



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

R E S O L U T I O N

on

MULTIANNUAL FINANCIAL FRAMEWORK OF THE EUROPEAN UNION

FOR THE PERIOD 2021-2027

(own-initiative resolution)

Sofia, 2019

The ESC President Board decided to develop a resolution on the topic "Multiannual Financial Framework of the European Union for the Period 2021-2027".

At its meeting, held on 10 April 2019, the Plenary Session adopted the resolution.

I. Key findings and recommendations

1. The Economic and Social Council (ESC) views the European budget and in particular the Multiannual Financial Framework (MFF) as one of the key instruments for achieving the EU policy objectives. To deliver results, this tool should be properly structured, should have sufficient resources, and should be used in combination with other sources of funding – both at the European and the national level.
2. ESC endorses the idea of building a strong EU, an authoritative player in global relations, with a strong and innovative economy and high social and environmental standards for its citizens. In this union, Bulgaria should be an equal participant aiming at accelerated economic and social development, achieving real convergence and harmonious development of society and regions.
3. ESC states that Europe can only become stronger through a more ambitious budget, and therefore supports the idea of increasing the EU budget to 1.3% of the gross national income (GNI) expressed in 2018 prices¹, which suggests an increase of 189 billion over the 7-year period as compared to the Commission's proposal.
4. ESC considers that it is necessary to abolish the concessions and exceptions to contributions, each Member State should contribute according to the generally accepted formula for calculating the national contribution depending on gross national income.
5. ESC supports in principle the proposal of the European Commission (the Commission) to increase the share of the EU budget's own resources to 40%, at the expense of limiting national contributions².
6. ESC shares the idea that sources for increasing genuine own resources should be the added value that the EU creates, as recommended by the Monti Group's report³. However, ESC considers that other additional sources should also be considered and that they should be given a more significant status.
7. Regarding the Commission's proposal to create a budgetary instrument for the Eurozone, ESC considers that, as a minimum basis for agreement, the budget of the Eurozone should be part of the EU budget, being accounted over and above the MFF ceilings, without prejudice to other programmes.
8. ESC underlines again that the creation of a budgetary instrument in the Eurozone should not lead to a widening of the disparities between the Member States that have adopted the common currency and those that have not yet done so.
9. ESC supports the creation of an instrument for financing economic convergence measures for Member States preparing to join the Eurozone but believes that it will not be effective as proposed and insists on the development of adequate criteria for allocation among Member States.

¹ European Parliament resolution of 14 March 2018 on the next MFF: drawing up Parliament's position on the MFF post-2020 - (2017/2052 (INI)).

² Proposal for a Council Regulation laying down the multiannual financial framework for the years 2021 to 2027 COM (2018) 322 final, 2018/0132 (APP).

³ The High Level Group on Own Resources (HLGOR) under the direction of Mario Monti.

10. ESC supports the new priorities set in the European Commission's proposal - the development of research and new technologies, ecology, border security, security and defence⁴. However, it is very important for ESC that these priorities should lead to a faster development of Bulgaria, as well as to the convergence of the regions and of the national economy as a whole at least up to average European levels.
11. ESC does not accept the proposed reduction in funding for the Common Agricultural Policy (CAP) and in particular for the Cohesion Policy. ESC also considers that the proposed positive changes to the rules for the use of these funds are insufficient. ESC insists on preserving the amount of funds currently set aside, as well as changing the rules and criteria that will lead to equal conditions for farmers and real convergence of lagging regions.
12. According to ESC, the proposed reduction of rural development funds is unacceptable. It insists on adopting conditions and implementing rules facilitating the achievement of lasting and visible results.
13. ESC considers that the financing of the cohesion policy (the sum of the ERDF, CF and ESF) should be retained in the MFF for the period 2021-2027 at least at the same rate expressed in constant prices as in the current financial framework. At the same time, clear tracking criteria for the use of these funds should be introduced to reduce the gap between lagging regions and average European levels.
14. ESC supports the retention of pre-conditions for the use of European funds and the conclusion of partnership agreements, but opposes the linking of regional development funds to macroeconomic findings within the European Semester. Both preconditions and the linking of European funds to the rule of law should be based on clear and objective criteria. Otherwise, according to ESC, they would have a negative effect.
15. ESC proposes a revision of the planning regions in Bulgaria in order to overcome the distortion created by the city of Sofia in the South-Western region and to allow the villages access to projects with European funding. Since Sofia would fundamentally distort the situation in any future region, ESC recommends, based on the example of other Member States, that the country's capital should remain outside the planning regions.
16. The European Social Fund is important for Bulgaria and its use needs to become more flexible and to follow the sharpness of social problems. According to ESC, in the case of low unemployment, the tools for inclusion in the labour market have to take into account the characteristics of the group of those lacking motivation, which are very different from those of active jobseekers. ESC also emphasizes that the unemployment problems of young people and those over the age of 55 remain a serious challenge. Overcoming labour market imbalances should be implemented through joint action by the social partners and in cooperation with labour market institutions.

⁴ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions - A modern budget for a Union that protects, empowers and defends - Multiannual Financial Framework for the period 2021-2027 [COM (2018) 321 final].

17. ESC supports the inclusion of technological innovation and the digital economy as a horizontal policy, similar to the environmental policy, which should be the goal of all programmes. At the same time, it reminds that real added value is generated by the manufacturing industry and insists that it be given a central place as a development priority.
18. ESC welcomes the proposal to increase the funds centrally managed by the Commission for research and development of the digital economy, considering that the Bulgarian participation in these programmes, so far, is unsatisfactory. In this regard, ESC urges the government to assist and encourage, as far as possible, potential Bulgarian beneficiaries in financial, logistical and informational terms so that they can become competitive and lead teams. This is a strong motive for the retention in Bulgaria of competent and highly qualified specialists.
19. ESC also proposes to discuss the possibility of developing models for the creation of European social protection instruments to take over some of the national functions - such as European unemployment insurance fund, anti-poverty funds and provision of accessible social services for disadvantaged groups - children, adults, people with disabilities.
20. At the same time, ESC supports the position of the European Economic and Social Committee (EESC)⁵ that strengthening social cohesion goes hand in hand with restoring the trust of European citizens. In this regard, ESC considers that the development of the European Social Rights Pillar (ESRP) as a system of principles around which the social partners are united could be an important factor in meeting both objectives by providing support and guidance to Member States to create sustainable and high-quality jobs with high added value and recommends that these principles be adopted horizontally in the relevant intervention areas.
21. For ESC, achieving high added value is a key criterion in the spending of European funds, but it should not be the only one. ESC notes that often addressing financial instruments solely with regard to the criterion of the largest multiplier directs them to the developed regions. Therefore, the criteria for achieving cohesion should be as important as the criteria of cost-effectiveness. A clear objective of EU programmes should be to promote cohesion rather than diversity. In this regard, ESC also calls for changes in the functioning of the InvestEU programme to ensure that relatively more funds are directed to the countries with the lowest income.
22. ESC supports efforts to simplify the rules and increase the transparency of the implementation of the European funds. At the same time, ESC calls for the maintenance of strict institutional control over the spending of European funds, whether centralized or shared, and for support for the European Prosecutor's Agreement, which will play a central role in protecting the public interest and public finances of the EU.
23. ESC considers that it is of key importance to actively involve national parliaments, economic and social councils and civil society as a whole in the debate on the European

⁵ EESC opinion on MFF 2021-2027.

budget, by establishing a special network of representatives of these national and European institutions and organisations. There is also a need for more active involvement of the institutions at the national level with the reporting and analysis of the effects of the EU budget implementation and of the added value created at the supranational level.

24. In conclusion, according to ESC, it is of utmost importance that the European institutions and the leaders of the Member States agree on the basic parameters of the MFF 2021-2027 by November 2019.

II. **General context of the MFF of the European budget after 2020**

1. From a historical point of view, the first multiannual financial framework (known then as the "Financial Perspectives") was adopted thirty years ago, together with the provisions on interinstitutional cooperation and budgetary discipline⁶. After the adoption of the Lisbon Treaty, the MFF is no longer the subject of an interinstitutional agreement but is now a binding legislative act. The Treaty on the Functioning of the EU (TFEU) codifies the multiannual budget and the EU budget as a whole and recognizes the importance of the MFF as a key element of the EU budgetary architecture.
2. ESC stresses that the most important feature of the European budget is that it is a tool for achieving policy objectives set at the level of the European Union. Like any other budget, it is an expression of the social contract on how to redistribute national income, for what purpose to provide public resources and what the sources of this resource should be.
3. At the same time, for ESC, the difference from national budgets is that at the European level, this social contract is mediated and is not made between the citizens expressing their will through elections, but it is rather expressed as a consensus of the governments of the Member States.
4. The Multiannual Financial Framework is adopted under a complex procedure in which the two pillars of European legislation - the Council of the European Union (the Council) and the European Parliament (the Parliament), in cooperation with the European Commission, as well as the EU Advisory bodies - the EESC and the Committee regions (CoR).
5. At both the European and the national level, many branch associations, non-governmental organisations, civic associations and lobbying groups are involved in the drafting of the European budget. Thus, the budgetary procedure engages the official institutions, the social partners and the non-governmental sector at both the European and the national level, with most of these actors asserting clearly stated interests, which often contradict each other.
6. The European budget is a key instrument for achieving EU policy objectives and priorities and is therefore a temporary piece of legislation and an instrument for achieving certain pre-announced results.
7. ESC notes that, in principle, the seven-year financial framework creates confidence and predictability for investment, but at the same time, the biggest problem of a multiannual budget is the small flexibility and opportunity to respond to newly emerging priorities. For example, when adopting the MFF 2014-2020 there was no refugee crisis; there were no strong voices in the EU calling for strengthening of their own defence capabilities; European citizens have not been subjected to terrorist threats, etc. Today, all these circumstances have changed and ESC therefore considers that the political response to the

⁶ Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure, signed by the Parliament, the Council and the Commission on 29 June 1988 (OJ L 185, 15.7.1988, p. 33).

- new challenges requires the allocation of additional resources in these areas, but the manoeuvring perimeter is severely limited within the foreseen 26 billion Euros.
8. ESC stresses that the preparation and adoption of an MFF lasts over 2 years. This period is necessary to find the intersection of the political priorities of the respective institutions and the expectations of society as a whole. This is achieved through ongoing negotiations within the legislative institutions, negotiations between the institutions, negotiations with the many stakeholders concerned, representing the social partners and civil society, at both the European and the national level.
 9. ESC notes that the negotiations on the future MFF 2021-2027 are carried out for the first time under different conditions. The Commission proposed the legislative package for the next MFF⁷ on 2 May 2018, which provides sufficient time for discussion and adoption of all legislation and implementing acts by the end of 2020 so as to minimize the risk of a legal vacuum between the outgoing and the new MFF. The Parliament stated its position and expressed its readiness to participate in negotiations with the Council, which in turn agreed that it expects the MFF to be negotiated, in its main outlines, by the end of the autumn of 2019. At the same time, some Member States openly doubt that this deadline will be met.
 10. The new and special feature of this procedure is that in the end of May 2019 there are elections for MEPs and after the new Parliament is formed in autumn, the new European Commission will also be elected. This means that the deadlines for reaching agreement on the new MFF need to be curtailed and concluded on the basis of the views of the current Parliament and the Commission.
 11. The other option is for the new European Parliament and the next European Commission to resume work on the MFF, with the challenge that they will have even less time - about a year to complete this work. This means that the MFF will have to be negotiated and adopted by even shorter deadlines than if the current negotiations are completed in time.
 12. ESC considers that it is in the interest of EU citizens to respect the agreed deadline, negotiating the main legislative packages related to the priorities of the future EU policy within the current Parliament. This will allow agreement on the main financial frameworks of these priorities before the new Parliament begins its term. At the same time, the legislative procedure on the already agreed areas could be completed by the end of the term of the current Commission and the basis of the agreement on the remaining legislation will be laid. The process should be completed in the new Parliament and Commission configurations but based on what has already been achieved from May 2018 until now.
 13. According to ESC, review of the whole process or its main parameters by the next Parliament and Commission should not be allowed, because such an approach, coupled with the emerging uncertainties surrounding the (possible) exit of the UK from the European Union threatens to block the work of the EU until the end of 2020 and would be a major blow to the integrity and stability of the EU.
 14. On the other hand, the timely adoption of the MFF on the basis of the current proposal and negotiations will not deprive the next Parliament and Commission from the possibility of determining the EU's political priorities. This is another argument for

⁷ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions - A modern Union budget that protects, empowers and defends - Multiannual Financial Framework for the period 2021-2027 [COM (2018) 321 final]

creating more flexibility mechanisms to allow the budget to target the areas in which citizens expect the most visible outcome on part of the EU.

15. It is also necessary for the debates on the EU budget to be closer to European citizens, making them more understandable and observable through the lens of the expected results. This can be done with more active involvement of national institutions - parliaments, economic and social councils, social partners, non-governmental organisations, branch associations.
16. ESC considers it crucial for governments to engage in the national debate by bringing the discussion of the MFF out of the debate on a "net balance" that divides Member States into donors and recipients of European funds. ESC believes that governments should explain and defend national interests in their interconnectedness with common European interests as they have a responsibility to present the full information on EU budget debates in an accessible and understandable way so that all stakeholders can form correctly their positions.
17. National parliaments should also step up and through the mechanisms of parliamentary scrutiny should follow in detail the whole process of negotiating, adopting and implementing the MFF. In this regard, ESC recommends that national parliaments and the European Parliament should establish a permanent network in which the MEPs working on this topic can exchange information and debate on the synchronization of positions.
18. The other participants in the MFF debate must also be active and innovative. ESC emphasizes the role of the economic and social councils, which is particularly important at both the European and the national level.

III. Challenges and priorities concerning the MFF of the European Union

1. The Commission's proposal for the next MFF highlights the main challenges and priorities of the EU. The exit of the UK from the European Union is partly offset by additional contributions from the Member States, with the forecast European budget increasing to 1.11% of GNI, compared with almost 1% for the current (for 28 Member States) and 1.13% for the 27 Member States.
2. The Commission proposes a 5% reduction in funds to finance agricultural and cohesion policy due to the net loss of funds from the exit of the UK from the EU and the financing of new priorities.
3. The Commission also proposes that, when the UK exits the European Union and the special condition for reduction in the contribution is removed from the TFEU, all contracted "rebates" in national contributions should also be dropped thus making the European budget much more transparent and fair.
4. At the same time, the Commission proposes to increase the share of own revenues to about 40% of the European budget, with new sources being: 20% of the revenues from the carbon emissions trading system; redirecting a 3% profit tax to the European budget after adopting legislation on the Common Consolidated Corporate Tax Base, and reducing Member States' retained collection costs from the current 20% to 10%. It is expected that the adoption of the measures proposed by the Commission will affect the relative reduction of national budget contributions to the EU budget.
5. The Commission proposes additional funding for priority sectors totalling over EUR 220 billion, which provides for an increase in resources for:
 - Research, Innovation, Digital Europe (1.6 times);
 - Youth Programme (2.2 times);

- LIFE Biodiversity Program (1.7 times);
 - Migration and security at the external borders (2.6 times);
 - Security (1.8 times);
 - External action (1.3 times);
 - Environmental protection measures laid down horizontally in all programmes (1.6 times).
6. According to ESC, the new EU priorities reflect the consensual positions of the Member States and should be supported - such as the protection of the EU's external border.
 7. ESC welcomes the increased funding to boost the competitiveness of the European economy by stimulating innovation, exploiting digital performance, etc. by pooling efforts at the European level and providing greater opportunities for competition with US and Chinese competitors.
 8. Migration is becoming an increasingly global trend, and although the wave of migrants resulting from the war in Syria has been contained, there are still very serious problems facing the EU that require solutions. In addition to the necessary political agreements on burden-sharing, relocation and the responsibilities of border countries, the ESC views as very important the issues related to securing the borders, gathering sufficient information and controlling the process - which require joint action. Funding for this is envisaged in the next MFF.
 9. ESC supports increased funding for horizontal nature conservation policies as European citizens become increasingly sensitive to environmental quality as an important component of quality of life.
 10. ESC notes that with the shift in the focus of transatlantic relations, the concept of enhanced EU defence cooperation is gaining more and more adherents. This trend is already secured by allocating more funds for research and new developments, and according to ESC in the next multiannual framework it needs to be further supported.
 11. Also, according to ESC, the proposal for additional funding for EU's external action should also be supported, as its active role in international relations and the development of joint projects with neighbouring countries and Western Balkan countries will create an opportunity for the EU to contribute to a better and more secure environment both globally and in particular at its borders.
 12. ESC notes that alongside the traditional cohesion and agricultural support policies, the Commission's proposal also highlights several other policies in the field of: maintaining high investment activity; building a single digital market and leading technological innovation; security, including work on common European defence and external border guards; support for research and exchange programmes such as Erasmus+. However, ESC is concerned that the relative share of funding for these policies is increasing at the expense of a reduction in the share of funding for the Cohesion Policy and the Common Agricultural Policy.
 13. In this regard, ESC endorses the idea that the EU budget must reach at least 1.3% of GNI, freeing itself from a completely inexplicable system of "rebates". It should also be much more autonomous, without losing the possibility for Member States to identify and control its costs. ESC considers that the procedure underlying the MFF should cover a detailed analysis of both the expenditure and the revenue side and should be carried out with much greater transparency and engagement of the civil society organisations concerned, without taking away powers from the national and the European institutions.
 14. At the same time, ESC notes that the Commission's proposal for the next MFF does not include a budget to provide, if necessary, fiscal transfers in the Eurozone. ESC recognizes

that Member States have agreed on the need for this budget to be part of the EU budget and to be under the jurisdiction of existing European institutions. In this regard, ESC is of the opinion that the creation of a separate budget, a separate parliamentary body and a separate intergovernmental forum in the Eurozone, outside the existing institutions, will lead to serious problems and may become a prerequisite for the disintegration of EU unity.

15. ESC welcomes the Commission's efforts to simplify and increase the transparency of the EU budget. In this regard, ESC supports the proposed reduction in the number of programmes, the increase of the centralized management resources and the increased transparency of the specific objectives and added value on which the EU budget is spent.
16. ESC also believes that the development of financial instruments, including the European Strategic Investment Fund and the Special Funds, should be given the necessary support because they lead to additional resources for the policies that are of importance to the EU.
17. According to ESC, the MFF proposed by the Commission for the period 2021-2027 reflects the most important challenges both in the EU and in the external environment. At the same time, ESC draws attention to two issues that should be resolved before the final adoption of the MFF.
 - 17.1. First of all, the amount of the budget. According to ESC, the budget proposed by the Commission does not imply adequate compensation for the loss of funds that will come from the exit of the UK from the European Union. In the context of the emergence of new challenges and the need to ensure continuity in the pursued policies, it is necessary to allocate more funds at the European level. Otherwise, the current proposal of the Commission will even lead to a reduction in the budget share of the 27 Member States below its pre-Brexit level. Moreover, the current proposal of the Commission reduces the cost of certain policies, so as to partly offset the loss of funds from the exit of the UK from the EU.
 - 17.2. According to ESC, the other problem is that the multi-annual budget proposed by the Commission does not provide sufficient reserves for emerging priorities, and no new challenges can be tackled in the next 8-9 years. In this regard, ESC emphasizes that past experience shows that such challenges cannot be adequately addressed through cuts and savings from the budget adopted in advance.
18. ESC believes that the real budget debate needs to be much closer to the citizens and much more understandable for them so as to be able to answer a number of pertinent questions:
 - Is the performance of EU's political commitments secured financially?
 - In which cases is a Euro spent more efficiently at the European rather than the national level?
 - In which policies are actions at the EU level more effective than actions at the national level?

IV. **Bulgaria's Perspective in the context of the MFF 2021-2027**

1. ESC underlines that the next MFF is of particular importance to Bulgaria for several reasons, the main goal being the country's adoption of the Euro during this period and the need for the Bulgarian economy to achieve real convergence with the average levels in Central and Eastern Europe as well as the Eurozone. In this context, particular attention

- must be paid to increasing productivity, added value and the main measures to achieve them – objectives for which European funds will be of great importance.
2. According to the Bulgarian ESC, good-quality and up-to-date public investments are needed, especially in sectors like transport, energy and digital infrastructure, which generally cannot be secured without EU funds.
 3. At the same time, Bulgaria must apply the high European standards for ecology, poverty reduction, accessible social services, which are essential elements of the quality of life, and will therefore rely on the European funds envisaged in the next MFF.
 4. In this context, maintaining a high social standard is impossible without constant support for the real manufacturing sector. Therefore, ESC draws attention to the fact that the manufacturing industry, mechatronics and high technologies are at the heart of Bulgarian competitiveness and believes that they need to be adequately supported in the next MFF by receiving appropriate attention through objectives and priorities in the relevant operational programmes.
 5. ESC is concerned about the continuing uncertainty surrounding the revision of the definition of SMEs and the refinement of the definition of state aid. Welcoming the evaluation and consultation procedures that the European Commission is currently carrying out on both issues, ESC urges that the MFF should take into account the new realities and to update the obsolete method of defining SMEs only on the basis of the staff employed.
 6. ESC draws attention to the Commission's proposal to increase the share of its own revenues by insisting that, in addition to the widely discussed possible sources of this revenue, more attention should be paid to other additional sources. At the same time, ESC proposes to the Bulgarian Ministry of Finance to analyse the advantages and disadvantages for Bulgaria from the adoption of the new sources proposed by the Commission to increase the actual own revenues of the European budget. ESC stresses that budgetary flexibility should not be at the expense of the uncertainty of national packages - the funds that are shared by the Member States and the Commission.
 7. ESC recommends that Bulgaria should support the reforms proposed by the Commission in the Common Agricultural Policy (CAP) as a whole. For ESC, the new measures are pointed in the right direction - replacing the general approach with an individual one, taking into account the specificities of each country; results-oriented funding; simplifying and replacing the current 69 measures and sub-measures with 8 priority areas; support for young farmers; promoting excellence in ecology; climate protection and technological development.
 8. ESC considers that it is particularly important for Bulgarian farmers to apply the principle of equal conditions for producers and to maintain a common market organisation that ensures equal access. ESC notes with regret that the envisaged actions to bring subsidies to producers are not sufficient to achieve these objectives. The difference in subsidies under the same conditions is in sharp contradiction with the principle of ensuring equal conditions for farmers and therefore ESC calls on our country to propose another approach that would improve this indicator.
 9. ESC supports the proposal to set a ceiling for the individual direct payment grant of EUR 100,000 and its proportional reduction of over EUR 60,000, which is in the interest of small farmers. At the same time, considering that some of the largest producers is working in Bulgaria and that this measure will require farm restructuring, ESC considers

- it reasonable to request a smooth implementation of the measure subject to certain conditions.
10. ESC draws attention to the fact that the conditions in Bulgaria allow a significant increase in the production of fruits and vegetables, as well as of bee honey. In this sense, the country is interested in the possibility of setting aside more than 3% of the amount under the first pillar of the CAP to subsidize such industries.
 11. ESC finds clearly unacceptable the relative reduction of the funds for rural development because in Bulgaria these areas are increasingly impoverished and depopulated compared to the EU average, where almost 50% of the population live and work in the villages. ESC restates its position that not only funds and not only European public funds are needed to overturn this trend. Therefore, ESC believes that Bulgaria should develop an effective and results-oriented rural rejuvenation strategy and policy and with very clear arguments to request additional funding to achieve these results. In this sense, ESC estimates as insufficient the EUR 7.719 billion, expressed in current prices for Bulgaria, proposed by the Commission for the CAP, of which EUR 1.97 billion expressed in current prices for rural areas, and considers that additional funds should be sought.
 12. ESC welcomes the ongoing EU efforts to strengthen environmental and nature conservation policy. At the same time, it is of the opinion that aid to low-GDP countries should be much higher so they can meet the high standards given the economic cost they pay for compliance with these standards. ESC believes that it is particularly important, alongside efforts to reduce carbon emissions, to implement adequate measures at the European level to reduce energy poverty.
 13. ESC has repeatedly stated in its acts that the funds for cohesion policy are particularly important for Bulgaria and that our country has experience and good results from their implementation so far. At the same time, ESC found that the European and national funds for the development of the regions did not achieve the expected result. Regional disparities are deepening, population and economic activity are concentrated in a few centres and entire regions are losing their human and economic potential. Often, regional policy is limited to investment in transport infrastructure without adopting comprehensive measures to retain the active population and achieve sustainable development of the region.
 14. In this regard, ESC insists that sufficient resources should be allocated to regional development to finance a set of measures with visible results. According to ESC, it is imperative to develop country-specific criteria for expected outcomes, to be included as part of the Partnership Agreement for the next programming period.
 15. ESC accepts the practice of implementing the preconditions laid down in this MFF, insisting that they should be clearly formulated and objectively measurable.
 16. ESC considers that it is inappropriate for regional development funds to be linked to the macroeconomic conditions reviewed within the European Semester as the regions cannot influence the macroeconomic and fiscal policy pursued at the national level and the suspension of EU funds may further destabilize public finances. Regional development funds should be retained, allowing for an opportunity to target another priority once again linked to regional development but which would have a positive effect on macroeconomic indicators.
 17. ESC welcomes the distribution of funds by regions and insists that their spending strictly follows the initial allocation or, if there is a change within the MFF, to be made once during the current review and to take into account only changes in the same indicators.

According to ESC, this is necessary in order to avoid a redistribution of funds at the national level and placing underdeveloped regions in disadvantageous position. In this sense, the Bulgarian planning regions should be reviewed, so that the city of Sofia would not be allowed to distort the results of the South-Western region. ESC also calls for municipalities to be allowed to participate independently or in associations in open calls for distributing European funds under certain conditions.

18. ESC shares the view that the European Social Fund has proven to be an important tool to help Member States in their efforts to reduce unemployment and improve social services. Therefore, according to ESC, rules should provide for maximum flexibility in its spending, which is related to the achievement of concrete results. For example, in the case of economic upturn and declining unemployment, traditional tools for limiting the number of unemployed should not be used, and according to ESC it is possible to redirect funds to unmotivated and discouraged people, who are not registered with the labour offices but have a significant labour potential. ESC calls for the preservation and development of the economic and human potential of the regions to be the primary objective of policies funded by EU regional development funds. It also underlines the important role of the joint action of the social partners in this regard.
19. ESC supports the measures proposed by the Commission to simplify the procedures for the regional development programme, increased transparency and demand for concrete results. At the same time, according to ESC, it is reasonable for regional development funds to be available to all regions, with a higher share being redistributed to poorer regions.
20. ESC notes that limiting funding to 2.3% of GDP for Member States with a GDP per capita below 60% of the EU average is also a measure that does not stimulate the proportional development of the regions but, on the contrary, it is one of the instruments that promote disparity. Therefore, ESC considers that this percentage should be increased to a minimum of 3% of GDP in order to achieve a real reduction of disparity.
21. ESC draws attention to the finding that the InvestEU programme, which is the largest financial instrument and which is expected to generate investment of EUR 650 billion, is naturally directed towards richer and more developed regions, which further hinders convergence.
22. ESC insists that the current level of regional development funds of EUR 390 billion should be maintained. Considering the importance of the EU for convergence and cohesion, ESC believes that it is advisable to increase the amounts in the respective funds, with Bulgaria receiving more than the proposed EUR 10.081 billion expressed in current prices.
23. ESC notes that, against the backdrop of a general reduction in traditional policy spending in the next MFF, a substantial increase is being made through programmes managed centrally by the Commission and aimed at developing the potential of the European economy. At the same time, the data show that Bulgaria's current participation in centrally managed funds is not satisfactory. According to ESC, if this situation persists, the catching-up with the average European levels of economic and social development will be severely obstructed, which is a prerequisite for a further wave of emigration of a skilled workforce. ESC considers that Bulgaria has the capacity to participate in development programmes in the field of defence, space research, research and development of the digital economy, but unfortunately very often the existing potential remains unused or is included as support for foreign partners. That is why ESC proposes that the responsible

institutions should aim at promoting Bulgarian candidates in the centrally managed programmes, assisting them with finance, information, infrastructure and stimulating their participation as leading candidates. Thus, our country will be able to build competence and self-confidence as a competitive participant in the development of the economic potential of the EU.

24. ESC also advocates a new instrument to boost convergence within the Eurozone, urging that it remains open also to Member States that are in the process of joining the Eurozone.

25. ESC calls on the competent national authorities preparing Bulgaria's priorities for 2021-2027 to take into account and adequately reflect the following objective realities:

25.1. The retention of economic growth in Bulgaria below real values is largely due to a lack of labour force, including skilled workers, in key sectors for the Bulgarian economy and is a barrier to investment activity, especially in less developed regions. In this regard, it is necessary to promote immigration on the basis of real investments in the country and to facilitate the access of third-country nationals to the labour market through changes in national law and through bilateral agreements.

25.2. Bulgarian added value is generated by highly competitive sectors such as mechatronics (machine building, electrical engineering and electronics) and high technology. They should be a priority in the next programming period, including the provision of human resources.

25.3. Furthermore, the creation of innovation should be linked to the real economy by being initiated and managed by the enterprises themselves. According to ESC, the industry should be allowed to manage the research and innovation process as well as the built infrastructure, as the development of testing laboratories in recent years has failed to bring research closer to the needs of the industry.

25.4. Main labour market challenges continue to be the low level of education or lack thereof; qualification that is inconsistent with the needs of the business sector; long-term unemployment; the still large number of inactive persons; the demographic crisis. Significant interventions are needed in the direction of activating inactive people, developing their literacy and numeracy, targeted training in occupations that are in demand on the labour market and motivation for active behaviour.

25.5. In the context of the labour market, serious attention should be paid to substantial reforms in the field of education, which should be supported and accelerated. There is much work to be done to turn vocational education into a flexible and useful instrument corresponding to the needs of employers, as well as to improve its quality. From this point of view, an inextricable link between secondary and tertiary education should be created, and the two systems should not be considered as an end in itself, but as an integrated system that caters to future labour market needs and as a bank of human resources to support and develop the research and innovation potential of the country.

25.6. ESC strongly recommends careful consideration of the NUTII regional division - a process initiated by the Bulgarian Ministry of Regional Development and Public Works. How the funds will be allocated in the new programming period and on what intensity of support they may rely is an essential issue for businesses. From this point of view, it is good to analyse the influence of the city of Sofia in the South-Western region, assessing whether it is not appropriate to find an approach in which the districts of Pernik, Sofia-Region, Kyustendil and Blagoevgrad and the municipalities in them are equal to those in other areas. ESC recommends that the city of Sofia should be treated as

a separate region in order not to distort the indicators of the region in which it is currently placed.

- 25.7. ESC proposes that the priorities for the next programming period should be formulated taking into account the needs of businesses, and in particular the real sector and its competitiveness, as well as the educational needs of the population and the insufficient performance of Bulgaria in the field of lifelong learning.
26. In this context, ESC believes that in the next programming period, national priorities and sub-priorities for the programmes should be identified, such as:
- 26.1. Research and Innovation for Competitiveness:
- R&D and R&D infrastructure;
 - stimulating innovation in enterprises and re-industrialization of the Bulgarian economy.
 - Education and training for a highly skilled workforce:
 - increasing skills and improving their compliance with labour market needs;
 - improving the health characteristics of the workforce.
- 26.2. Improving connectivity and digitization of the economy:
- digital infrastructure;
 - connectivity and accessibility;
 - e-government;
 - promoting mechatronics and high technology.
- 26.3. Human Resources:
- vocational education and training that is directly linked to the needs of the Bulgarian labour market.

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