

SPRING 2017 REFORM BAROMETER – BULGARIA

European Semester - Overall assessment of 2016 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (February/November 2016) is appropriate.	To a large extent	The most important parts are the goals and measures to enhance the country's competitiveness, to encourage investments and to improve the skills and education of the workforce.
2.	The Commission's country specific recommendations for your country are appropriate.	Yes, absolutely	The Country Specific Recommendations 3 and 4 are quite broad with specific measures. For the third recommendation – the predominant number of social partners agreed to conduct negotiations for minimum wage on bipartite and not on tripartite level and to abolish the governmental administrative procedure. Almost all of the recommendations in the public procurement (rec. 4) are achieved, also because they were horizontal preconditions in the country's Partnership Agreement 2014-2020. There is a slide delay in implementation of the online public procurement procedures.
3.	The Commission assessment of reform implementation the year before is appropriate.	Yes, absolutely	The three most important points are: 1) to create a comprehensive mechanism with the help of the social partners to calculate the minimum wage; 2) the improvement of the insolvency mechanism; 3) implementation of the e-procurement in health sector.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	Yes, absolutely	High corporate debt; weaknesses in the labour market; major challenges for the healthcare system.

Assessment of Country Specific recommendations 2016 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Achieve an annual fiscal adjustment of 0,5 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Further improve tax collection and take measures to reduce the extent of the informal economy, including undeclared work.	Important	Mixed	The fiscal statistics shows that there is improvement in the tax collection in 2016 in terms of comparison to the budget prognosis and there are no sensible visible signs of reduction of informal economy.
CSR 2	By the end of 2016, finalise the asset quality review and stress test of the banks. By the end of 2016, complete the balance-sheet review and stress test of the insurance companies and the review of private pension funds' assets. Take, as necessary, follow-up actions in all three sectors and continue to improve banking and non-banking supervision.	Helpful (but not a priority)	Mixed	The tests of the banking system were completed on-time, but the test of the insurance and pension funds are extended till the end of January 2017, because of the problems in the organization of the tests procedures by the Financial Supervision Commission.
CSR 3	Reinforce and integrate social assistance, including relevant social services, and active labour market policies, in particular for the long-term unemployed and young people not in employment, education or training. Increase the provision of quality education for disadvantaged groups, including Roma. Improve the efficiency of the health system by improving access and funding, and health outcomes. In consultation with social partners establish guidelines and criteria for setting the minimum wage. Increase the coverage and adequacy of the minimum income scheme.	Extremely important	Mixed	Healthcare: There are still no visible reforms in the healthcare system – the practice remains of covering the hospital's debts with funds for the next year. Around 50% of the National Health Insurance Fund budget is aimed at hospital care. The budget has to be structured in a proper way for implementing policies and reaching fixed goals Education: Around 60% of people with higher education degrees in Bulgaria work in positions, which require a high school diploma and does not match their qualification. And a few years later they lose this qualification. Other problems are the improper vocational secondary school system and the higher education system. More than half of the unemployed do not have any qualification.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 4	Reform the insolvency framework to accelerate recovery and resolution procedures and improve their effectiveness and transparency. Increase the capacity of the courts regarding insolvency procedures. Strengthen the capacity of the Public Procurement Agency and contracting authorities and improve the design and control of public tendering procedures, in particular by fully implementing the National Strategy for the development of the Public Procurement Sector (2014-2020). Speed up the introduction of e-procurement.	Extremely important	Mixed	There are no significant improvements in the insolvency procedures from law making and procedural point of view. A small improvement is registered in the public procurement system due to obligatory reforms, listed in preconditions in the Partnership Agreement, 2014-2020.

Reform Progress in your Member State in 2016

How would you assess reform progress in 2016, for the following broad areas:

Taxation and Public Finances	Unsatisfactory
Business environment (regulation/access to markets)	Unsatisfactory
Labour market	Unsatisfactory
Innovation and skills	Mixed
Access to finance and Financial stability	Mixed

Is there any example of an economic reform, specific to your country that BUSINESSEUROPE could highlight in its 2017 Reform Barometer?

The three employers' organizations – the BCCI, the BICA and the BIA, reached a consensus on minimum wage determination principles. They are fully corresponding to the International Labour Organization's Convention 131 and are partly corresponding to the trade unions position – coverage of needs of workers and their families in connection to the social assistance from the state, maintaining a high level of employment and taking into account the labour productivity.

Employers' organizations have invited the trade unions to bilateral consultations about the mechanism of determining the minimum wage for 2017.

The common position of the employers' organizations about the minimum thresholds for social security is that this is an outdated mechanism which does not contribute a lot to the income of the state's social security and is not generally applied in Europe.

Reform priorities for 2017

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Business Environment - Regulatory barriers to entrepreneurship	To abide and implement in all administrative spheres and state taxes the cost-orientated approach of fees' determination.	yes
Priority 2	ICT	There is a need of a new education approach relating to the increasing difference between high- and low-skilled employees in the era of digital and sharing economy. An extensive analysis and forecast of the economic development is also necessary, without which it is impossible to estimate the new educational approach.	no

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 3	Wage bargaining and wage-setting policies	Implementation of the ILO Convention 131. Use of the five factors for minimum wage determination, which have to be bound to appropriate indicators. BIA proposed a set of indicators, which are under consideration.	yes
Priority 4	Public sector efficiency	To decrease the budget expenditures; define the clarified specific goals on expenditure policies, aims and effectiveness; include the demographic policy, which is an essential for Bulgaria's development in the budget framework.	no
Priority 5	Active labour market policies	Modernization and renovation of the outdated legal labour framework, especially drafting of a new Labour Code.	yes