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# **COVER NOTE**

From:	Mr Valdis DOMBROVSKIS, Vice-President ot the European Commission		
date of receipt:	22 October 2018		
To:	Mr Hartwig LÖGER, Minister of Finance of Austria		
Subject:	Structural Reform Support Programme - Cooperation and Support Plan 2017-2020 with Bulgaria		

Delegations will find attached the amended Cooperation and Support Plan 2017-2020 with Bulgaria under the Strucural Reform Support Programme.

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Structural Reform Support Programme

Regulation (EU) 2017/825 of the European Parliament and of the Council on the establishment on the Structural Reform Support Programme for the period 2017 to 2020 and amending Regulations (EU) No 1303/2013 and (EU) No 1305/2013

2017-2020

Republic of Bulgaria

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#### INTRODUCTION

- 1. To help address some of the relevant reform challenges that the country is facing, the Republic of Bulgaria has requested support under Regulation (EU) No 2017/825 on the establishment on the Structural Reform Support Programme (hereinafter referred to as "SRSP" or "SRSP Regulation")1. The request has been analysed by the Commission in accordance with the criteria and principles<sup>2</sup> referred to in Article 7(2) of the SRSP Regulation.
- 2. Based on that analysis and taking into account the existing actions and measures financed by Union funds or other Union programmes, this Cooperation and Support Plan reflects the outcome of the discussions between the Bulgarian authorities, notably the Ministry of Finance, acting as Coordinating Authority, and the Commission services, notably the Structural Reform Support Service (hereinafter "SRSS").
- 3. The Cooperation and Support Plan sets out the circumstances of the request, the envisaged priority areas for support, and the main objectives (section II), the intended scope of the support measures (section III), the guiding principles governing the provision of support (section IV), the planned working methods (section V), the indicative financing of support (VI) and the transmission of information to the European Parliament and the Council as well as the annual update of the plan (VII), and the communication and visibility (VIII). The Annex(es) provide(s) an estimated global financial contribution, by year, with an indicative timeline (cf. Annex(es) to this Cooperation and Support Plan).

#### П. CIRCUMSTANCES OF THE REQUEST, PRIORITY AREAS FOR SUPPORT AND **OBJECTIVES**

- 4. The request for support from Bulgaria refers to issues to be addressed and needs arising from any of the following circumstances:
  - 4.1. The implementation of reforms, undertaken at its own initiative, in particular to achieve sustainable economic growth and job creation;
  - 4.2. The implementation of growth-sustaining reforms in the context of economic governance processes, in particular of the Country Specific Recommendations issued in the context of the European Semester;
  - 4.3. Actions related to the implementation of Union law.
- 5. Support should be targeted on any of the following priority areas (as identified in the SRSP Regulation):

http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R0825

Criteria for analysis: urgency, breadth and depth of the problems identified, support needs in respect of the policy areas concerned, socio-economic indicators and general administrative capacity of the Member State. Principles: transparency, equal treatment and sound financial management.

- 5.1. Public financial and asset management, budget process, debt management and revenue administration;
- 5.2. Institutional reform and efficient and service-oriented functioning of public administration, including, where appropriate, through simplification of rules, effective rule of law, reform of the justice system and reinforcement of antifraud, anticorruption and anti-money laundering activities;
- 5.3. Business environment (including for SMEs), re-industrialisation, private sector development, investment, public participation in enterprises, privatisation processes, trade and foreign direct investment, competition and public procurement, sustainable sectoral development and support for innovation and digitalisation;
- 5.4. Education and training, labour market policies, including social dialogue, for the creation of jobs, fight against poverty, promotion of social inclusion, social security and social welfare systems, public health and healthcare systems, as well as cohesion, asylum, migration and border policies;
- 5.5. Policies for implementing climate action and promoting energy efficiency, achieving energy diversification, as well as for the agricultural sector, fisheries and the sustainable development of rural areas;
- 5.6. Financial sector policies, including the promotion of financial literacy, financial stability, access to finance and lending to the real economy; the production, provision and quality monitoring of data and statistics; and policies aiming at combating tax evasion.
- 6. The support should be expected to contribute to the reinforcement of the administrative capacity in Bulgaria to reform institutions, the administration, economic and social sectors, including through the efficient and effective use of Union funds, with a view to providing simplified, efficient and modern structures at the service of citizens and businesses. The main objectives should be the following:
  - 6.1. To assist the initiatives of national authorities to design their reforms according to their priorities;
  - 6.2. To support national authorities to enhance their capacity to formulate, develop and implement reform policies and strategies and pursue an integrated approach;
  - 6.3. To support the efforts of national authorities to define and implement appropriate processes and methodologies by taking into account good practices and lessons learned by other countries in addressing similar situations;
  - 6.4. To assist the national authorities to enhance the efficiency and effectiveness of human resources management, inter alia, by strengthening professional knowledge and skills and through definition of clear responsibilities.

#### III. **S**COPE OF THE SUPPORT MEASURES

7. The scope of the support measures should include the deployment of relevant and mutually agreed actions, among those set out in Article 6 of the SRSP Regulation, to be further specified by the Commission as appropriate in the implementation arrangements to be adopted in accordance with the SRSP Regulation and with Regulation (EU) No 966/2012 (hereinafter referred to as "Financial Regulation"). The support measures in question would cover inter alia:

### 7.1. Governance and Public Administration

Under the SRSP budget, support measures will aim to improve the institutional capacity of the Inspectorate to the Supreme Judicial Council and further develop internal audit and control in the Bulgarian administration - by producing guidelines for setting up of audit committees.

Under the voluntary contribution pursuant to Article 11 of the SRSP Regulation, support measures will aim to improve the functioning of the judiciary by providing support for the reform of payment order procedures under the Civil Procedure Code.

# 7.2. Revenue Administration and Public Financial Management

Under the SRSP budget, support measures will aim to modernise processes and methods used in the National Revenue Agency and help make it a more customerfocused institution.

### 7.3. Growth and Business Environment

Under the SRSP budget, support measures will aim to: reduce administrative burden by improving the comprehensibility of the regulatory requirements; enhance capacities for strategic long-term planning and funding of concessions (including electronic concessions) also in order to ensure successful implementation of EU law; improve capacities in the field of climate policy by mobilising expertise from administrations of other Member States; and improve electricity balancing, inter alia by establishing successful cross-border cooperation with neighbouring countries.

Under the voluntary contribution pursuant to Article 11 of the SRSP Regulation, support measures will aim to improve the governance of state-owned enterprises by revising and aligning legislation with the Guidelines on Corporate Governance of State-owned enterprises of the Organisation for Economic Cooperation and Development.

## 7.4. Labour Market, Health and Social Services

Under the SRSP budget, support measures will aim to improve matching of skills and labour market needs by supporting the modernisation of the vocational educational training framework.

# 7.5. Financial Sector and Access to Finance

Under the SRSP budget, support measures will aim to reduce administrative burden on capital market participants by supporting the creation of a single electronic entry point for the disclosure of information.

Under the voluntary contribution pursuant to Article 11 of the SRSP Regulation, support measures will aim to review and provide recommendations on improving the insolvency and stabilisation framework, including developing a data collection and publication system and increasing the capacity of insolvency practitioners through training.

8. Further details may be agreed by mutual consent, while ensuring consistency with the overall reform agenda and subject to the availability of resources.

#### IV. **GUIDING PRINCIPLES FOR THE PROVISION OF SUPPORT**

- 9. The following principles should guide the provision and administration of support:
- 10. National ownership of reforms. Any support measure should aim to support the Bulgarian endeavours and initiatives related to the preparation and/or implementation of structural and administrative reforms. The national authorities should maintain full ownership of their reform agenda. They should also assume full political ownership of the support measures envisaged by the Cooperation and Support Plan, with a view to fostering the achievement of effective results from the support provided. National ownership is recognised as a key factor for the success of the support measures envisaged under the SRSP.
- 11. Working in partnership. In order to maximise the result of the support measures, it is crucial that Member States' authorities at all levels — national, regional and local aim to work closely with each other in a spirit of partnership, in accordance with the Member State's institutional and legal framework and, as far as practicable, in cooperation with the relevant stakeholders.
- 12. Coordination and complementarity. The Commission and the Member State, within their respective responsibilities, should foster synergies and ensure effective coordination between the support measures envisaged by this Cooperation and Support Plan and the support measures financed by other Union programmes and instruments, and in particular with measures financed by Union funds. This coordination and complementarity should be ensured in the planning phase as well as during the implementation phase of the support measures. The Member State is encouraged to optimise, where appropriate, the mechanisms for internal coordination, inter alia, to avoid duplication of effort and with a view to help deliver coherent and streamlined support actions.
- 13. The **Commission** should promote complementarity and synergies between different instruments at the Union level; the Member State should promote complementarity and synergies between different instruments at national and, where appropriate, regional levels, in particular in relation to measures financed by Union funds.
- 14. The Commission should make best efforts to ensure complementarity and synergies with support provided by other relevant international organisations.
- 15. No double funding. The support measures envisaged by this Cooperation and Support Plan are to be implemented in accordance with the SRSP Regulation and the Financial Regulation. It is recalled that actions financed under the SRSP Regulation may receive support from other Union programmes, instruments or funds under the Union's budget, provided that the support does not cover the same cost items.

16. European added value. The SRSP should finance actions and activities with Union added value. To that effect, actions and activities selected for funding should be likely to produce results which, in accordance with the principle of subsidiarity, have Union added value; the Commission should monitor whether Union added value is actually achieved.

#### V. **WORKING METHODS**

17. To facilitate the smooth cooperation and effective implementation of support, the Commission services, notably the SRSS, and the Bulgarian authorities, notably the Coordinating Authority, should endeavour to observe the following working methods.

### 18.I mplementation and monitoring of the Cooperation and Support Plan

- 18.1. The SRSS should designate a dedicated country coordinator (the SRSS Country Coordinator). The SRSS Country Coordinator should be the key interlocutor for Bulgaria. The SRSS Country Coordinator should maintain a dialogue with the Member State in relation to the support measures provided, and monitor progress towards achievement of the objectives as set out in this Cooperation and Support Plan.
- 18.2. The Member State should designate a Coordinating Authority to act as the interlocutor of the SRSS for the overall implementation of this Cooperation and Support Plan. The Coordinating authority should be responsible at national level for coordinating and prioritising the requests for support submitted by the Member State, for coordinating the effective implementation of the measures envisaged and the achievement of the objectives set out pursuant to this Cooperation and Support Plan; it is encouraged to initiate corrective actions as needed.
- 18.3. To this effect, the Commission services, notably the SRSS, should set up a monitoring system. This system should be based upon the collaboration of the Coordinating Authority and of the relevant national authorities receiving support under the SRSP. The proposed system should:
  - a) collect relevant indicators as set out by the SRSP Regulation<sup>3</sup>;
  - b) establish a feedback mechanism to support accountability, transparency, empowerment,
  - c) develop a culture of joint responsibility for results and provide early warning of impending problems;
  - d)encompass information on the follow up of the support measures delivered;
  - e) inform relevant bodies (including the Commission) about the progress made towards reaching the objectives of the Cooperation and Support Plan.
- 19. Support providers. Specific support providers should be selected on a case-by-case basis. The Commission is responsible for the coordination of support within its

<sup>&</sup>lt;sup>3</sup> Annex I of the Regulation (EU) 2017/825

services, and for the selection of commercial and non-commercial support providers. The Commission will select the support providers in accordance with all relevant Union rules. With mutual consent, the Commission services may also provide direct support to the Member States concerned in well-defined areas.

20. Evaluation. The Commission will launch a mid-term independent evaluation in mid-2019 and an ex-post independent evaluation by the end of 2020. These evaluations should include the achievement of results under this Cooperation and Support Plan.

#### VI. **FINANCING OF SUPPORT**

- 21. The support measures should be financed by the following sources:
  - 21.1.Indicative financial envelope under the SRSP budget (cf. Annex per year);
  - 21.2. Voluntary resources contributed by the Member State pursuant to Article 11 of the SRSP Regulation (cf. Annex 3).
- 22. The concrete implementation arrangements should be defined by the Commission in the appropriate manner in accordance with the SRSP Regulation and the Financial Regulation.

#### VII. TRANSMISSION OF INFORMATION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL AND ANNUAL UPDATE OF THE PLAN

- 23. The Member State is informed that the Commission should forward this Cooperation and Support Plan to the European Parliament and the Council. The Member State should give its consent, by separate communication, to the Commission for the transmission of the Cooperation and Support Plan to the European Parliament and the
- 24. As the case may be, the Member State should, as soon as possible, indicate sensitive information of this Cooperation and Support Plan the disclosure of which would jeopardise public interests of the Member State.
- 25. In any event, in accordance with Article 8 of the SRSP Regulation, this Cooperation and Support Plan will be transmitted by the Commission to the European Parliament and the Council no later than two months after the delivery of the support measures.
- 26. Section II, section VI and the Annex(es) to this this Cooperation and Support Plan may be subject to an annual update on the basis on new requests for support from the Member State.
- 27. This Cooperation and Support Plan is not legally binding. In particular it does not create any rights or expectations with regard to the contribution to the envisaged support measures. It does not constitute a financing decision within the meaning of Article 84 of the Financial Regulation and does not commit the Commission.
- 28. The Commission should take appropriate implementation arrangements, in accordance with the SRSP Regulation and the Financial Regulation, in order to deploy the support measures envisaged by this Cooperation and Support Plan.

29. The Bulgarian authorities, notably the Ministry of Finance, acting as Coordinating Authority, and the Commission services, notably the SRSS, acknowledge that this Cooperation and Support Plan reflects the outcome of the discussions between them.

### VIII. COMMUNICATION AND VISIBILITY

- 30. The Commission may engage in communication activities to ensure the visibility of the EU funding for the support measures outlined in the present Cooperation and Support Plan. Bulgaria agrees that the Commission's communication activities may involve:
  - publicly indicating Bulgaria amongst the Member States benefiting from technical support under the SRSP;
  - publicly indicating all broad areas in which the technical support is or will be provided to; and
  - publicly indicating all specific support measures outlined in section III and the annexe(s) of the present Cooperation and Support Plan.
- 31. In case sensitive information the disclosure of which would jeopardise public interests of the Member State emerges during the implementation of support measures, the Member State concerned is invited to inform the SRSS about this sensitive information without delay.
- 32. The Coordinating Authority and the relevant national authorities that benefit from the technical support are invited to inform the SRSS about communication activities related to the support measures outlined in the present Cooperation and Support Plan. The Coordinating Authority and the relevant national authorities are invited to ensure that, through such communication activities, they inform the public that the support measures are financed by the Union funding budget and implemented in cooperation with the European Commission services, and with the SRSS in particular.

For the SRSS

Maarten Verwey

Director-General

For the Ministry of Finance of the Republic of Bulgaria

Metodi Metodiev

Director

Economic and Financial Policy Directorate

# ANNEX 1. SRSP BUDGET - ESTIMATED GLOBAL FINANCIAL CONTRIBUTION FOR 2017

PRIORITY AREAS	SUPPORT MEASURES	INDICATIVE TIMELINE	CONSENT ON COMMUNICAT ION FOR SPECIFIC SUPPORT MEASURES YES/NO
1.Public financial and asset management, budget process, debt management and revenue administration;	Support the modernisation of processes and methods used in the National Revenue Agency (NRA) and help make it a more customer-focused institution. This includes:  - Strengthening the administrative capacity on monitoring and control over e-commerce; - Sharing practical experience and knowledge on automated processes in the control of movement of goods; - Improving the approach to the collection of overdue public claims; - Increasing the knowledge and skills of the revenue administration officials on the mini one-stop-shop system; - Enhancing skills and sharing of best practices in the field of transfer pricing; and - Improving the quality of customer services for	Q3/2017 – Q4/2019	YES
2.Institutional reform and efficient and service-oriented functioning of public administration, including, where appropriate, through simplification of rules, effective rule of law, reform of the justice system and reinforcement of anti-fraud, anticorruption and anti-money laundering activities;	persons with special needs.		
3.Business environment (including for SMEs), reindustrialisation, private sector development, investment development, investment, public participation in enterprises, privatization processes, trade and foreign direct investment, competition and public procurement,	Contribute to a reduction of administrative burden on SMEs by improving the comprehensibility of regulatory requirements. This support includes:  - Identifying the 100 most complex and most relevant regulations for SMEs by	Q1/2018 – Q1/2019	YES

custoinable	moone of a current and		
sustainable sectoral development and support for innovation and digitalisation;	means of a survey; and  - Analysing and providing a description/simplified explanation of identified provisions in those regulations.		
4.Education and training, labour market policies, including social dialogue, for the creation of jobs, fight against poverty, promotion of social inclusion, social security and social welfare systems, public health and healthcare systems, as well as cohesion, asylum, migration and border policies;	Education: Contribute to an improved matching of skills and labour market needs by supporting the modernisation of the vocational educational training framework. This includes:  - A review of the list of professions in vocational educational training with the aim of updating and better aligning it to existing international and national classifications; - A review and update of the model for developing vocational qualifications in terms of learning outcomes and developing state educational standards; and - Development of a working mechanism for updating existing qualifications or introducing new ones, in order to reflect the dynamically changing needs of the labour market.	Q4/2017 – Q2/2019	YES
5.Policies for implementing climate action and promoting energy efficiency, achieving energy diversification, as well as for the agricultural sector, fisheries and the sustainable development of rural areas;			
6 Financial sector policies, including the promotion of financial literacy, financial stability, access to finance and lending to the real economy; the production, provision and quality monitoring of data and statistics and policies aiming at combating tax evasion.	Access to capital markets: contribute to the reduction of administrative burden on capital market participants by supporting the creation of a single electronic entry point for disclosure of information. This support includes:  - Gap analysis and provision of recommendations for changing the legal and regulatory framework with the aim of attracting foreign and domestic investment by shortening certain administrative timeframes; and - Conceptual design and provision of terms of reference for an integrated single entry point,	Q4/2017 - Q4/2018	YES

including recommendations for legal form of establishment and internal working rules.

**GLOBAL ESTIMATED CONTRIBUTION FOR 2017** 

€ 1,035,000

# ANNEX 2. SRSP BUDGET - ESTIMATED GLOBAL FINANCIAL CONTRIBUTION FOR 2018

1.Public financial and asset management, budget process, debt management	Judicial reform: Contribute		
and revenue administration;	Judicial reform: Contribute		
2.Institutional reform and efficient and service-oriented functioning of public administration, including, where appropriate, through simplification of rules, effective rule of law, reform of the justice system and reinforcement of anti-fraud, anticorruption and antimoney laundering activities;	to the improvement of the institutional capacity of the Inspectorate to the Supreme Judicial Council, inter alia by establishing an expert working group and carrying out a comparative analysis of the competencies and effectiveness of the Inspectorate.	Q3/2018 – Q3/2019	YES
	Internal audit and control: Contribute to the improvement and further development of internal audit and control in the Bulgarian public administration. Support measures will focus on elaborating and disseminating guidelines on the establishment of audit committees, based on international best practices, study visits and interviews.	Q4/2018 – Q4/2019	YES
3.Business environment (including for SMEs), reindustrialisation, private sector development, investment, public participation in enterprises, privatization processes, trade and foreign direct investment, competition and public procurement, sustainable sectoral development and support for innovation and digitalisation;	an improvement of the capacities in the directorates involved in concessions in the Council	Q2/2018 – Q4/2019	YES
4.Education and training, labour market policies, including social dialogue, for the creation of jobs, fight	www.parlament.	ov at	

Bulgaria	14
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against poverty, promotion of		
against poverty, promotion of		

GLOBAL ESTIMATED CO	ONTRIBUTION FOR 20	18	€ 1,440,000
6.Financial sector policies, including the promotion of financial literacy, financial stability, access to finance and lending to the real economy; the production, provision and quality monitoring of data and statistics and policies aiming at combating tax evasion.			
	carrying out its tasks in the context of the Bulgarian Presidency of the Council of the EU.  Energy: Contribute to the improvement of electricity balancing by supporting the implementation of the Electricity Balancing Guidelines. This includes the provision of recommendations for amending the current legislative and organisational framework and support for the participation of the Bulgarian Transmission System Operator in EU wide and regional projects of cross-border balancing.	Q2/2018 – Q4/2019	YES
	from administrations of other Member States. This includes:  - workshops with other Member State administrations on a range of pertinent climate policy issues; - mobilising expertise to support the Ministry of Environment and Water in successfully		
5.Policies for implementing climate action and promoting energy efficiency, achieving energy diversification, as well as for the agricultural sector, fisheries and the sustainable development of rural areas;	Climate policy: Contribute to the improvement of capacities in the Ministry of Environment and Water related to national and international climate policy by mobilising expertise	Q1/2018 – Q3/2018	YES
social inclusion, social security and social welfare systems, public health and healthcare systems, as well as cohesion, asylum, migration and border policies;			

# ANNEX 3. VOLUNTARY CONTRIBUTION PURSUANT TO ARTICLE 11 OF THE SRSP REGULATION FOR 2018

PRIORITY AREAS	SUPPORT MEASURES	INDICATIVE TIMELINE	CONSENT ON COMMUNICAT ION FOR SPECIFIC SUPPORT MEASURES YES/NO
1.Public financial and asset management, budget process, debt management and revenue administration;			
2.Institutional reform and efficient and service-oriented functioning of public administration, including, where appropriate, through simplification of rules, effective rule of law, reform of the justice system and reinforcement of anti-fraud, anticorruption and anti-money laundering activities;	Judicial reform: Provide support for the reform of payment order procedures under the Civil Procedure Code, with the objective of improving the functioning of the judiciary.	Q4/2018 – Q2/2019	YES
3.Business environment (including for SMEs), reindustrialisation, private sector development, investment, development, investment, public participation in enterprises, privatization processes, trade and foreign direct investment, competition and public procurement, sustainable sectoral development and support for innovation and digitalisation;	State-owned enterprises: Contribute to improve the governance of State-owned enterprises by revising and aligning legislation with the Organisation for Economic Cooperation and Development Guidelines on Corporate Governance of State-owned enterprises.	Q3/2018 – Q3/2019	YES
4.Education and training, labour market policies, including social dialogue, for the creation of jobs, fight against poverty, promotion of social inclusion, social security and social welfare systems, public health and healthcare systems, as well as cohesion, asylum, migration and border policies;			
5.Policies for implementing climate action and promoting energy efficiency, achieving energy diversification, as well as for the agricultural sector, fisheries and the sustainable development of rural areas;			
6 Financial sector policies, including the promotion of	Insolvency system: Provide support for a review and	Q3/2018 - Q3/2019	YES

financial literacy, financial recommendations on improving stability, access to finance and lending to the real economy; the production, provision and developing a data collection quality monitoring of data and statistics and policies aiming at combating tax evasion.

and publication system and increasing the capacity of insolvency practitioners through training.

# **VOLUNTARY CONTRIBUTION FOR 2018**

€ 1,500,000