

SPRING 2019 REFORM BAROMETER – BULGARIA

European Semester - Overall assessment of 2018 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (March 2018) is appropriate.	To a large extent	Skills, education and lifelong learning. Improvement of qualifications. Promoting innovation in enterprises. Improving EE of enterprises.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	Step up enforcement of measures to reduce the extent of the informal economy, in particular undeclared work; Acceleration of the reform of the insolvency framework and promotion of a functioning secondary market for non-performing loans; Increase the provision of quality mainstream education, in particular for Roma. Increase health insurance coverage, reduce out-of-pocket payments and address shortages of healthcare professionals. In consultation with social partners, establish a transparent mechanism for setting the minimum wage.
3.	The Commission assessment of reform implementation the year before is appropriate.	To some extent	Reduce the extent of the informal economy, Facilitate the reduction of corporate non-performing loans, acceleration of the reform of the insolvency framework, promotion of functioning secondary market for non-performing loans, Increase the provision of quality mainstream education; Establishment of a transparent mechanism for setting the minimum wage; Efficient implementation of Public procurement.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	Yes, absolutely	High private sector debt, high share of young people that are not in employment, education or training, labour shortages and mismatches.

Assessment of Country Specific recommendations 2018 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Improve tax collection and the efficiency of public spending, including by stepping up enforcement of measures to reduce the extent of the informal economy. Upgrade the State-owned enterprise corporate governance framework in line with international good practices.	Extremely important	Unsatisfactory	There are some contradictory measures that are introduced by the government and National Revenue Agency concerning the improvement of collection of taxes and reduction of the shadow economy. These measures impose additional financial and administrative burden on enterprises – replacement of cash registers or upgrading of the existing cash registers, electronic declaration of each individual transport of high-risk fast-moving goods seven days prior to the transportation, etc.
CSR 2	Take follow-up measures resulting from the financial sector reviews and implement the supervisory action plans in order to strengthen the oversight and stability of the sector. Ensure adequate valuation of assets, including bank collateral, by enhancing the appraisal and audit processes. Complete the reform of the insolvency framework and promote a functioning secondary market for non-performing loans.	Important	Unsatisfactory	In the Government's Legislation Program for 2018 were not included any legislative proposals for improvement of insolvency legislation. Also, there were not scheduled any measures that could establish efficient secondary market for non-performing loans. Concerning the evaluation of assets – there are some steps that will assure adequate evaluation – it will be provided by the European central bank, without modification of the methodology, developed by the ECB. In 2016 the Asset quality review (AQR) of the banking system was conducted by the Bulgarian National Bank with methodology, corresponding to the methodology applied by the European Central Bank and adapted to reflect the specifics of the domestic market.

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 3	Increase the employability of disadvantaged groups by upskilling and strengthening activation measures. Improve the provision of quality inclusive mainstream education, particularly for Roma and other disadvantaged groups. In line with the National Health Strategy and its action plan, improve access to health services, including by reducing out-of-pocket payments and addressing shortages of health professionals. Introduce a regular and transparent revision scheme for the minimum income and improve its coverage and adequacy.	Extremely important	Unsatisfactory	Proposed measures are insufficient to the extent of the existing problems. The measures taken to date in reforming the health system and the health insurance system (economic, medical, organizational and sociopsychological) are not subject to a general concept combining the efforts of the state, the employers and the population to achieve a new attitude towards human health.

Reform Progress in your Member State in 2018

How would you assess reform progress in 2018, for the following broad areas:

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

Reform priorities for 2019

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Sector specific regulation (telecom, energy)	Reducing the negative effects of rising greenhouse gas emission quotas in connection with the electricity market in Bulgaria. Gradually the electricity price for household consumers should be bound to the market prices ensuring effective access and incentives for household consumers to enter the free market. The regulation must achieve a financial balance along the consumer chain with a targeted function of minimum costs for all users as well as an even distribution of costs. The administrative intervention of the Independent Bulgarian Energy Exchange should be limited. The existing mechanism for paying over the reference price leads to an increase in the cost for business users. Preference should be given to the standardized long-term options for electricity sale at the expense of the short-term contracts. Full transparency of traded volumes and contracted capacities must be ensured. It is necessary to make a thorough financial analysis in the electricity sector along the chain of production, transmission, distribution and supply and to prepare a package of measures to increase the competitiveness of condensing plants.	no
Priority 2	Business Environment - Regulatory barriers to entrepreneurship	There is overregulation in our country, with more than 500 administrations managing more than 2,500 regulatory regimes, many of which could be cancelled or mitigated. Moreover, municipal administrations in particular introduce and manage regulatory regimes, provided they have no legal right to do so. Another important issue in business-to-administration communication is the adoption of normative acts without the necessary full assessment of their impact. Also, the ex-post assessment of legislation already in force is virtually absent.	yes

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 3	ICT	Improving administrative services, reducing administrative pressure on businesses and minimizing corruption conditions can only happen through the accelerated deployment of eGovernment.	yes
Priority 4	R&D and Innovation	In connection with the tertiary education there is a need to establish working and sustainable mechanisms and modern instruments to harmonize academic plans and programs with labour market requirements and create compatibility between credit transfer and accumulation systems in higher and vocational education and training; Initiating the establishment of a National Academy for Vocational Training; Achieving an active symbiosis of research and learning with the capabilities of technology centres.	no
Priority 5	Pension and health care reforms	Healthcare reform should be subordinated to a concept and package of solutions geared to effective management and targeted use of the entire financial resource that enters the healthcare system to ensure equal access and quality service for all. And the ultimate goal is to ensure a reduction and gradual reduction of the share of funds at the expense of the population.	yes