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Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Bulgaria

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Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Bulgaria

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility¹ and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The COVID-19 outbreak has had a disruptive impact on the economy of Bulgaria. In 2019, the gross domestic product (GDP) per capita of Bulgaria was 28% of the Union average. The real GDP of Bulgaria declined by 4.4% in 2020 and by 0.4% cumulatively in 2020 and 2021. Bulgaria has one of the highest levels of poverty and income inequality in the EU and its health system remains weak and characterised by limited access to healthcare services. Bulgaria is the most carbon- and energy-intensive economy in the Union. It is highly reliant on coal and lignite, despite having a vast potential for renewable energy and increasing energy efficiency, especially for the building stock. Improving the quality of institutions and fighting corruption remain key challenges for fostering a favourable business environment. Labour and skills shortages as well as skills mismatches relative to the labour market needs represent a significant barrier to business investment and limit productivity gains. The uptake of digital technologies is slow in both public and private sectors. Bulgaria ranks last in the Union in digital skills.
- (2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Bulgaria in the context of the European Semester. In particular, the Council recommended Bulgaria to take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery and pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Also in relation to public finances, the Council recommended improving tax collection through targeted measures in areas such as fuel and labour taxes and upgrading the corporate governance of state-owned enterprises. The Council further recommended Bulgaria to ensure the stability of the banking sector by reinforcing supervision and promoting adequate valuation of assets.

¹ OJ L 57, 18.2.2021, p. 17-75.

In relation to the non-banking sector, it was recommended to ensure effective supervision and the enforcement of the anti-money laundering framework and the effective functioning of the insolvency framework. Furthermore, it was recommended to improve the quality and effectiveness of public administration, minimise the administrative burden and reinforce digital government. In addition, the Council recommended Bulgaria to strengthen the resilience, accessibility and capacity of the health system, ensure a balanced geographical distribution of health workers, and improve access to health services, including by reducing out-of-pocket payments and addressing shortages of health professionals. Particularly relevant to social challenges were the recommendations to improve the quality, inclusiveness and labour market relevance of education and training, in particular for Roma and other disadvantaged groups, strengthen active labour market policies, strengthen employability by reinforcing skills, including digital skills, and to address social inclusion through improved access to integrated employment and social services and via more effective minimum income support. To tackle the COVID-19 crisis, Bulgaria was recommended to improve access to distance working, promote digital skills and equal access to education. Moreover, the Council recommended Bulgaria to provide effective support to small and medium-sized enterprises (SMEs) and the self-employed, also ensuring their continued access to finance and flexible payment arrangements and to front-load mature public investment projects and promote private investment to foster the economic recovery. It was recommended to focus investments on the green and digital transition, in particular on clean and efficient production and use of energy and resources, environmental infrastructure and sustainable transport, contributing to a progressive decarbonisation of the economy, including in the coal regions. The Council also recommended to focus investment-related economic policy on research and innovation, transport, notably on its sustainability, water, waste and energy infrastructure and energy efficiency, taking into account regional disparities, and improving the business environment. Having assessed progress in the implementation of these country-specific recommendations at the time of submission of the recovery and resilience plan ('RRP'), the Commission finds that substantial progress has been achieved with respect to the recommendations on ensuring the stability of the banking sector by reinforcing supervision, strengthening the non-banking financial sector by effectively enforcing risk-based supervision, providing an immediate fiscal policy response to effectively address the pandemic, sustain the economy and support the ensuing recovery, and the recommendation to streamline and accelerate the procedures to provide effective support to SMEs and the self-employed. Some progress has been made with the recommendation on the improvement of the tax collection system and there are several projects planned under the Technical Support Instrument to support further progress in this area.

- (3) On 15 October 2021, Bulgaria submitted its national RRP to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. That submission followed a consultation process, conducted in accordance with the national legal framework, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. National ownership of the RRP underpins their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission has assessed the relevance, effectiveness, efficiency and coherence of RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.

- (4) The RRP should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 (the 'Facility') and of the European Union Recovery Instrument set up by Council Regulation (EU) 2020/2094 in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union's economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.
- (5) The implementation of the Member States' RRP will constitute a coordinated effort involving reforms and investments across the Union. Through coordinated and simultaneous implementation and the implementation of cross-border and multi-country projects, such reforms and investments will mutually reinforce each other and generate positive spillovers across the Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from other Member States.

Balanced response contributing to the six pillars

- (6) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the RRP represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all of the six pillars referred to in Article 3 of that Regulation, taking into account the specific challenges faced by and the financial allocation for Bulgaria.
- (7) The RRP includes measures that contribute towards all six pillars, with almost all of its components addressing multiple pillars. Such an approach contributes to ensuring that each pillar is addressed comprehensively and in a coherent manner.
- (8) The RRP includes important measures to accelerate the twin transition. In the area of climate action and energy transition, significant efforts are dedicated to accelerating and facilitating the deployment of renewable energy generation and storage, cutting the greenhouse gas emissions in the power sector by almost half, liberalising the wholesale and retail electricity markets, and boosting renovations of the building stock with a view to improving energy efficiency. Significant investments and reforms also aim at promoting low-emission mobility and use of less polluting modes of transport, notably rail transport. There is also a strong focus on the digital transformation of Bulgaria's economy and society, with measures to support the acquisition of digital skills across the whole population, the digitalisation of businesses, public administration, including the judiciary, as well as enhancing the connectivity and broadband deployment in remote and sparsely populated areas. Investments in areas like power storage capacities, digitalisation and sustainability of rail transport, and smart water management make an important contribution both to the green and digital objectives.
- (9) Several components in the RRP are expected to contribute to the pillar on smart, sustainable, and inclusive growth, with a wide array of measures aiming to strengthen competitiveness and enhance research and development. The RRP contains investments to support businesses, especially SMEs via grants and financial instruments aimed at promoting digitalisation, circular economy, and use of renewables for own consumption to allow businesses to deal with the energy transition. Measures in the plan also contribute to creating favourable conditions for investments in industrial parks and zones and to support the cultural and creative sectors. Moreover, reforms and investments should support the improvement of the

research and innovation ecosystem thus increasing the innovation output of Bulgaria, fostering technology transfer and commercialisation of research results, which should lastingly spur its economic growth. The RRP strongly focuses on the decarbonisation of the energy sector, sustainable agriculture, sustainable mobility (rail and public transport), modernisation of the educational system and infrastructure, modernisation of healthcare provision and support for the deinstitutionalisation of care. The RRP also aims to reinforce the business environment and the rule of law with measures addressing corruption issues such as reformed anti-corruption institutions, new legislation on lobbying and on the protection of whistle-blowers, reforms of the judicial system to ensure effectiveness of criminal investigations, including the accountability and criminal liability of the Prosecutor General, reforms to improve the legislative process, reforms on public procurement to reduce the use of non-transparent procedures, reform of the governance framework of state-owned enterprises and a reform on improving the insolvency and restructuring proceedings.

- (10) The pillar on health, economic, social, and institutional resilience includes measures that are expected to contribute to improving access to education, lifelong learning and healthcare, and promoting social inclusion. Relevant measures in the field of education and training include measures enhancing the relevance of higher education, with the aim of addressing labour market shortages and promoting research, and the development of a platform for lifelong learning. The relevant measures in the field of healthcare also include the adoption of a new national strategy on health, the implementation of the National Health Information System, and the establishment of a network of outpatient units, supported by a reform targeting the unbalanced distribution of medical professionals. To foster social inclusion, the RRP covers a reform to enhance the coverage and adequacy of the minimum income scheme and measures in the area of social services, including long-term care. With respect to social and territorial cohesion, the support of broadband roll-out in rural and remote areas is expected to help ensure that all citizens have access to high-speed connectivity, while social cohesion is expected to be fostered through the reform of the minimum income scheme benefitting adults and children, investment in the social economy, the modernisation of the social and employment services and the provision of telemedicine and e-government services in remote areas through a repurposing of the country's postal network. The Bulgarian RRP is expected to contribute to policies for the next generation with measures such as the mandatory inclusion of four-year olds in pre-school education and the modernisation and construction of educational infrastructures, including kindergartens and school laboratories, and the establishment of youth centres across the country.

Addressing all or a significant subset of challenges identified in country-specific recommendations

- (11) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the RRP is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations addressed to Bulgaria, including fiscal aspects thereof or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.
- (12) The RRP includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to

Bulgaria by the Council in the European Semester in 2019 and in 2020, notably in the areas of social inclusion, education and skills, healthcare, decarbonisation and digital transition and business environment.

- (13) The RRP includes key structural reforms and investments that address long-standing recommendations in relation to the business environment and improving the institutional framework. In particular, the reform of the insolvency framework is expected to contribute to a more effective and flexible system for the restructuring of businesses, the improvement of the governance of state-owned enterprises and the reform of the public procurement procedures should contribute to more transparent and efficient allocation of public resources. Reforms included in the RRP support a stronger institutional framework, including through improvements in the capacity and functioning of the anti-corruption framework, judicial reforms to ensure the effectiveness of criminal investigations, including the accountability and criminal liability of the Prosecutor General, as well as improved implementation of the anti-money laundering framework. Further measures supporting the improvement of the business environment include a reform of the legislative process aimed at increasing its quality and predictability and regulation of lobbying activities in the context of public decision-making. The RRP also includes a set of reforms and investments aimed at minimising administrative burden to companies by improving the effectiveness of public administration and reinforcing eGovernment, including through the digitalisation of the justice system and the increased provision of digital public services also in rural and remote areas.
- (14) The comprehensive package of reforms and investments in the RRP contributes to addressing the main challenges of the Bulgarian energy and transport sectors as identified in the Council recommendations. In particular, measures included in the RRP are expected to accelerate the deployment of renewable energy sources and storage and to significantly reduce greenhouse gas emissions from power production, thus contributing to the progressive decarbonisation of the economy, including in the coal regions. The RRP also includes key reforms aiming at establishing a competitive wholesale and retail markets, thereby improving the access of renewable energy to the market, and at improving corporate governance in the energy sector. With regard to fostering sustainable transport, the RRP includes an e-mobility reform, aimed at promoting the use of zero-emission vehicles, such as increasing public charging points, and the introduction of the low-emission zones in some of the biggest and most polluted district cities. The RRP also includes a reform of the public transport system and the introduction of a single ticket system for public transport, and investments in the digitalisation and modernisation of railways, including the acquisition of zero-emission rolling stock.
- (15) A reform of the minimum income scheme aimed at increasing its adequacy and coverage is expected to contribute to addressing challenges identified in relation to social inclusion. In addition, the RRP is also expected to improve access to education and adult learning and to promote social inclusion through reforms and investments including mandatory pre-school education as of the age of four, the construction and renovation of educational facilities and the development of an online platform for adult learning linked to the public employment services. With regard to healthcare, the measures in the RRP are expected to contribute to addressing the shortages in the number of healthcare professionals, including their unbalanced geographical distribution, increasing the availability of healthcare services across the territory of the

country through outpatient units, enhancing telemedicine services and establishing an air ambulance service, thus strengthening the accessibility and resilience of the healthcare system. However, the plan does not address the high level of out-of-pocket payments.

- (16) The RRP includes measures focused on increasing the availability of digital infrastructures, access to distance working and the enhancement of digital skills, which support the digital transition, in particular through measures on the large-scale deployment of digital infrastructure, the digitalisation of administrative services and a revised regulation on remote working. The RRP also promotes skills relevance and adult learning, with a focus on digital skills. Moreover, the RRP addresses the recommendation to foster investments in the green and digital transition through an extensive package of reforms and investments. In addition to the measures focused on the transition to green, circular and digital-oriented business practices for SMEs, the RRP includes measures targeting the restructuring and further development of the research and innovation ecosystem and enhancing the innovation output of Bulgaria, with a particular focus on the field of green and digital technologies. The RRP is expected to contribute to the competitiveness and sustainable development of the regions of the country and to local development. This includes a reform of the management of the water and agricultural sectors as well as the construction or renovation of the water supply and sewage system. Moreover, local development should be promoted through a new regional policy approach and through dedicated reforms expected to foster the direct involvement of local communities in the management of Union funds.
- (17) The recommendations related to the immediate fiscal policy response to the pandemic can be considered to fall outside the scope of Bulgaria's RRP, notwithstanding the fact that Bulgaria has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the general escape clause of the Stability and Growth Pact.

Contribution to growth potential, job creation and economic, social and institutional resilience

- (18) In accordance with Article 19(3), point (c), of and Annex V, criterion 2.3, to Regulation (EU) 2021/241, the RRP is expected to have a high impact (Rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of Bulgaria, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.
- (19) Simulations by the Commission services show that the RRP, together with the rest of measures of the European Union Recovery Instrument, has the potential to increase the GDP of Bulgaria by 1.9% to 3% by 2026, not including the possible positive impact of structural reforms, which can be substantial. The most significant persistent positive effects on growth and productivity over the medium to long run are expected to stem from investments in decarbonisation of the economy, including the deployment of renewable energy generation and storage and increased energy efficiency, as well as from investments supporting businesses and measures expected to attract industrial investment and develop industrial ecosystems.

- (20) The set of reforms and investments presented by Bulgaria is expected to stimulate growth and increase the resilience of the economy by addressing important structural deficiencies and long-standing vulnerabilities. The measures included in the RRP to improve the business environment, including by strengthening the institutional framework and digitalisation of the public administration, judiciary and the construction sector, are expected to create significantly more favourable conditions for private investments in the country. In addition, reforms and investments in education and skills, research and innovation, decarbonisation and digitalisation as well as support for businesses, especially for SMEs in their twin transition are expected to make a significant contribution to sustainable long-term economic growth and job creation.
- (21) The RRP features significant reforms and investments to support economic, social and territorial cohesion, which contribute to the European Pillar of Social Rights. Social vulnerabilities should be mitigated through the improvement of the social support system, notably the reform of the minimum income scheme and the modernisation of long-term care for older people and people with disabilities. The envisaged measures are expected to contribute to increasing social resilience to shocks, reducing social inequalities, and creating opportunities for the most vulnerable groups to enter the labour market. Measures related to education and skills, including digital skills, should increase socioeconomic resilience by addressing the persistent and significant skills gaps and strengthening the employability and productivity of the workforce. Measures in the area of education are expected to support equal access to quality education and training and reduce drop-out rates. In addition, the measures in the area of health are expected to strengthen the responsiveness and accessibility of healthcare and contribute to improving the geographical distribution of health workers. The RRP should further contribute to reducing territorial disparities through reforms supporting a territorial, bottom-up approach as well as dedicated infrastructure investments in the water sector in regions outside of the capital city, and investments to secure better transport connections in the north of the country. Other investments in transport and digital connectivity across the country and increased availability of e-government and other administrative services in remote and sparsely populated areas are also expected to enhance territorial cohesion. Finally the reforms and investments towards decarbonisation of the economy should set the ground for investments under the Just Transition Fund to ensure that the coal regions are supported through the transition and that no one is left behind.
- (22) The RRP includes various interventions to contribute to the implementation of the European Pillar of Social Rights through the promotion of policies for children and youth. Reforms and investments are expected to improve equal access to quality education and promote participation in early childhood education, through the mandatory inclusion of four-year olds in pre-school education and promoting the personal development of young people, via the establishment of youth centres. In addition, the RRP focuses on the modernisation of schools, including by setting up science, technology, engineering, and mathematics (STEM) laboratories, which ensures continuous adaptation to current learning challenges, in particular digitalisation.

Do no significant harm

- (23) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the RRP is expected to ensure that no measure (Rating A)

for the implementation of reforms and investments projects included in the RRP does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council² (the principle of 'do no significant harm').

- (24) In line with Regulation (EU) 2021/241 and the 'do no significant harm' Technical Guidance adopted by the Commission (2021/C 58/01), Bulgaria has provided evidence and assurances that the measures for the implementation of reforms and investment projects included in the RRP should not lead to significant harm to any of the six environmental objectives, namely climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. Particular attention has been paid to measures with impact on environmental objectives that warrant close scrutiny.
- (25) The RRP is expected to ensure that no significant harm is done to environmental objectives by selecting measures that either contribute substantially to an environmental objective or have no or an insignificant foreseeable impact on environmental objectives. Other measures, including broad support schemes, are designed to ensure compliance with this principle. Milestones or targets should ensure that the requirements for compliance with the principle of 'do no significant harm' are enshrined in the design of the schemes and of all stages of implementation, including during the tendering process, where applicable, and in all cases in the final outputs. For measures requiring a substantive assessment in accordance with the Commission's technical guidance, such as renewables power production, sustainable mobility and building renovations, specific milestones and targets should be established to ensure that no significant harm is done to any of the six environmental objectives. As such, 'do no significant harm' criteria should be integrated into the milestones related to the selection process for relevant projects and, where applicable, references to an exclusion list in the relevant milestones and targets.

Contribution to the green transition including biodiversity

- (26) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 58.9% of the RRP's total allocation calculated in accordance with the methodology set out in Annex VI to that Regulation. In accordance with Article 17 of that Regulation, the RRP is consistent with the information included in the National Energy and Climate Plan 2021-2030.
- (27) In terms of contribution to the Union 2030-2050 climate and energy-related targets and the objective of climate neutrality by 2050, the RRP addresses some of the key policy challenges and contributes to attaining these objectives, while remaining effort will be needed to fully attain such objectives, in particular as Bulgaria has the highest carbon intensity in the EU, four times the EU average. The measures in the Bulgarian RRP include long-lasting reforms and investments that are expected to effectively

² Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

contribute to the green transition. This includes reforms and investments to support the deployment of renewable energy generation and large-scale electricity storage and a clear commitment to phase out coal and lignite power generation as soon as possible and at the latest by 2038.

- (28) In addition, an investment in the electricity network infrastructure with the aim to modernise the electricity grid through the inclusion of digital tools and methods is expected to lay the basis for increased penetration of electricity from renewable sources and greater integration with neighbouring countries. The combination of reforms and investments included in the RRP are expected to deliver an additional 3.5 GW of renewable power generation and new storage facilities with 6000 MWh of usable energy. The RRP also includes measures to support the development of pilot projects enabling the introduction of green hydrogen and biogas for industrial applications and for future use in transport and for the production of electricity and heat. Substantial investments in energy renovation of public and private buildings, and street lightning are expected to increase energy efficiency. Reforms and investments are expected to make a significant contribution to advancing the decarbonisation and climate objectives as set out in the Bulgarian National Energy and Climate Plan and long-term strategy for decarbonisation. This includes binding targets for the reduction of the carbon dioxide emissions associated with electricity generation by 40% below 2019 levels, to be achieved at the latest in 2025, and legislation on decarbonisation, including a calendar for the phase-out of coal and lignite power plants and a regulatory cap on their carbon dioxide emissions applicable as of 1 January 2026. In addition, the RRP supports the shift to sustainable mobility with a reform on promoting electric mobility and with numerous investments aimed at the modernisation and digitalisation of public transport through the acquisition of a zero-emission rolling stock, the deployment of the European Rail Traffic Management System and the construction of a new segment of the metro in Sofia, which are expected to contribute to the decarbonisation of the transport sector. Road safety measures included in the RRP should contribute to making transport more sustainable by addressing transport safety and attractiveness also through reduction by half of road safety blackspots/hotspots.
- (29) The RRP also contributes to the Union's environmental policy objectives such as improving water management, promoting sustainable agriculture, and preserving biodiversity. The RRP features reforms and investments in the water supply and sewerage services, including the modernisation and digitalisation of water management and improving control of water use. The measures dedicated to protecting and restoring ecosystems and natural habitats are expected to contribute to building effective Natura 2000 management structures in the country as well as to restoring climate-related ecosystems and protecting biodiversity. Reforms and investments, including targeting the management and protection of environmental and natural resources in the area of sustainable agriculture and promoting the technological and ecological transition of the Bulgarian agricultural sector, aim to enhance the sustainable management and competitiveness of the sector in the context of the green transition. These measures should ensure a lasting impact of the Bulgarian RRP on the green transition, including on biodiversity and environmental protection.

Contribution to the digital transition

- (30) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the digital transition or to addressing the challenges resulting from it.

The measures supporting digital objectives account for an amount which represents 25.8% of the RRP's total allocation calculated in accordance with the methodology set out in Annex VII to that Regulation.

- (31) The RRP has a strong focus on the digital transition, with measures included throughout the components, which reflects the broad and crosscutting nature of the envisaged digitalisation efforts. Significant investments and reforms in digital connectivity should increase the coverage of very high capacity networks in rural and sparsely populated areas that are lagging behind in terms of digital inclusion and create a favourable environment for the deployment of 5G networks and digital infrastructure. The RRP also includes a comprehensive package of reforms and investments aimed at supporting the development of e-government and digitalisation of the public administration and judiciary, which contributes to reducing the administrative burden on citizens and businesses and increasing the quality and effectiveness of public services in areas such as justice, health, agriculture and environment, culture, employment and social protection. The RRP also supports the digitalisation of the transport and energy sectors thus contributing to their progressive decarbonisation. As regards the private sector, the investments in the digital transformation of business processes and increased cybersecurity capabilities should contribute to improving their efficiency and productivity. Moreover, digital technologies and infrastructure are expected to enhance Bulgaria's innovation capacity, with a particular focus on green and digital technologies. In addition, several universities and research organisations should have access to ultra-fast connectivity needed to participate in European research networks.
- (32) Increasing the level of digital skills of the population is another priority supported by the RRP, including through targeted reforms and investments in the education system, such as setting up STEM laboratories in schools, and investment for upskilling and reskilling to increase employability of the workforce by enhancing digital skills.

Lasting impact

- (33) In accordance with Article 19(3), point (g), of and Annex V, criterion 2.7, to Regulation (EU) 2021/241, the RRP is expected to have a lasting impact on Bulgaria to a large extent (Rating A).
- (34) The reforms proposed in the RRP are expected to deliver long-term results and bring about lasting structural changes. In particular, the envisaged reforms that aim at fostering the green and digital transition, the comprehensive reforms in the education and training systems, and the reform of the research and innovation ecosystem are expected to have a lasting impact on Bulgaria's economy by strengthening skills for the labour market and fostering productivity and sustainable long-term growth. The reforms of healthcare, social services, including long-term care, and of the minimum income scheme are expected to lastingly improve the health care and social protection systems of Bulgaria in terms of inclusiveness, adequacy and effectiveness.
- (35) The implementation of the reforms envisaged in the RRP, notably of the reforms of the institutional framework and the rule of law, is expected to bring about structural changes to the public administration and institutions, contributing to a lasting improvement of their functioning and administrative capacity. The RRP includes key reforms of the judicial system to ensure the effectiveness of criminal investigations, including the accountability and criminal liability of the Prosecutor General, increasing the capacity to fight corruption in the judiciary as well as improvements in

the capacity of anti-corruption bodies, the integrity of public servants and the efficiency of the anti-money laundering supervisory authorities. Reform efforts should also focus on improving the governance of state-owned enterprises, increasing transparency and competition in the public procurement process, enhancing the quality of the legislative process, and strengthening audit and control mechanisms. Moreover, the RRP features reforms and investments expected to unlock the potential of e-government and digital public services and thus lastingly increasing the efficiency of the public administration. The RRP aims at enhancing the administrative capacity for strategic planning and implementation of priority policies.

- (36) The RRP contains numerous reforms and investments expected to have a lasting impact by supporting the green and digital transition, with a focus on smart and sustainable economy. Significant reforms and investments included in the RRP have the potential to contribute to the decarbonisation of the economy by supporting the increased deployment of renewable energy generation and storage, increasing energy efficiency, contributing to sustainable road and rail mobility as well as sustainable agriculture and water resources management. Investments fostering the acquisition of digital skills, the digitalisation of the public sector, businesses and research organisations and investments in digital connectivity are expected to lastingly increase the efficiency in those sectors. In addition, the plan includes investments to support businesses in the twin transition and to stimulate the smart and sustainable growth.
- (37) The lasting impact of the plan can also be enhanced through synergies between the plan and other programmes, including those financed by cohesion policy funds, in particular by addressing in a substantive manner the deeply rooted territorial challenges and by promoting a balanced development.

Monitoring and implementation

- (38) In accordance with Article 19(3), point (h), of and Annex V, criterion 2.8, to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators.
- (39) The National Fund Directorate of the Ministry of Finance is the body responsible for collecting and reporting data on progress and for preparing and submitting payment requests and receiving payments from the Commission. It will also act as the focal point at the national level regarding the preparation of common rules and procedures for the implementation of the Facility, for carrying out the checks and controls on the implementation of investments and reforms, including active monitoring of the progress in implementing the measures on the basis of the milestones and targets. The Central Coordination Unit Directorate of the Ministry of Finance will be responsible for monitoring the implementation of the milestones and targets of the plan, including progress on common indicators, green and digital contribution of investments etc. It is also tasked with establishing a strategic framework for information and communication activities in relation to the implementation of the plan and for administration, maintenance and upgrade of the IT systems for programmes under shared management with the EU and under the Facility. The Economic and Financial Policy Directorate of the Ministry of Finance is the authority responsible for reporting on the progress in the implementation of the milestones and targets of the plan within the European Semester cycle. The Executive Agency for the Audit of EU Funds, attached to the Ministry of Finance, is responsible for the implementation of audit and

control under the Facility. The following responsibilities also fall within the remit of the body: verification of the reliability of the data on the implementation of the milestones and the way in which they are collected; providing assurances that double funding, fraud, corruption and conflict of interest are prevented in the implementation of the plan and that the principle of sound financial management is respected.

- (40) The RRP defines milestones and targets for all reforms and investments and is consistent with the long-term objectives pursued in the plan. The proposed qualitative and quantitative indicators used for milestones and targets are sufficiently clear, robust and comprehensive to ensure that their completion can be verified and traced. The number of milestones and targets reflects the large number of measures and sub-measures to ensure the efficient monitoring and implementation of the plan. Milestones and targets are also relevant for measures already completed which are eligible pursuant to Article 17(2) of Regulation (EU) 2021/241. The satisfactory fulfillment of these milestones and targets over time is required to justify a disbursement request.
- (41) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with Article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument established by Regulation (EU) 2021/240 of the European Parliament and of the Council³ to assist Member States in the implementation of their RRP.

Costing

- (42) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the RRP on the amount of the estimated total costs of the RRP is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.
- (43) Bulgaria has provided individual estimated costs for all the measures in the RRP that will generate expenditure. Bulgaria has provided generally clear and sufficient information to justify the cost estimates associated with each of the reforms and investments in the plan, where necessary at the sub-investment level. The evidence provided by Bulgaria is sufficient to conclude that the amount of the estimated total cost of the plan is reasonable and plausible, as the amounts are appropriate and in line with the nature and type of the envisaged reforms and investments. For the majority of measures, calculations behind the cost estimates are provided, and these are for a large degree clear and understandable. For certain measures, more details could have been provided to explain how the final budget was computed. For demand-driven measures (such as investments in energy efficiency in buildings, or support programmes for businesses), a reference to the full budgetary execution, and, where appropriate, to the expected number of beneficiaries, have been included. For the majority of measures, Bulgaria has provided information on the cost of similar measures carried out in the past whenever these were available. Where this was not available, as for instance for novel projects, Bulgaria has provided price quotes or, in some cases, pricing information from publicly available sources. The estimated cost of measures included in the plan is generally consistent with similar measures, including investments funded

³ Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1).

by other Union programmes if available. The cost estimates of the Bulgarian RRP have been reviewed by the Bulgarian Executive Agency for European Funds Audit, which stated that the cost estimates are complete, reasonable and plausible within the meaning of Regulation (EU) 2021/241, and that they do not have any other source of funding. Bulgaria provided sufficient information and evidence that the amount of the estimated total costs of the RRP to be financed under the Facility is not covered by existing or planned Union financing. Finally, the estimated total costs of the RRP is in line with the principle of cost-efficiency and is commensurate with the expected national economic and social impact.

Protection of the financial interests of the Union

- (44) In accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interest, and for protecting the Union budget in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council⁴.
- (45) The internal control system described in the RRP is based on robust processes and structures and clearly identifies actors and their roles and responsibilities for the performance of the internal control tasks. The internal control system and other relevant arrangements, including the collection and publication of data on final recipients are expected to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds under Regulation (EU) 2021/241 and to avoid double funding under that Regulation and other Union programmes. A repository system for monitoring of the implementation of the RRP is to be put in place and operational by the time of the first payment request. A milestone should ensure that the system includes, as a minimum, the following functionalities: (a) collection of data and monitoring of the achievement of milestones and targets and (b) collection, storing and ensuring access to the data required by Article 22(2) point (d)(i) to (iii) of that Regulation.
- (46) Specific measures should be implemented to ensure compliance with the rules relating to the prevention, detection and correction of fraud, conflict of interest, corruption and double financing. The RRP provides information on the administrative capacity of the bodies which will monitor, control and implement the RRP in Bulgaria, as well as those bodies that will perform audit activities. It also gives information on the legal mandate of the various bodies. In accordance with Article 20(5), point (e) of Regulation (EU) 2021/241 a milestone on the assessment of the administrative capacity of the responsible authorities and capacity needs constitutes a measure necessary for complying with Article 22 of that Regulation and should be fulfilled before the first payment request as a precondition for any disbursement under the

⁴ Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433 I, 22.12.2020, p. 1).

Facility. In addition, a milestone should require the entry into force of the Act approving the Management and Control system and that milestone should also be fulfilled before the submission of the first payment request as a precondition for any disbursement under the Facility.

Coherence of the RRP

- (47) In accordance with Article 19(3), point (k), of and Annex V, criterion 2.11, to Regulation (EU) 2021/241, the RRP includes to a high extent (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.
- (48) The RRP is structured around four coherent pillars supporting the recovery of the Bulgarian economy, the contribution to the green and digital transition, and the enhanced resilience towards more sustainable and inclusive growth. Each pillar is built around components including consistent packages of mutually reinforcing and complementary reforms and investments. The entry into force of reforms early in the timeline of the plan ensures a supportive environment for the realisation of investments, which in turn contributes to the objectives of the reforms. At the level of the RRP, all pillars pursue complementary objectives and represent coherent actions. The RRP does not present inconsistencies or contradictions between pillars or components. All pillars under the plan foresee measures that reinforce the effects on the green transition. Digital solutions included across the RRP, in particular, those in the transport and energy sectors, are also expected to contribute to the decarbonisation of the economy, and to promote smart, sustainable and inclusive growth. Measures to support businesses are expected to contribute to fostering the twin transition. In addition, measures contributing to an improved business environment support all investments included in the RRP, while investments and reforms in education and skills are also expected to foster the digital transition as well as research and innovation.
- (49) The need for establishing systematic complementarities with cohesion policy funding is acknowledged and examples are presented in the components. Demarcation lines are sufficiently developed and should also be taken into account for the finalisation of the partnership agreement and cohesion policy programmes.

Equality

- (50) The RRP contains measures that are expected to help Bulgaria address the challenges in the area of gender equality and equal opportunities for all, including measures targeting the personal development of young people from vulnerable groups, including Roma, the mobility and opportunities for the independent living of people with disabilities and the quality of life of older people. The RRP also includes measures aimed at promoting equal access to healthcare and education, including investments in kindergartens, with implications for the labour market participation of women. In the plan, Bulgaria commits to ensure that respect for gender equality and equality for all is safeguarded at all stages of preparation and implementation of the envisaged reforms and investments.

Security self-assessment

- (51) Bulgaria has provided a security self-assessment for investments in digital capacities and connectivity, in accordance with Article 18(4), point (g), of Regulation (EU)

2021/241. Throughout the RRP, several components include a section that explains the adherence of the measures to the Union's open strategic autonomy and security issues.

Consultation process

- (52) The RRP describes that Bulgaria has consulted a wide range of stakeholders, including social partners, regional and local authorities, civil society organisations, business community and other relevant stakeholders at the initial stages of the RRP preparation. The first draft of the RRP was subject to a public consultation which gathered over 90 positions from interested parties, which served as basis for the subsequent revisions of the RRP. Consultation at the later stages has been more targeted, involving mostly the social partners and specific sectoral representatives. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the RRP.

Positive assessment

- (53) Following the positive assessment of the Commission concerning the Bulgarian RRP with the finding that the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the RRP, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the RRP in the form of non-repayable financial support.

Financial contribution

- (54) The estimated total cost of the RRP of Bulgaria is BGN 13 491 125 932, which equals EUR 6 897 903 157 on the basis of the EUR BGN ECB reference rate of 15 October 2021. As the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the RRP is higher than the maximum financial contribution available for Bulgaria, the financial contribution allocated for Bulgaria's RRP should be equal to the total amount of the financial contribution available for Bulgaria.
- (55) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Bulgaria is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Bulgaria not exceeding the maximum financial contribution referred to in Article 11(1), point (a) of that Regulation should be made available now for a legal commitment by 31 December 2022. Where necessary following the update of the maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution, calculated in accordance with Article 11(2) of that Regulation, without undue delay.
- (56) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053⁵. The support should be paid in instalments once Bulgaria has satisfactorily

⁵ Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1).

fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP.

- (57) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any Union programme other than the Facility or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1

Approval of the assessment of the RRP

The assessment of the RRP of Bulgaria on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

Article 2

Financial contribution

1. The Union shall make available to Bulgaria a financial contribution in the form of non-repayable support amounting to EUR 6 267 312 124.⁶ An amount of EUR 4 636 043 337 shall be available to be legally committed by 31 December 2022. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Bulgaria that is equal to or more than EUR 6 267 312 124, a further amount of EUR 1 631 268 787 shall be available to be legally committed from 1 January 2023 until 31 December 2023. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Bulgaria that is less than EUR 6 267 312 124, the difference between the updated maximum financial contribution and the amount of 4 636 043 337 shall be available to be legally committed in accordance with the procedure set out in Article 20(8) of Regulation (EU) 2021/241 from 1 January 2023 until 31 December 2023.
2. The Union financial contribution shall be made available by the Commission to Bulgaria in instalments in accordance with the Annex to this Decision.
3. The release of instalments in accordance with the financing agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Bulgaria has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP. In order to be eligible for payment, Bulgaria shall

⁶ This amount corresponds to the financial allocation after deduction of the Republic of Bulgaria's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

complete the milestones and targets no later than 31 August 2026, subject to the entry into force of the legal commitments referred to in paragraph 1.

Article 3
Addressee

This Decision is addressed to the Republic of Bulgaria.

Done at Brussels,

For the Council
The President