contact with young people who have left school, and at the same time, take steps to introduce a system for recording personal data concerning the educational and training status of people, as well as their employability. In this respect it is necessary to build a common integrated information system that serves the Ministry of Education and Science, the Ministry of Labour and Social Policy, the Employment Agency, the National Revenue Agency, the General Labour Inspectorate, and other institutions.

⁵ ESC Resolution on "Actions to Support Young People and Tackling Youth Unemployment in Bulgaria", 2013

⁶ ESC Resolution on "Actions to Support Young People and Tackling Youth Unemployment in Bulgaria".

12. ESC repeats that continuing education is a good opportunity to increase the employability of young people with primary or lower education, and graduates of general secondary education without acquired professional qualifications. Due to the combination of multiple risk factors such as lack of work experience, qualifications, and often the basic literacy and general knowledge, young people are particularly at risk of falling into a vicious cycle of unemployment, poverty and social exclusion. Therefore, the combination of active employment policies with reforms in the education system in Bulgaria would ensure not only better quality of education and training, but higher employment of young people.
13. ESC supports the Commission's proposal to strengthen the coordination between public employment services in the EU and their transformation into "transition management agencies"⁷. The role that these structures have is crucial for achieving the goals of the Europe 2020 Strategy and the specific success of the Youth Guarantees in Member States. Improved cooperation between public employment services will have a positive impact both at the state and at the local level. It is expected also to improve the conditions for quality labour mobility within the EU.
14. In its resolution on the Annual Growth Survey 2014 ESC again underlined that stakeholders should be actively involved in the preparation and implementation of active policies on the labour market, but not the relevant government or public institutions of the Member States to carry out most of the performance.
15. ESC regrets that the Commission did not provide data on the implementation of the Pact for Growth and Jobs agreed in June 2012. According to ESC, the lack of ambitious reforms to improve the competitiveness of European economies and to ensure the financial sustainability of social security systems and healthcare is a prerequisite for increasing the financial burden to future generations.

III. NECESSARY REFORMS IN THE EDUCATION SYSTEM OF BULGARIA

1. ESC accepts the recommendations of the Commission and stresses that it has repeatedly emphasised the need to reform the educational system in many issued acts concerning the problems of education⁸. ESC calls for faster adoption of the Pre-school and School

⁷ Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL. On enhanced co-operation between Public Employment Services (PES).06.17.2013,COM (2013) 430 final.

⁸ Opinion on "Policies to Reduce Early School Leaving", Resolutions: "Draft National Reform Programme of the Republic of Bulgaria", "Demographic Challenges Facing Bulgaria Within the Europe 2020 Strategy", Resolution on the draft national "Strategy for Reducing the Share of Early School Leavers (2013-2020)" and Resolution on "Measures to Reduce the Share of Early School Leavers".

Education Act, which would make provisions for changes in the curricula, lesson plans, educational content, and textbooks to bring them in line with the age and psychological characteristics of children and pupils.

2. ESC believes that the new Act should lay priority on issues related to the adoption of additional measures to enhance the financial autonomy of the sector, including by attracting private investment. According to ESC, it is one of the approaches to improve both the relationship between the educational system and the labour market and the skills of current and future teaching professionals.
3. ESC welcomes the initiative of the Ministry of Education and Science for public online discussions on the main issues relating to the new Education Act, through public consultation involving teachers, students, parents, NGOs, local authorities, and everyone who would like to express their opinions on this topic it is possible to achieve consensus in the community about the future of education in Bulgaria.
4. Led by its core principles of operation ESC expresses and proves by means of its issued acts the need to achieve public consensus on important public priorities – one of which is undoubtedly education. ESC recommends to shorten the duration of the stages of online public consultation and in the beginning of the new academic year 2014/2015 to hold a broad public debate with the participation of schools and local authorities, social partners, parents and students to achieve consensus on all contentious issues. According to the ESC that will help launch an education reform as soon as in 2015.
5. ESC acknowledges the need to improve the quality of vocational education and training (VET) in Bulgaria and accelerate the adoption of amendments to the VET Act. In this regard, in March 2014 ESC adopted an Opinion⁹, in which it expresses its concern that in the beginning of the new programming period 2014-2020 Bulgaria still lacks an interrelated complex legal framework which would guarantee the coincidence of the acquired knowledge, skills and competencies with the requirements of the labour market, as well as the easy and rapid realisation on the labour market of students and trainees have acquired professional qualifications through vocational education and training.
6. In the adopted opinion¹⁰ ESC emphasizes the need to intensify the links between VET, higher education, science and businesses, as well as to update the curricula in vocational and higher education with the participation of employers.
7. ESC again underlines the need to expand the scope of training forms in vocational schools by simulating real work conditions for professions and qualifications that are in high demand, as well as to accelerate the introduction of learning through work (the so-called "dual system").

⁹ ESC Opinion on the "Draft Act Amending the Vocational Education and Training Act".

¹⁰ ESC Opinion on the "Draft Act Amending the Vocational Education and Training Act".

8. ESC proposes that the process of formulation and implementation of new policies in vocational education and training should take into account the national experiences and good practices as well as the proven advantages of learning through work.
9. ESC expresses satisfaction with the presented and discussed at a first reading by the National Assembly a consolidated Draft Vocational Education and Training Act, which takes into consideration many of the proposals made by the ESC, such as the introduction of protected professions necessary for regional development and strategic sectors of the economy, and their regulation in a List of "Protected" Professions.
10. ESC welcomes the development of a draft Concept for the Development of Vocational Education and Training in the School System, which sets down main priority areas of actions for reforming vocational education and bringing it in line with the needs of the labour market. At the same time, ESC recognizes as a particular weakness that this project was not subjected to public consultation.
11. ESC emphasizes once more that the problems connected with the access to education of disadvantaged children and early school leaving are extremely serious. ESC summarized in a document the specific measures to address the issues raised during the initiated and conducted by ESC discussions at the regional level – in districts and municipalities characterised with a high frequency of such problems. Much of the proposals are targeted on the implementation plan of the strategy for reducing the share of early school leavers. Other recommendations and suggestions are addressed by ESC to the problems and shortcomings of the educational system, optimisation of the school network in small settlements that teach disadvantaged children, including Roma people.
12. In this regard, ESC calls for a review of the legislative documents related to the implementation of delegated budgets in this type of schools and the opportunities for the creation of additional funding mechanisms. According to the ESC, this can guarantee better the high quality of education and reduce the segregation in these schools, despite the smaller number of students.
13. After receiving broad public support for its proposal ESC once again recommend the establishment of a personal educational number (registry number) by which it will be possible to obtain individual information for each student, the school where he or she has been trained, his or her academic achievements in each studied subject, as well as the level of education, including the last completed grade (course).
14. ESC is pleased that this recommendation is being implemented by the draft "Plan to Reduce Early School Leaving (2013-2020)" which envisions to launch the development and approbation of a pilot project for the implementation of the recommendations of the early warning system in kindergartens and schools and the introduction of "individual education number" to monitor the development of each individual student.
15. ESC shares the concern about the existence of serious problems in higher education, mainly concerning the ability of universities to adequately respond to the needs of the

labour market. ESC adopted an opinion¹¹ connected with the draft Strategy for the Development of Higher Education, which was subjected to public consultation. In it ESC proposes key policies and measures which are to be undertaken by both the government and higher education institutions, and could also find their place in the Strategy for Development of Higher Education. ESC recommends the creation of a mechanism for the modernisation and better alignment of curricula in higher education institutions with the needs of businesses, the economy and society – as a measure that may increase the competitiveness of higher education in Bulgaria.

15.1. ESC stresses the need for change in the government's current system for subsidising state universities which should depend not only on the number of enrolled students but also on the assessment of their results after graduation (the level of employability of graduates, the quality of education, accordance with the needs of the labour market). ESC is pleased that this proposal is included in the draft Strategy for the Development of Higher Education in the Republic of Bulgaria for the Period 2014-2020 submitted for reading by the National Assembly.

15.2. ESC draws attention to the need to improve the management of universities in Bulgaria. Furthermore, ESC calls for enabling universities to freely determine their organisational structures, but at the same time require faculty members to be elected to the governing bodies and participate in the accreditation only one university – the one that is their principal employer.

15.3. According to ESC, it is necessary to establish a National Council for Matters Related to Science and Higher Education which should bring together representatives of the public administration, universities, research institutions and the social partners.

IV. CHALLENGES FACING THE PENSION SYSTEM

1. The Economic and Social Council pays careful attention to the challenges to the stability of the pension system in Bulgaria. ESC unanimously supported the proposal to establish a long-term strategy for it, after consultation with the widest possible range of stakeholders and with the support of all parliamentary political forces in the next National Assembly. This strategy should help increase the stability of the pension system by regulating the necessary measures at the entrance – the amount of contributions, their distribution and collection, etc.; asserting a structure to ensure long-term stability of the financial system as well as the adequacy of pensions, which would motivate young people to participate actively in the pension system.

¹¹ ESC Opinion on "Strategy for Development of Higher Education in the Republic of Bulgaria for the period 2014-2020"

2. In its previous acts ESC stated its reasoned position that the increase in the economic activity and employment, and from there the increased financing of social security systems is the most credible and socially equitable way of offsetting the negative demographic trends and the worsening age dependency ratio¹². ESC believes that more and more effective measures and policies are needed to exploit the employment potential of older people and more importantly that of young people.
3. ESC restates its previous position and recommendation to undertake further measures and incentives for the creation of jobs tailored to the specific needs and abilities of older workers who traditionally fall among the most vulnerable groups in the labour market. Broader and more effective public information campaigns are needed by which to overcome the stereotyping and prejudice against older workers.
4. As it is stated in one of its recent opinions, ESC believes that a key role in this process should be played by the state¹³. According to ESC, the state should adopt adequate incentives to encourage additional labour activity of people beyond retirement age. Another successful approach to increase the employment of young people and the elderly may be directed to employers – using the mechanisms of insurance burden and taxation it is possible to stimulate the employment of these age groups.
5. ESC believes that steps for the gradually reducing of the opportunity for early retirement of workers under Art. 69 of the Social Security Code, as well as the equalisation of the statutory retirement age for men and women must be at the heart of public debate in the preparation of the long-term strategy for the pension system.
6. In connection with the recommendation of the Commission for linking the retirement age to life expectancy, ESC calls on the Commission to carry out a very thorough national analysis of EU Member States, considering the serious differences between them in terms of life expectancy after 60 years of age, the economic activity and employment of persons aged 60-64.
 - 6.1. For 2012 life expectancy after the age of 60 in Bulgaria averaged 19.3 years – which makes it the lowest in the EU. Conversely, at a retirement age for 2013 60 years and 8 months for women and 63 years and 8 months for men (considered as the lowest in the EU), so the economic activity of those aged 60-64 is 37.1%. It is not only close to the average for the EU-28 (which is 37.2%), but is higher than the activity in France¹⁴ and Austria – countries with significantly higher life expectancy after the age of 60.
 - 6.2. Also, according to the indicator employment rate of people aged 60-64, Bulgaria (averages 32.5%) which is close to the average level (34.5%) and

¹² ESC opinion on "Active Ageing and Solidarity Between Generations".

¹³ ESC opinion on "Active Ageing and Solidarity Between Generations".

¹⁴ According to Eurostat, France has the highest average life expectancy after the age of 60 years in the entire EU.

ahead of countries like Austria (23.0%), France (23.3%), Italy (25.9%) and Spain (30.8%).

6.3. Considering the above data, ESC calls on the Commission to focus its recommendations to Bulgaria not only on increasing the retirement age and its equalisation for men and women but also to other issues such as improving the business environment for young entrepreneurs and start-ups, facilitating administrative procedures and requirements for the application and implementation of projects financed by EU funds, reviewing income policy, improving the quality of jobs, etc.

7. ESC notes that in connection with the recommendation of the Commission for "conducting a comprehensive review of the minimum insurance income thresholds" (MIIT) the Ministry of Finance prepared an analysis¹⁵ that explores the impact of the system of MIIT and their annual update on the dynamics of employment and unemployment in the country, including on the process of laying off low-skilled employees. Also on behalf of the Ministry Labour and Social Policy a study was conducted on¹⁶ the impact of minimum insurance income thresholds on employment, and the results are presented at national and regional level, by economic activity and by size of the enterprise.

V. PROMOTING SMEs AND REDUCING THE ADMINISTRATIVE BURDEN ON BUSINESSES

1. With regard to the findings of the Commission about the challenges facing our country in connection to improving the business environment, especially for small and medium enterprises (SMEs), modernising public administration, reducing bureaucracy and corruption, ESC has presented its position in several of its acts and has made concrete proposals.
2. In recent years, ESC has adopted a series of acts¹⁷ in which it draws attention to various problems and necessary changes to improve the business environment in Bulgaria, incl. through better state regulation, reducing administrative burdens and increased absorption of EU funds.
3. In 2013 the Bulgarian government began implementing a series of packages to reduce the regulatory burden on businesses. By 2014 three such packages were

¹⁵ See Analysis on "Labour Market, Competitiveness and Impact of the Minimum Insurance Income Thresholds", 2013 Ministry of Finance; <http://www.minfin.bg/en/page/547>

¹⁶ Ministry of Labour and Social Policy, "Study of the Impact of the Minimum Insurance Income Thresholds on Employment", 2014, executor: OCAC "ESTAT and partners."

¹⁷

adopted and they include key proposals made by the ESC. For example, in the third package, adopted on 17 February 2014 includes a proposal of the ESC for reviewing and specifying the conditions under which municipalities may establish and administer regulatory regimes¹⁸. Another key proposal made by ESC is the introduction of a mandatory impact assessment of legislation has also been discussed.

4. In its opinion on policies for the absorption of EU funds¹⁹ ESC stressed that in order to avoid delays in payments on projects and distorting competition, it is necessary to adopt a new Public Procurement Act (PPA). In connection with the recommendation of the Commission to improve the system of public procurement, ESC believes that the adoption by the Council of Ministers of a National Strategy for the Development of the Public Procurement Sector in Bulgaria for the Period 2014-2020 is certainly a step in the right direction. The Strategy covers measures in five areas of impact – legislation, practice of the implementation of legislation, publicity and transparency of public procurement, strengthening of the administrative capacity and professionalism in the sector and developing a control system.
5. ESC welcomes the adoption of the Act for Amendment and Supplementation of the Public Procurement Act and stresses its satisfaction with the improved access of specialised enterprises and cooperatives of people with disabilities to public procurement commissions²⁰. A similar approach should be taken in relation to other social economy enterprises, so that they receive the support they need to participate in the social and economic life. In this regard, ESC presented the challenges and opportunities facing cooperatives, social enterprises and people with disabilities in a package of documents related to the social economy²¹.
6. ESC restates that the tax reforms conducted by the government should promote employment; to promote and support self-employment and business start-up; improve the regulatory framework for doing business and facilitate the access of small and medium-sized enterprises to finance and public procurement; convert informal employment into formal and undeclared work into regular employment.
7. Despite the actions taken by the European institutions it is found that the EU lags behind in terms of entrepreneurial mind-set – entrepreneurs make up only 11% of all

¹⁸ Recommended in the resolution on "Improving the Business Environment in Bulgaria through Better Regulation."

¹⁹ Opinion on "Priorities and Policies for the Absorption of EU Funds in Bulgaria for the Period 2014-2020".

²⁰ The change is regulated in Art. 16 g, which is scheduled to come into force from 1 October 2014.

²¹ The Analysis on "Social Enterprises and Social Entrepreneurship" and the Opinions on "Employment of People with Disabilities," "The Social Economy - Opportunities and Opportunities for Development in Bulgaria" and "The Role of Bulgarian Cooperatives for the Development of the Social Economy within the Europe 2020 Strategy".

Europeans.²² By these two opinions and the discussions held at the regional level ESC focuses public attention on the role of the social economy, social entrepreneurship and the creation of enterprises, especially SMEs, in the process of rebuilding the economy of Bulgaria and the other Member States in the wake of the crisis. ESC joins the Commission in its call for a continued improvement in the business environment, especially for SMEs, by reducing bureaucracy, encouraging e-governance, streamlining insolvency proceedings and the legislation on late payments.

8. ESC again underlines its already stated position that SMEs are the backbone of the EU economy and should not be discriminated against in terms of access to finance as a result of stricter rules for bank reserves²³. ESC welcomes revolving instruments created to provide loans targeted at SMEs and the guarantee schemes for them backed by national and European resources.
9. ESC again calls for improved access to finance for SMEs and the development of alternative forms of bank loans for micro-financing. ESC appreciates the specific measures adopted at the EU level to facilitate access to finance for SMEs. In this regard, ESC considers particularly important to focus on improving SMEs' use of venture capital and start-up products offered on the market under the programme JEREMIE.
10. Finally, ESC calls Bulgarian government to undertake the necessary efforts for the timely launch of the new operational programmes. ESC also believes that the implementation of the new EU programs for research and innovation, including "Horizon 2020", the Programme for the Competitiveness of Enterprises and SMEs, will help to build public-private partnerships in the EU in the area of scientific research, development and innovation (RDI) for the modernization of national systems for scientific research and innovation²⁴.

(signature)

Professor Lalko Dulevski, Ph.D

PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL

²² EC Communication on "Plan to support European Entrepreneurs" 2013

²³ ESC Resolution on the Single Market Act II.

²⁴ ESC Opinion on "Priorities and Policies for the Absorption of EU Funds in Bulgaria for the Period 2014-2020".