



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

OPINION

on:

THE PARTNERSHIP AGREEMENT AND ITS PROGRAMMES FOR THE PROGRAMMING PERIOD 2021-2027

(own-initiative opinion)

Sofia, May, 2021

The Action Plan of the Economic and Social Council for 2021 includes the elaboration of an own-initiative opinion on "The Partnership Agreement and its programmes for the programming period 2021-2027".

The President of ESC assigned the elaboration of the opinion to the European Policies and European Process Commission as leading commission and the Sustainable Development, Agriculture, Environment and Regional Policies Commission as supporting commission.

Milena Angelova - Group I, Alexander Zagorov - Group II from Confederation of Labour "Podkrepa" and Iliana Nikolova - Group III were appointed rapporteurs on the Opinion.

At a joint session held on 14 May 2021 of the European Policies and the European Process Commission and the Sustainable Development, Agriculture, Environment and Regional Policies Commission the opinion was discussed and adopted for submission to the Plenary Session of ESC.

At its Plenary Session, held on 28 May 2021, the Economic and Social Council adopted the opinion.

ABBREVIATIONS USED

Agreement - Partnership Agreement

BDB - Bulgarian Development Bank

COSME - Program for competitiveness of enterprises and small and medium enterprises

CSS - Civil Society Structures

E.I. - Equivalent Inhabitants

EA - Employment Agency

EC - European Commission

EPSR - European Pillar of Social Rights

ESC - Economic and Social Council

ESIF - European Structural and Investment Funds

EU - European Union

FI - Financial instruments

FTF - Fair Transition Fund

GDP - Gross Domestic Product

HEI - Higher Education Institutions

ITI - Integrated Territorial Investments

Jeremie - "Joint European Resources for Micro and Medium Enterprises"

JESSICA – Joint European Support for Sustainable Investment in City Areas

LLL - Lifelong learning

MES - Ministry of Education and Science

MLSP - Ministry of Labour and Social Policy

MWh/y - megawatt-hour/year

NAVET - National Agency for Vocational Education and Training

NEETs - Young people who are outside the employment, education or training

NRA - National Revenue Agency

NRIC - National Railway Infrastructure Company

NRRP - National Recovery and Resilience Plan

NSI - National Statistical Institute

NUTS - classification of territorial units for statistical purposes

PCIE - Programme "Competitiveness and Innovation in Enterprises"

PEd - Programme "Education"

PEn - Programme "Environment"

PHRD - Programme "Human Resources Development"

PRDP - Programme "Regional Development"

PRIDST - Programme "Research, Innovation and Digitalisation for Smart Transformation"

PTC - Programme "Transport Connectivity"

R&D - Research and development

RIA - Road Infrastructure Agency

RT - Railway Transport

SEN - Special educational needs

SMEs - Small and medium enterprises

SO - Specific objective

SP - Social partners

STEM curriculum based on the idea of education in four specific areas - Science, Technology, Engineering and Mathematics

TEN-T - Trans-European Transport Network

TFA - Tangible Fixed Assets

TWG - Thematic working group

VET - Vocational Education and Training

WCC - Working Conditions Committees

WCG - Working Conditions Groups

WSS - Water Supply and Sewerage

1. Conclusions and recommendations

1.1. ESC emphasizes the critical importance of the Partnership Agreement for the period 2021-2027 and its programmes for the development of the country, as well as for all citizens, businesses and non-profit organisations. European funds have the potential to help to improve the economic and social conditions, which are among the worst in the European Union.

1.2. ESC insists on the integration of strategic plans for investment of EU funds¹ in a common framework with a vision and goals for the development of the country, with the necessary complementarity and synergy and, accordingly - for adequate demarcation of interventions. This framework must ensure concrete and clear monitoring and linking of all measures and activities under all strategic documents, programmes and plans, in order to implement the horizontal priorities for "universal, common, immediate and real restoration of competitiveness, sustainability, social dimension and the role of international markets"²; accelerating digitisation, the introduction of the circular economy and improving resource efficiency; attracting investments; the prevention of the adverse effects of climate change; raising incomes and living standards, raising the skills of the workforce, providing quality jobs and complying with labour and social standards.

1.3. ESC insists that the finalisation of the Partnership Agreement should be carried out in synergy with the development of the programmes themselves, with a clear mechanism for planning, management and monitoring of all strategic and national plans and programmes for investing ESIF funds, with the active and actual participation of social partners and the structures of organised civil society to be effectively involved in the activities of preparation, implementation and monitoring of individual plans and programmes. The analysis of the challenges and good practices during the programming period 2014-2020 unequivocally shows that the neglect of the participation of the SP and the CSS in the monitoring committees is incorrect and leads to wrong decisions. In the context of the high goals and unprecedented financial resources, ESC emphasizes the need to pursue ambitious and committed policies with effective participation, coordination and involvement in the decisions of the SP and CSS, including policies to achieve the objectives of the Action Plan for the implementation of the EPSR. All documents must be considered in an integrated way and, in addition to the economic, digital and green aspects, social issues must also be addressed.

1.4. ESC emphasizes the need for active involvement of SP and CSS in the activities for the implementation of the programmes - not only as target groups, but also as eligible beneficiaries, in order to effectively use the accumulated specific expertise, institutional memory and capacity of these organisations, and to the principle of transparent management and spending of public funds by introducing a competitive principle in their distribution is observed. ESC recommends

¹ Presented in Annex 1.

² Action Plan for the Implementation of the European Pillar of Social Rights, 14 March 2021.

limiting the cases of granting financial aid to state institutions or spending units as specific beneficiaries, as this in practice eliminates the principle of competition.

1.5. ESC strongly suggests informing the public and citizens about the process of developing strategic documents and their inclusion in the consultations on them to be better organised so that it is not formal and largely limited. There is often a lack of detailed and systematic information to the SP and the CSS on the reasons for accepting or not accepting their proposals, on the communication and comments of the EC services and on the framework within which changes or additions can be made to individual plans and programmes. The information provided on the planned reforms, their expected impact and the investments for their implementation is partial, inconsistent, or provided at the end of the negotiation process, when substantive changes can no longer be made. It is logical, appropriate and a sign of good management policy and good faith to discuss the documents much more widely and in depth with all stakeholders, with specific proposals, with binding deadlines and consistent action.

1.6. ESC insists that the debate on European funds, which will help to overcome the backlog in the social, economic, technological and social fields, should be brought much closer to all Bulgarian citizens, in their capacity as European citizens. Opportunities for this would provide short summaries and clear, easy-to-understand messages and assistance from the media to cover the content of strategic documents, plans and programmes. ESC calls on the institutions to actively use and develop the opportunities of organised civil society to build a culture of shared European values and a competitive economy. ESC calls for broad public awareness, transparency and fair distribution, realistic planning of financial resources and priority budgeting for measures and projects that are key to achieving the main objectives of all policies and programmes.

1.7. ESC insists on the rules and requirements for projects financed by ESIF, to apply a uniform approach to all programmes, as well as to reduce the administrative burden for beneficiaries. More efforts should also be made to strengthen their capacity and facilitate their access to information on application opportunities (for example, through a common virtual space of all project funding opportunities, regardless of the source of funding - similar to EC practice). ESC recommends applying good practices for rapid administration of support to multiple beneficiaries by using the capabilities of all state institutions³. ESC emphasizes the need to continue efforts to ensure transparent and traceable investment of the ESIF and to eliminate any possibility of corrupt practices.

1.8. ESC believes that an urgent discussion is needed to find the optimal formula for zoning Bulgaria at NUTS II level - based on the fact that in addition to the economic backwardness of the Northwest region, there is a serious imbalance in economic development and the South-Western region, because of Sofia-city district. The inclusion of Sofia-City district should be resolved in a way that enables the enterprises from the districts of Pernik, Kyustendil and Blagoevgrad to have

³ As was done to overcome the crisis related to the coronavirus pandemic - for example, BG16RFOP002-2.094 "Support through working capital for SMEs affected by temporary anti-epidemic measures by implementing a support scheme from the National Revenue Agency (NRA)".

access to fair financing according to their real needs and to a fairer approach in allocating the intensity of grants and would contribute to a balanced targeting of investment support.

1.9. ESC calls for a more effective, real and effective dialogue before the preparation of the programmes - by sending the relevant documents to the SP and CSS early enough to allow in-depth analysis, well-organised public discussions in various formats and for the comments and opinions to be actually and substantially considered. ESC also calls for real monitoring of the implementation of the programmes, assessing whether development, sustainability and implementation of pre-set goals have been achieved and corrective measures are identified if necessary, and not just to take into account how much and what funds have been spent.

2. The Partnership Agreement⁴ and National the Recovery and Resilience Plan

2.1. ESC supports the target priorities in the Agreement and the objectives of the NRRP. However, ESC considers that the cumulative real GDP growth target of 21.7% for the period 2021-2025, set in the NRRP and reaffirmed in the Agreement, is not ambitious enough and will be achieved without the support of the investments provided for in the NRRP. In order to accelerate convergence, NRRP funds must be invested in such a way as to achieve a minimum real GDP growth of at least 5 percentage points per year, or a cumulative real GDP growth for the period 2021-2025 amounting to a minimum of 27.63%⁵. In this regard, ESC expects clarification of how the factor effect of the interventions of the NRRP and the Agreement on GDP growth will be calculated.

2.2. ESC is pleased to note that a number of specific proposals made in its opinion⁶ have been adopted in the latest version of the NRRP⁷. ESC calls for other important proposals to be adopted in subsequent revisions of the NRRP - for example, to provide a clear mechanism for planning,

⁴ Based on the published version as of February.

⁵ The EC's spring economic forecast predicts GDP growth for Bulgaria for 2021 of 3.7%, and for 2022 - from 4.7%. Calculation of the cumulative economic growth of real GDP for the period 2021-2025 at medium annual growth of at least 5%:

Year	GDP	real GDP growth
base 2020	100	
2021	105	5%
2022	110.25	5%
2023	115.76	5%
2024	121.55	5%
2025	127.63	5%

Economic growth for the period 2021-2025 - a total of 27.63%.

⁶ Opinion of ESC on NRRP, adopted at the Plenary Session on 1 December 2020.

⁷ Published on 8 February 2021.

monitoring and controlling the implementation of the NRRP - with the participation of the social partners and stakeholders. ESC recommends the interconnectedness of the goals and refinement of the indicators, criteria and the ratio of resource allocation under the 4 pillars of the NRRP and insists that the programme for economic transformation should be co-financed with at least another 1.1 billion BGN - at the expense of applying a mix of grant and debt financing of energy efficiency programmes and reviewing the financing needs of industrial parks - which are unrealistically increased. Redirecting funds to modernise the real sector, to foster innovation and investment in the economy that has suffered the most and needs recovery, is key to achieving high growth, creating quality and sustainable jobs and raising social standards.

2.3. ESC expects the NRRP to cover all the reforms provided for in the National Tripartite Agreement, not just some of them⁸. Notes with regret the following deficits of the NRRP:

- Regarding the improvement of the business environment - measures to reduce the number of administrative structures (in fact, the NRRP envisages the creation of new ones), measures and investments for less developed and lagging regions, promotion and support of SMEs;
- Regarding demography, education, culture, labour market and labour migration - a set of measures to deal with the demographic and intellectual crisis, a national programme for the construction of nurseries and kindergartens, creating conditions for promoting reading and restoring the positions of the book in the cultural development of the Bulgarian people, providing lifelong learning and continuing vocational training. NRRP should be complemented by policies to address inequalities and the demographic crisis in order to be consistent with the 2030 National Development Plan.

2.4. ESC positively evaluates the additional information provided at its suggestion, the specification and refinement of the planned resource by pillars and areas of investment in them. ESC proposes to include and clarify specific information on:

- How the decisions for directing state co-financing to certain measures and investments were made (there is no analysis of alternatives);
- Annexes to the NRRP presenting the link with the European Semester and the tables with key stages, objectives, time plan, funding and costs;
- The envisaged amounts for management of the individual projects.

2.5. ESC considers that an urgent discussion is needed to find the optimal formula for zoning Bulgaria at NUTS II level, based on the fact that in addition to the economic backwardness of the Northwest region, there is a serious imbalance in economic development of the Southwest region due to Sofia-city district. The inclusion of Sofia-city district in the zoning should be solved in a way that will enable the enterprises from Pernik, Kyustendil and Blagoevgrad districts to have access to fair financing according to their real needs and to a fairer approach in allocating the intensity of the gratuitous financial aid and would contribute to a balanced targeting of investment support. The deformation that occurs in the summarized statistical data for the districts of Pernik,

⁸ Signed on 17 June 2020.

Kyustendil, Sofia-district and Blagoevgrad compared to Sofia-city deprives a number of enterprises from the practically underdeveloped economic municipalities in these districts from the level of funding received by enterprises from municipalities with completely similar indicators, but located in other planning areas (at NUTS II level).

2.6. ESC supports investments aimed at increasing the pace of digitisation of enterprises and public services for the benefit of employees, businesses and citizens. ESC stresses the importance of finalising the digitisation of public services and the introduction of e-government, which will lead to greater transparency, modernisation and increase the efficiency and effectiveness of the administration and predictability of the course of administrative procedures.

2.7. ESC supports the implementation of ITI and the better complementarity of measures under the various programs in order to achieve optimal results. The council is also of the opinion that the planning of such investments should take into account the specifics of the measures to be combined, the timetable for their implementation and the possibility of coordinated implementation.

3. Programme for Competitiveness and Innovation in Enterprises 2021-2027 (PCIE)⁹

3.1. ESC reports that PCIE includes the priorities and activities that correspond to the realities of the Bulgarian economy, as well as the necessary measures to increase its competitiveness and innovation potential.

3.2. ESC emphasises that it is of particular importance to determine exactly which planned interventions will be financed with grants and which - with financial instruments (or both in combination).

3.2.1. ESC considers that the comments of the EC regarding the choice of a combination of grants and financial instruments¹⁰ do not correspond to both the basic realities in the Bulgarian economy and the situation in which it finds itself as a result of the COVID-19 pandemic. Giving priority to financial instruments would lead to a stimulus to the debt spiral in Bulgaria's manufacturing sector and a lack of real investment aid for Bulgarian enterprises over the next seven years. At the same time, stimulating the investment activity of Bulgarian enterprises through grants, especially in the context of the global health and economic crisis, would minimise the damage and increase the speed of economic recovery. This is the way for Bulgarian enterprises to maintain part of their competitiveness even in the conditions of shrinking consumption, reduced investments, shrinking exports and relatively lower purchasing power of the population. In many cases, the procedures for providing grants are the only incentives for the implementation of investment projects in general in our country. Certain sectors of the Bulgarian economy will be able to overcome the

⁹ Based on the third version of the PCIE.

¹⁰ The EC's comment: "Our understanding is that all revenue generation and cost saving projects must be supported through financial instruments" is not adequate to the current challenges.

crisis precisely through the support of grant procedures - both as direct beneficiaries and as providers of specific services, goods, etc.

3.2.2. The proposal to support enterprises with grants instead of financial instruments in the new programming period is justified by the following factors:

- The liquidity, turnovers and profits of the companies, as a result of the COVID-19 crisis, are unprecedentedly bad. Many viable companies have increased both their liabilities to financial institutions, including liquidity, and their liabilities to suppliers. All inappropriate costs are postponed, long-term development forecasts become increasingly uncertain. Fewer and fewer companies would risk their already fragile financial stability with serious investment loans;
- Additional indebtedness through financial instruments of companies would not stimulate their development and would not lead to a reduction of their lag compared to developed economies, but on the contrary - would deepen this lag. Encouraging companies that are already heavily in debt to use additional financial instruments would lead to a large part of them leading to a debt spiral, deprivation of working capital and possible bankruptcy at the maturity of the instruments used;
- On the other hand - the banking system is overcapitalized. However, as a result of the economic crisis caused by the pandemic situation, the credit risk of many economic sectors has increased, which motivates banks to direct lending to sectors with stable development, which do not need support through grants. ESC accepts the fact that the financial instruments provide an appropriate complement to the grant funding and supports the opportunity provided in the current programming period 2014-2020 support through financial instruments to be provided for all thematic purposes and all ESIFs. At the same time, ESC strongly emphasises that financial instruments cannot achieve the same objectives as grant schemes and cannot efficiently finance the same investments. This is especially true for the companies most affected by the economic crisis, which do not have access to bank financing, and many of them are ineligible due to high credit risk, so targeted support should be in the form of grants to strengthen and their development after the pandemic;
- Currently, a number of banks offer funds from financial instruments from the period 2007-2013. (JESSICA, Jeremie) and financial instruments from the period 2014-2020 amounting to BGN 1.2 billion (BGN 892 million BGN debt instruments and BGN 293 million equity instruments). It should be noted that the share of financial instruments in our country as a percentage of programmes was one of the highest in Europe (25% of OPIC!). Funds from financial instruments are also offered directly at European level, with the Programme for Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) alone amounting to almost 1.4 billion Euros for loans and venture capital. This available EU resource for financial instruments would be more than sufficient compared to the current investment interest of companies, if properly and effectively administered to those who really need it. More financial instruments are available on the market in Bulgaria than is in demand, including from the Fund of Funds through various programmes and from various intermediaries (see Appendix 1). The additional guarantee resource granted by BDB under the "Portfolio Guarantee Programme in Support of Liquidity of Micro, Small and Medium-Sized Enterprises Affected by the Emergency Situation and the COVID-19

Epidemic" in the amount of 795 million. BGN, offered by 9 banks, has so far been used only at 23% (only 188.5 million BGN have reached final recipients SMEs). This low absorption shows the caution of companies to solve their liquidity problems with new debt in unclear prospects.

3.2.3. It should also be noted that a large part of the investment projects in Bulgaria would not be implemented or would be implemented on a significantly smaller scale without the support of a grant. Indicative is the fact that in terms of investments in tangible fixed assets can be found a very clear and significant contribution of OPIC 2014-2020, as the supported enterprises have invested in fixed assets with an average of 34% more than the average levels in the country.

3.2.4. There are also a number of additional multiplier effects of grant aid to enterprises:

- Increased degree of financial autonomy;
- Directing investment activity to areas and investments that are important for the outlined priorities at the national and EU level;
- Implementation of innovations in the activity of Bulgarian enterprises;
- Improving the resource and energy efficiency of the economy as a whole.

3.2.5. The amount of additional financial resources to be offered on the market by the PCIE should be carefully calculated, analysing the current liquidity of the banking system, the financial instruments already available on the market and the potential economically viable financing projects in the country. This is especially important because:

- At a time when immediate reform through investment is required in order to be competitive in the radically changed global realities of the COVID-19 pandemic, grants are needed to encourage companies to transform rapidly to produce and deliver competitive products and services, to increase energy efficiency and innovation. In this way, investments will lead to an increase in GDP, a reduction in the accumulated debt in companies and an increase in the opportunities for income growth;
- The grant support will ensure the vital accelerated transformation of the Bulgarian economy to an innovative and green one and will make possible the realization of the objectives of the PCIE, i.e. the objectives of the EC, for the transformation of the European economy. Lending will not stimulate investments aimed at achieving the objectives set at the level of PCIE and European priorities, but will help banks to expand their portfolios by providing guarantees for their liquidity in the increased risk environment to finance the minimum and urgent investment intentions of companies.

3.2.6. In support of the above are the data from the mid-term evaluation of OPIC 2014-2020. - Analysis and evaluation of the contribution of OPIC to achieving the national goals of the Europe 2020 Strategy for smart, sustainable and inclusive growth:

- The Europe 2020 R&D target is related to R&D investment and innovation of 3% of GDP. Bulgaria's national target envisages investments in research and development to reach 1.5% of GDP in 2020. NSI data on the movement of the values of this indicator show that by the end of

2018 approximately half of the value of this target indicator has been reached - 0.75%, and the preliminary estimate for 2019 was 0.84% for the period 2018-2019 there is an increase in the relative share of R&D expenditures in GDP, which is due to two main reasons: the increased activity of OPIC in terms of absorption of funds and implementation of contracts by beneficiaries, on the one hand, and on the other, by the National Research Programmes launched by the Ministry of Education and Science at the end of 2018 as well as the updated National Roadmap for Scientific Infrastructure 2014-2020, through which a significant financial resource from the State Budget was directed to Bulgarian research organisations (about 100 million BGN over a 3-year period). By the end of the current programming period, an increase in the values of the indicator for investments in development and research is expected;

- The role of OPIC in the targeted impact of the programme in terms of Bulgaria's innovation performance by encouraging investment in potential thematic areas for intensive innovation development and innovation horizontal policies is very important. It directly contributes to increasing R&D investment and innovation, as well as to achieving national targets for increasing the share of R&D expenditure in GDP;
- The contribution of OPIC to the implementation of the national targets under the Climate-Energy package can be registered through two of the general and programme-specific performance indicators: "Realised energy savings in enterprises as a result of implemented projects" with a target value for 2023 of 179.794 MWh/y and "Reduction of greenhouse gas emissions" with a target value of 55,017 tons of CO₂ eq. in 2023. The estimated value of the indicator under OPIC "Realised energy savings in enterprises as a result of completed projects" for 2018 amounts to 1,093,581.79 MWh/y, and the real achievement is within 114,240.20 MWh/y. The programme sets a target value for reducing emissions of 55,017 tons of CO₂ equivalent, and by the end of 2018 it is actually reported that the reduction amounts to 61,805.29 tons of CO₂ eq., which is a fulfillment of the target by 112.3%.

3.3. In the context of the above, ESC offers support under the PCIE (incl. under Priority 2 "Circular Economy") to be unambiguously defined as support, i.e. to pledge mainly private investment operations financed entirely by grants and not by combined or wholly debt operations based on financial instruments.

3.4. In this version of the PCIE ESC does not find the existence of special measures for the North-West region. This region, together with the disadvantaged enterprises from the South-Western region outside Sofia-city, continue to have a significantly lower level of development than the others. We propose to include measures to ensure their priority stimulation (especially in Priority 1 "Innovation and Growth").

3.5. ESC does not consider appropriate the wording "Coordinated and integrated measures will be applied to the future development of industrial parks as the intervention of the PCIE is in the part of support for enterprises, and PRIDST will focus primarily on supporting key research and innovation infrastructures within industrial parks". Thus formulated, the text assumes the creation of discriminatory conditions and priority financing of enterprises in industrial parks over other enterprises. ESC believes that such prioritization creates unequal conditions and advantages for

companies in industrial parks. The advantage that these companies receive from the use of the infrastructure financed by PRIDST is sufficient. ESC proposes to eliminate targeted support from the PCIE of enterprises from industrial parks, and the financing of the parks themselves to be done through an open procedure, under competitive conditions and a clear need expressed by the relevant municipal authorities, social partners and stakeholders, with priority given to precise and necessary activities for rehabilitation and modernisation of existing, not the construction of new industrial parks.

3.6. Again, there is a lack of clarity regarding the support of large (according to the current interpretation of the EC Recommendation¹¹) enterprises. In Bulgaria, large enterprises are such because of the criterion for the number of staff, which is a determining factor for the category of the enterprise. In its opinion, ESC called for the definition of SMEs to be revised to take into account the specifics of Bulgaria, where large enterprises have too low an asset value and low turnover¹². In practice, the financial condition of the enterprise, which is assessed through the other two criteria for the type of enterprise - the indicators annual turnover and total value of assets, is essential in determining and planning the investment intentions of the enterprise. The type of enterprise should be determined by two of the three criteria, without prioritizing the number of staff. With this in mind, ESC proposes that large enterprises be included as beneficiaries in the target group of all specific objectives under Priority 1 "Innovation and Growth", and for this purpose the necessary measures for block exemption from state aid are taken. By restricting large enterprises from support, they are in fact restricting fictitious large employers who have real characteristics of medium-sized, and often even small, enterprises.

3.7. ESC supports the measures thus defined under Priority 2 "Circular Economy". Taking into account the potential of large enterprises to achieve better resource efficiency, insists on the possibility of providing them with beneficiaries under Priority 2 "Circular Economy".

3.8. ESC notes that the types of financial instruments and the amount of FI for activities related to the promotion of resource efficiency and waste management may be changed by the preliminary assessment for FI for the period 2021-2027, which is under development, but in FI planning should also take into account the lessons learned in connection with the implementation of FI in the "Waste" sector under OPE 2014-2020.

4. Programme "Human Resources Development" (PHRD)¹³

4.1. ESC is pleased with the progress in improving the texts of the Programme "Human Resources Development", which has found strategic goals and documents related to the new programming period. ESC welcomes the new version of the program Version 1.4¹⁴, which explicitly states the measures aimed at joint actions of the social partners in the specific objectives, as well as the

¹¹ "The definition of small and medium enterprises - challenges in accessing support measures" - Law and Business in Modern Society, Proceedings of the 3rd National Research Conference, 13. 11. 2020, ISSN 2738-7488.

¹² ESC opinion on the SME Strategy.

¹³ Updated version 1.4. of the Programme "Human Resources Development 2021-2027".

¹⁴ Sent on 18.05.2021.

restoration of the texts related to their participation in the implementation of individual policies. ESC appeals for urgent finalisation of the text in version 1.5 of the Programme, which correctly reflects all amendments adopted by the Thematic Working Group on the development of the programme at the last meeting¹⁵ and the opinions presented.

4.2. ESC welcomes the updates made to the basic data, justifying the planned new interventions. ESC notes with satisfaction the special place given to the social partners and the implementation of joint actions by them to achieve the objectives of the programme - in accordance with the architecture of the European Semester. ESC is satisfied with the reporting of the measures implemented during the current programming period and setting them as a basis for the implementation of future measures under the new programme. However, ESC considers that the agreed measures and joint actions for the implementation of the National Tripartite Agreement¹⁶ should be reflected more specifically and clearly, as well as a specific commitment of at least 0.25% of the funds in the capacity building programme of the social partners. - according to the recommendations given for spending ESF+ funds in the Action Plan for the implementation of the European Pillar of Social Rights.

4.3. Emphasizing the importance of the connections made with the European Pillar of Social Rights, ESC insists on the Programme Human Resources Development 2021-2027 to be specifically linked to the European Semester, taking into account the contribution of each operation to the implementation of the Pillar and the Action Plan¹⁷ when developing the individual operations for the implementation of the programme. In this regard, ESC calls for:

4.3.1. The contribution of the PHRD to the implementation of Objective 2 of the EPSR Action Plan for at least 60% annual participation of all adults in at least one form of education should be clearly taken into account. ESC is aware that this is a challenge for Bulgaria and can be achieved only with a sufficiently high commitment and by calling for the introduction of new tools, approaches and measures, including: the introduction of individual credit cards for VET; the approval of the voucher system for financing vocational training; priority and accelerated improvement of digital skills - basic and advanced; the creation of a streamlined system for validation and/or continuing education in the workplace for adults; the refinement of the existing regime for licensing of vocational training centres, development of the micro-qualification system. At the same time, ESC considers a priority at the beginning of the programme to schedule operations for these measures, aimed at introducing sectoral funds for qualification and individual training accounts and for employees in order to expand access to retraining and upgrading qualifications¹⁸ in implementation of the National Tripartite Agreement and the specific recommendations to Bulgaria for expanding the participation in LLL.

¹⁵ On 18 March 2021.

¹⁶ Signed in June 2020, it provides for a number of concrete actions - including the ratification of ILO Conventions 151 and 154.

¹⁷ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the European Pillar of Social Rights Action Plan [COM (2021) 102 final].

¹⁸ Reskilling & up-skilling.

4.3.2. Considering that, in principle, a large part of the measures set in the PHRD are aimed at promoting upward convergence, ESC proposes the priority setting of measures and instruments that will contribute to a positive and qualitative change of the Gini Coefficient and the Quintile Income Ratio 80/20, which are observed through the so-called EPSR scoreboard for Bulgaria.

4.4. In order to overcome the challenges in the direction of "green and digital transformation" ESC insists that the PHRD provide a more significant resource for digital skills and competencies (for example, 500 million BGN, which will supplement the pledged 287 million BGN under the NRRP), as 50% of the funds should be directed to the development of specific digital skills and competences of employees, as well as to allocate a special resource for the formation of "green skills" among the population outside the education system.

4.5. ESC considers it necessary in the activities of the SC3 under Priority 1 of the PHRD to include joint actions of the social partners for specialized interventions in the direction of: joint research and analysis of the SP on the latest practices of employers and workers using new and atypical forms of labour in order to ensure quality employment, including - the opportunities for the introduction of summary calculation and reporting of working time and problems related to working hours and the payment of the so-called "digital workers", seeking adequate proposals for legal regulation, prevention of circumvention of labour legislation, taking into account the characteristics of work through online platforms, as well as the characteristics of the relationship between employers and workers working through platforms. Encourage joint actions of the SP based on research and analysis to improve the conditions for quality employment and a balanced labour market.

4.6. ESC recommends a clear demarcation with Programme "Education" in relation to policies and target groups that concern NEETs. For example, the latest version of the programme contains a text which concerns children at risk of early school leaving - a measure that is not among the target for the programmed operations, given the target group. ESC considers that it is not the commitment of the MLSP to apply measures to the target group, as far as they are in the education system, nor to allocate funds for this in Priority 1. The systemic place of such a policy, insofar as it could be linked to PHRD activities, would rather be in Priority 2, as it does not concern adults.

4.7. Within the framework of SO 3, policies related to the security of new jobs and their protection should be complemented. Technological changes, leading to a change in the way and organization of work processes and relations, can also create uncertainty in the labour market. In order to ensure quality and sustainable jobs, employment flexibility must not be allowed to negatively affect the quality of jobs. To comply with the guarantees for quality employment to be strictly and constantly monitored on the basis of objective indicators set in the programme. This fact should be noted, as well as the role of the social partners in reducing and preventing undeclared employment.

4.8. ESC recommends in the framework of SO 3 of Priority 1 to the point for "Better adaptation of enterprises and workers to change and improvement of the working environment" to add the following exemplary measures for:

- Intensifying the work and encouraging the participation of the committees and groups on working conditions (WCC and WCG) and the representatives of the information and counselling workers for prevention and overcoming the consequences of epidemics, as well as for improving the working conditions and the working environment in enterprises. Interventions for adaptation to change of workers, enterprises and entrepreneurs, together with effective social dialogue and collective bargaining, can also be successfully implemented through the mechanisms of employee participation and information and consultation. Measures in this direction can be developed on the basis of the previous experience of the social partners in building information and consultation systems in enterprises and in the state administration, including the preparation of proposals for changes in regulations and administrative practices;
- Upgrading the mechanism for forecasting and mapping the demand for skilled labour by the Employment Agency with the support of NAVET, carrying out in cooperation with the SP activities to bring the qualification of the workforce in line with the needs of the labour market;
- Overcoming the effects of the pandemic on the health of the workforce (such as realization of psycho-social risks, musculoskeletal injuries, problems in the cardiovascular system and others).

4.9. Existing social protection services cannot cover all cases for understandable reasons, and the demographic crisis in Bulgaria clearly requires an organized system to engage Bulgarian citizens, or at least the employed, with funding - either through contributions on the principle of insurance, either through part of the tax deductions in these policies. This implies activities for research of experience, analysis and systematization of appropriate activities for building a lasting and comprehensive system for long-term care. In this regard, ESC proposes within the SO 3 and in particular in the eligible activities of item 2 "Modernization of social protection systems...", to include the following eligible activities:

- Research and analysis of experience and practices, based on which to develop normative and practical prerequisites for the introduction of vouchers for services that can be applied both for the use of services (social and other) and for the exercise of employment. activity, incl. of persons with disabilities;
- Modernization of the social protection system in the insurance part, with emphasis on the risk of unemployment, in order to expand the scope and increase the quality of insurance protection in the conditions of new and atypical forms of employment and various forms of employment, forced flexibility and onset of extraordinary circumstances for the economy and employment;
- Study of the European experience for applying a new approach in the organization and construction of a coherent and accessible system for long-term care, as part of the modernization of protection.

4.10. Under SO 4, the section "Skills needed for the future of work" does not specify the role of the social partners in relation to the development of digital skills profiles for key positions in economic activities. Given that they will be piloted under the current PHRD, it should be clarified that through the new PHRD 2021-2027 they will be upgraded and not developed from scratch. In this part, the text should be reworded to be correct in relation to the activities actually carried out.

4.11. In addition to indicating the social partners in an appropriate text, the other Priority 1 SOs should also provide for measures related to new forms of employment and new occupations in SO 3, such as increasing the attractiveness of new occupations, their identification and training the workforce in compliance with their needs. Accordingly, the measures in the individual SOs should comply with the additions and corrections made in the justification of each individual SO.

5. Programme "Education" (PEd)

5.1. ESC supports in principle the latest working version of the PEd¹⁹, assessing as a positive step the presentation of the comments of the EC, but expresses concern about the process of its preparation - due to the cancellation of the planned public discussion²⁰. Despite various individual interviews with stakeholders, ESC insists on compliance with the law on preparation of the Program and expects the Ministry of Education and Science and Executive Agency Operational Programme Science and Education for Smart Growth to provide regular public information about changes in the design of the programme and amendments to it, as well as time for feedback before sending it to the European Commission for review.

5.2. Considers that, in the new programming period, policies are better formulated and better targeted at the issues identified, such as: the need to improve the quality of education and training in line with labour market needs, the still high proportion of early school leavers, the low level of digital skills of the population, the need for upgrading training for teachers and updating of technological equipment in schools. ESC also supports the additions made with regard to the emphasis on digital educational content and the derivation of specific indicators in this direction, as well as the refinement of texts aimed at validating non-formal and informal learning.

5.3. ESC is pleased that the programme reflects a number of proposals made in recent years by the social partners: to introduce dual higher education, investment in teacher training, strengthening the relationship between education and businesses, more information and advice in the field of vocational education and training. Thanks to the consideration of the EC's comments, the latest version of the PEd is much clearer, removing general texts at the expense of including new ones that offer specific policies and measures - especially in the field of higher education, aimed at implementing reforms, laid down with the latest amendments to the Higher Education Act.

5.4. The Executive Agency in charge of the preparation and management of the Operational Programme Science and Education for Smart Growth, as well as the Ministry of Education and Science should be guided in developing the new programme based on the understanding that education should be one of the main policies in the new programming period due to the rapid introduction of new technologies and its lag behind technological processes. This requires a different approach in the development of measures aimed at pre-school and school education, as well as higher education, with an emphasis on vocational education and its practical orientation. At the same time, the programme relies on the big, so-called "systemic projects" of the Ministry

¹⁹ From 10 May 2021, which was sent to the EC.

²⁰ Which was to take place on 18 March 2021.

of Education and Science, but does not address either the problem of early school leaving, nor the systemic problem with the poorer results of Bulgarian students in assessing the acquired skills. What is envisaged in Priority Axis 3 sounds like “starting from scratch” with analyses, research, new forms and adaptation to the dynamics of the labour market, qualification of pedagogical staff, centres of excellence in VET, which arouse bewilderment - as new organizational forms that probably are recommended by pilot studies, but are not the focus of the programme, but part of it. ESC recommends reassessing these measures in the light of strategic priorities.

5.5. Despite the outlined positive points, ESC considers that there are deficits in some policies, which recommends finding their systematic place in the operational programme. The role of the SPs should be more clearly visible in the programme, which, unfortunately, in the new wording are excluded from the circle of MES partners in policy-making. However, ESC accepts as positive the fact that the proposal of the SPs should be included in the development of a new List of professions for vocational education and training was accepted, given their participation in creating a mechanism for its adaptation and open format of professional qualification standards, modernization of curricula in secondary vocational and higher education. At the same time, private educational institutions should also have access to funding measures, insofar as they are guided by the same rules in their work. The opposite would lead to discrimination against students studying in private institutions at the expense of those in the public education system.

5.6. There is a drastic lag in the modernization of schools, especially those in small towns. Specific integrated measures in this direction should be introduced, extending the possibility of support through ITI. In practice, infrastructure measures cannot be implemented alone, but only by combining infrastructure and soft measures that are tailored to the needs of the specific region. This will allow for targeted investments, both in improving the educational infrastructure and for investments in technological renewal for the implementation of STEM in schools, especially in small settlements. At present, this has not been done and in practice there is no comprehensive policy for implementing an integrated approach and synergy with other programmes in the new programming period.

5.7. ESC welcomes the inclusion of all educational institutions (public and private) in the system of preschool and school education in the scope of eligible beneficiaries of the programme. Taking into account the current practice of the Ministry of Education and Science and the Executive Agency for OPSESG in the implementation of procedures for providing grants under the OP "Science and Education for Smart Growth" 2014-2020, considers it necessary to guarantee equal access, both for children and pupils and for pedagogical teams from private schools and kindergartens, to participate in the various measures for professional and personal development. This includes absolutely all activities aimed at the educational integration of children and students with SEN, regardless of the educational institution in which they study, activities to prevent aggression in schools, access of children and students to activities funded under the programme such as contests, competitions and other extracurricular and extracurricular activities. It is in the interest of the development and modernization of the educational system to enable private educational institutions to participate in all programmes and measures for educational exchange, including with higher schools. ESC hopes that during the new programming period all children,

students and teachers will be able to fully participate in the implementation of the programme in accordance with the principles of equality and non-discrimination.

5.8. ESC also expresses its concern that with the establishment of the new State Agency for Research and Innovation and, accordingly, the signing of PRIDST, the stimulation of research may be neglected. In the current version of the programme, it is only marked in a few places, without specific measures. However, the research innovation programme does not pay enough attention to research within higher education, as the emphasis is laid on research organisations. There is a lack of support for young researchers and their development. The two programmes should correspond more clearly and reflect more specific measures related to the research work of HEIs and the development of talent at this level. The programme also lacks support for the effective promotion of VET and for research and practical developments at the level of school education. Interest in research should be kindled in secondary education and encouraged through the participation of students in extracurricular activities through the establishment of school laboratories and research classes.

5.9. ESC highly appreciates the latest version of the PE, which comprehensively reformulates the policies in the field of higher education to ensure its modernization. It also proposes to consider the inclusion of pilot grant programmes based on the bottom-up/grass root approach principle. This involves funding for call for applications run by higher education institutions, open to individual participants or teams on topics relevant to local communities and businesses.

6. Programme "Regional Development" (PRD)²¹

6.1. ESC finds that the Programme well structured, and at four meetings of the TWG all its elements were thoroughly considered, with the active participation of all stakeholders. The Programme "Regional Development" is in a sufficiently advanced stage of development and approval from the EC can be expected. Two characteristic elements of the programme should be highlighted.

6.2.1. Focused implementation of the "Integrated Territorial Approach", which gives priority to territorial development councils, with a commitment on their part to prepare integrated territorial plans with the possibility for active participation of a wide range of stakeholders. The principle of partnership becomes a key feature, and in this regard, eligible beneficiaries under the PRD 2021-2027 are partnerships, including some or all of the following (the list is not exhaustive):

- State bodies, district administrations and municipal authorities;
- Representatives of the civil society - non-governmental organisations, employer organisations and trade unions, foundations;

²¹ Based on Version 3 of the Programme, approved at a meeting of the TWG, held on 20.01.2021 and sent to the European Commission.

- Business - representatives of large enterprises, representatives of small and medium enterprises, etc.;
- Research community - representatives of universities, Bulgarian Academy of Sciences, Agricultural Academy, etc .;
- Homeowners' associations in multi-family residential buildings.

6.2.2. The proposed approach provides wider opportunities for direct access for businesses to funds from the programme, and opens the door for public-private partnerships on various projects.

6.3. ESC also reports that the PRD 2021-2027 will administer the funds that Bulgaria will receive from the Fair Transition Fund. The specific objective is defined as "Enabling regions and people to cope with the social, employment, economic and environmental impacts of the transition to the Union's 2030 climate target and a climate-neutral economy by 2050 on the basis of the Paris Agreement". The planned funds amount to 1.178 billion Euros, concentrated at this stage in the districts of Stara Zagora, Kyustendil and Pernik. Sliven, Yambol, Haskovo, Burgas, Varna, Lovech, Gabrovo, Targovishte are the additional areas for which intervention can be made in case they are recognized as eligible under the FTF.

7. Programme "Transport Connectivity" (PTC)²²

7.1. ESC notes that there is no significant change in strategic priorities compared to the current Programme. There is no diversity in terms of key projects planned for funding, as due to insufficient administrative capacity of NRIC and RIA there is a serious backlog in the construction and modernization of the TEN-T network, which by 2030 must be fully completed on the territory of our country. The metro in Sofia, as a "remarkable" beneficiary, also finds a place in the programme again. Priority for innovation, traffic management systems and safety enhancements is also included, despite the projected only 64 million Euros, which cannot be increased due to the needs of the other priority axes.

7.2. ESC also welcomes the changes made in the programme, given the fact that some of the potentially eligible projects have found a place in the prepared Recovery and Resilience Plan. For example, the Sofia Metropolitan has been removed from priority axis 3 of the TCP, which has been redirected to the NRRP. Instead it envisages to finance intermodal terminals, modernization of station complexes and railway connections to the Ports of Burgas and Varna and other smaller projects.

7.3. ESC notes that the environmental assessment of the programme can also be approved and found that this programme is in a fairly "mature" stage of readiness.

8. The Programme for Research, Innovation and Digitisation for Smart Transformation 2021-2027 (PRIDST)

²² At the end of 2020, Version 2 of the Program was submitted to the European Commission.

8.1. ESC supports the development of an entirely new Programme for research, innovation and digitisation for economic transformation, as a necessary tool in response to the effects of Industry 4.0 and the new technologies entering the economic life of Bulgaria. Supported PRIDST measures should be aimed at optimizing the research environment and its relevance to the needs of businesses and society, development and innovation for SMEs, including by creating and facilitating a range of services to support both the innovation infrastructure, as well as for the development of their research potential as human resources. ESC regretfully notes that, in addition to the publicly available version of November 27, 2020 first version of the programme, there is no documentary base, including information on the version of the programme after a public discussion (from the end of 2020), as well as information on reactions from the European Commission as of mid-April 2021.

8.2. ESC draws attention to the fact that the existence of a separate research programme should have as its main goal to compensate for the poor performance of our country in this area in recent decades and strengthen our competitiveness in order to accelerate economic development. ESC emphasizes that the funding of universities and research organizations under this new program will be available after future analysis and mapping of needs in order to optimally build and territorial structuring of the research and innovation ecosystem in the country (SPs are cited). A demarcation should also be made with the measure in the NRRP, conditionally called "Implementation of a common policy for the development of research, innovation and technology in favour of accelerated economic and social development of the country"²³. The Partnership Agreement, as well as the NRRP, provides for an international independent evaluation of the effectiveness of investments in the period 2014-2020 for the establishment of centres of excellence and centres of competence, while the programme provides for the direct use of the results of these centres for the development of business models and the formation of effective partnerships, probably on a territorial basis.

8.3. ESC proposes that the industrial parks planned for funding under the PRIDST should be created in districts and settlements where research infrastructure and the network of higher education institutions suggest opportunities for development. Lack of research organizations or universities (not their branches) should be an obstacle to the creation or financial support for the creation or funding of industrial parks under the new programme.

8.4. At this stage, ESC largely expresses its satisfaction with the generally supported proposals of the social partners of a more in-depth analysis and connection with the European strategic documents. It should be borne in mind, however, that by removing research from other programmes, it should find a proper place in the current programme and in relation to the same target groups. In this regard, it is very important to ensure synergy with the measures set out in the currently developed PEd and PCIE, as well as with the plans for integrated development at regional and municipal level, while making a clear demarcation.

8.5. The programme should take into account the poor performance of Bulgarian enterprises, especially SMEs, in the EU Innovation Framework Programmes, especially Horizon 2020.

²³ Variant of the NRRP 1.3 of 16 April 2021.

PRIDST should to some extent compensate for the imbalances between the European Innovation Area and the Bulgarian reality, by supporting measures aimed at exchanging experience and supporting inclusion in partnerships. This should be done by strengthening the capacity of the State Agency for Research and Innovation to provide consultations and training to SMEs for the preparation of quality projects, to work for greater visibility of Bulgarian research and the link between research and business.

8.6. ESC supports in the framework of Priority Area 3: "European Integration and Internationalisation" to provide specific measures aimed at stimulating and supporting Bulgarian participants in the horizontal programme of the European Union through building and strengthening existing capacity. In addition, specific measures need to be envisaged to strengthen cooperation with the representatives in Bulgaria of the knowledge and innovation communities of the European Institute of Innovation and Technology.

8.7. ESC believes that the new EU cybersecurity policies should not only cover state and municipal structures, but also companies that are also victims of hacker attacks, which would depend on the field of activity of the company, also with severe consequences, which to affect Bulgarian citizens.

8.8. ESC recommends that the programme should focus mainly on innovations that contribute to the economic growth of the country, support business and society and have an applied nature. The new programme should not replicate the structure and errors made so far in regard to the Bulgarian Research Fund, it should be entirely related to the practical applicability of the supported innovations, support infrastructure mainly in the development and creation of laboratories and laboratory equipment to demarcate PCIE, and these investments should be linked to the development of human resources in this area with a clear demarcation from the PEd and PHRD. PRIDST should be an upgrade and a horizontal programme that promotes and supports the innovation potential of Bulgaria.

9. Programme "Environment" 2021-2027 (PEn)²⁴

9.1. ESC believes that the programme should take greater account of strategic guidelines and trends at EU level in terms of creating a fair and prosperous society with a modern, resource efficient and competitive economy, protection, conservation and increase of EU natural capital, as well as and protecting the health and well-being of citizens from environmental risks and impacts.

9.2. ESC regrets that the measures set out in the programme do not sufficiently take into account the ambitions to reduce greenhouse gas emissions and increase the use of clean energy in the fields of economy, industry, production and consumption, large-scale infrastructure, transport, food and agriculture, construction.

9.3. ESC regrets the lack of a detailed analysis of the investment needs in the field of environment, which would take into account the degree of achievement of the environmental objectives of the country, the measures implemented so far and the lessons learned, and which should create a basis

²⁴ Third working project of PEn 2021-2027 of 5 February 2021.

for a transparent and informed decision on the measures to be supported and the allocation of financial resources.

9.4. ESC believes that the planning of financial instruments should take into account the lessons learned from previous programming periods, the specifics of investments and take into account the real situation in the sectors for which it is planned to use such instruments.

9.5. ESC notes that the identified contribution of the PEn 2021-2027 to addressing the socio-economic recovery from the COVID-19 pandemic is mainly related to preventing the spread of the infection and creating temporary employment, but is not related to specific socio-economic measures to overcome the consequences and create permanent jobs.

9.6. ESC supports the efforts to achieve full compliance with the requirements of Directive 91/271/EEC through investments in plumbing infrastructure, but regrets that the focus of investment is again settlements with more than 10,000 E.I., and the resource for settlements between 2,000 and 10,000 E.I. is limited and conditional. These activities complement the measures under the National Recovery and Resilience Plan (support for construction of water supply and sewerage infrastructure in agglomerations between 5,000 E.I. and 10,000 E.I.) and those of the Strategic Plan for Development of Agriculture and Rural Areas for the period 2021-2027 for agglomerations below 2,000 E.I. The development of adequate water supply and sewerage infrastructure in the settlements is a prerequisite for increasing the attractiveness of the regions for the development of economic activities and reducing the migration to the large settlements.

9.7. ESC is of the opinion that in compliance with the principle of avoiding double financing and in order to maximize the efficient use of funds, measures to strengthen the capacity for planning, management and implementation of obligations in the water sector and water supply and sewerage should be aimed at water supply and sewerage operators, whose main activities are the provision of strategic services such as water supply, sewerage, drinking water and wastewater treatment.

9.8. ESC supports investments aimed at reducing the amount of household waste and welcomes the complementarity of investments between PEn 2021-2027 and PCIE 2021-2027, which will support measures to prevent waste generation, incl. the creation of sustainable products, the sustainable use of raw materials and the use of waste as a resource. The transition to a sustainable model of production and consumption and the application of the principles of the circular economy in all sectors of the EU economy is a prerequisite for increasing GDP and creating new jobs and is in line with the new EU industrial strategy.

9.9. ESC notes that the draft programme states that household, industrial, construction and hazardous waste will be addressed, but believes that the measures formulated in this way are mainly aimed at municipal waste. The programme should take greater account of the trend observed during the period 2008-2018 of increase in the amount of generated industrial waste and the high potential for recycling of construction waste²⁵ and to provide measures in this direction.

²⁵ Draft National Waste Management Plan 2021-2028 <https://www.moew.government.bg/bg/proekt-na-nacionalen-plan-za-upravlenie-na-otpaducite-2021-2028/>.

We are also of the opinion that the circle of potential beneficiaries should be expanded to include legal entities for business purposes.

9.10. ESC notes with disappointment the lack of specific measures in the PEn project to build a national information system for generated, recycled, recovered and landfilled waste and achieve the objectives arising from environmental legislation. The existence of such a system will ensure transparency and awareness of stakeholders and the population regarding the achievement of the identified goals, the realized investments and the availability of adequate capacity.

9.11. Given the increasing and extreme climatic and meteorological phenomena as a result of climate change, the growing threat to human health and well-being and growing economic losses, ESC welcomes investments in measures to prevent and manage the risk of natural disasters. Taking into account the specific objective of promoting adaptation to climate change, risk prevention and management, ESC believes that the scope of measures should be extended to include funding for projects for the recovery of carbon dioxide, which would be in line with the new EU strategy for adaptation to climate change²⁶.

9.12. ESC recognizes the need for urgent measures to protect the purity of ambient air and welcomes the funding of measures for this, but also believes that the measures should be aimed at the main source of pollution with fine dust particles, namely domestic heating. Considering that the main part of investments in 2007-2013 and 2014-2020 were in measures related to emissions from transport, we are of the opinion that efforts should be focused on domestic heating. In addition, funding is provided for the establishment of Low Emission Zones. In this regard, ESC believes that this type of measures should be not only regulatory in nature, but also related to the creation of a material basis for the introduction of such areas.

9.13. Investments in hydrogen will promote sustainable growth and job creation, which will be crucial in the context of recovery from the crisis caused by COVID-19 and in this regard ESC welcomes measures aimed at increasing the use of hydrogen as a raw material, fuel or energy carrier and a means for storing energy. But given the fact that hydrogen technology is not yet available for the mass consumer and industrial hydrogen production capacities are yet to be realized²⁷, ESC has doubts regarding the adequacy of the measures for replacement of solid fuel heating appliances with appliances using hydrogen. In this regard, the possibility of extending the scope of the PCIE demarcation measures should be considered, providing support for demonstration projects to turn the idea of pure hydrogen into a workable solution for the gradual decarbonisation of various sectors, as well as to expand the scope of eligible beneficiaries for this type of measures and business entities are also included.

²⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Building climate change resilience - The EU's new strategy for adapting to climate change (<https://eur-lex.europa.eu/legal-content/BG/TXT/PDF/?uri=CELEX:52021DC0082&from=EN>).

²⁷ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A strategy for the use of hydrogen as climate-neutral (https://ec.europa.eu/energy/sites/ener/files/hydrogen_strategy.pdf)

/Signed/

Zornitsa Roussinova

PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL