

PART I

Introduction

The observations laid out below have been made within the framework of currently available outcomes of the negotiations on the Common Provisions Regulation and the fund-specific regulations. The observations take into account the 2013 country-specific recommendations adopted by the Council on 9 July 2013 (Council Decision 10634/1/13 rev. 1, OJ C 217, 30.7.2013) its supporting analysis (SWD(2013) 352 final, 29.5.2013) and are based on the Commission Services' Position Paper (CPP) for the use of the ESI Funds in 2014-2020.

The observations address issues based on the currently available draft Partnership Agreement. Where information is insufficient, the Commission may come back with further observations once complete information has been provided.

The observations are presented following the structure of the Partnership Agreement as laid out in the template. The most critical issues for the Commission are noted in part I.

1. Assessment of Member State policy objectives

The August 2013 version of the Partnership Agreement (PA) shows considerable improvement with regard to structure, but has grown in size. Moreover, analyses are often not separated from planned actions, strategies, and measures to be taken. At the same time the PA needs more and consistent attention for 'Lessons learned 2007-2013', analysing reasons for low fund absorption in certain areas e.g. water sector.

The needs analysis often describes a very wide range of issues without demonstrating the relationship between them or their relative importance, instead of prioritising the key issues. Chapter 1.3 'Rationale Thematic Objectives' is helpful but overlaps with Chapter 1.1.5, where it could actually replace some of the text.

This absence of clear prioritisation leads to a persistent lack of focus in the Partnership Agreement's strategy, which risks loss of concentration of means that would negatively affect effectiveness and impact of ESI Funds, where this should increase compared to previous programming periods.

It is therefore essential for the quality of the document that resources are prioritised, whereas now the presented priorities and sub-priorities regularly appear as a catalogue of measures without clear or explicit key actions to undertake, for example regarding the health sector, transport, energy.

Territorial dimension - The purpose of the strategic 'Territorial dimension' and how the 'spatial dimension and place-based policies' differ from the four main Funding Priorities are not clear. This 'priority' is of a horizontal nature and can therefore be merged with the mainstream PA analyses and priorities and/or moved to Section III 'Integrated territorial development'.

Although the demographic crisis in Bulgaria, particularly adamant in rural and remote areas, emerges from the analysis as one of the major challenges to be addressed, the strategy of the Bulgarian authorities for overcoming the depopulation problem in the country does not clearly emerge.

The PA mentions supporting a large number of cities, local roads "of any category", tourism in general, and development of cultural and historic sites, without specifying which parts of the country this would apply to. The more concentration of resources, the stronger the impact on economic growth; that is why the number of 67 cities eligible for

integrated urban development programmes has to be substantially reduced if Cohesion policy is to have noticeable effects, demonstrating a clear link to sustainable development.

With regard to local and regional roads there should be a similar approach, requiring an integrated transport strategy that addresses the infrastructure needs of the country, as the allocated ESI Funds are clearly insufficient to cover all of the territory of Bulgaria.

A clear and comprehensive analysis of the challenges and growth potentials in coastal and maritime regions is needed, either under the respective factor for growth or a separate chapter on factors for Blue Growth, involving all the existing ESI-funding instruments.

Allocation of funds to Community-led local development (CLLD) should depend on an appropriate selection procedure for well-prepared projects and the capacity to manage them. The upfront designation of the Smolyan region as a CLLD area therefore goes against the bottom-up approach of CLLD. Instead, the Partnership Agreement should present the types of territories where CLLD will be implemented, not a list, explaining the policy choice for the multi-fund possibility and the characteristics of the territories which will be targeted.

Healthcare – The PA should recognise the need for reform of the healthcare sector, referring to Country Specific Recommendations (CSRs) for Bulgaria. The PA mentions the National Health Strategy 2014-2020 as the strategy outlining reform plans but this strategy is not specific or concrete enough in its reform plans, timelines and financing. Proof of a stronger national commitment is needed, with clear action plan that puts a strategic policy, budget and monitoring framework in place before any health investments take place.

Water & waste - The analysis on Water Management (page 41) provides very little on the main weaknesses of the sector and the lessons learnt in the 2007-2013 programming period, such as the lack of capacity of municipalities to handle complex projects and the challenges facing a sector reform (unclear asset ownership, poor planning due to lack of Master Plans, insufficient financing for re-investment linked to tariff setting mechanisms). The PA also seems to considerably extend the territorial scope of EAFRD interventions for water infrastructure in the new period beyond settlements of 2 000 PE, which is neither explained nor justified. EAFRD and ERDF complementarity of interventions has to be clarified, in line with the regional Master Plans under preparation. As regards investments in irrigation, a comprehensive irrigation strategy should be elaborated to ensure targeting of (limited) EAFRD resources.

Education - The analysis needs strengthening and complementarity needs to be ensured with the analysis on research and innovation, in particular the contribution of higher education to growth. The 2013 CSR on education called for the adoption of the School Education Act and the reform of tertiary education but, besides the SWOT table, the PA does not refer to the importance and expected impact of the new law on school education which is still to be adopted by Parliament. Regarding the national 2020 targets the analysis is too positive due to use of outdated figures; 2012 figures should be used. While the 2013 CSR refers to secondary level education, it is not sufficiently well addressed in the needs analysis (and only comes back more explicitly in the TO/ESIF/OP overview table on p.99). Quality aspects of education (including vocational education) should be more prominently discussed in the needs analysis. The investment (sub)priority devoted to education, training and lifelong learning should give more attention to integration of

Roma in the education system. The analysis on tertiary education is weak: no mention of present cooperation with business and research sectors.

The Commission would like to recall the importance it attaches to ensuring adequate support to human capital investment based at least on the minimum share of the envelope to be allocated to the European Social Fund.

ICT - A better analysis and thorough market assessment are needed, prioritising speed of data transport, not the technology. The regional analysis of territorial imbalances concerning the access to and use of ICT is insufficient and there is a sincere risk of overlapping investments with several co-existing public and private broadband networks. PA analysis and strategy therefore need to take account of the activities of private operators. The coordination with the rural development strategy is also not evident. Bulgaria needs to present a comprehensive, up-to-date map, showing the current broadband coverage (both fibre optic cables and wireless), a clear needs assessment and strategy for broadband as ESIF cannot cover all broadband needs e.g. EAFRD in rural areas.

Research & Innovation - More focus in the strategy for research and innovation (R&I) strategy and concentration of means is needed, taking account of the conclusions of a World Bank study on 3S (Smart Specialisation Strategy).

SMEs/Competitiveness - The needs assessment of SMEs is quite generic where it should address the main hurdles preventing growth of sufficient SMEs, which were mentioned in the April version of the PA, such as lack of a skilled workforce, internationalisation, access to financing, regulatory framework, low degree of innovation and energy efficiency, etc. The PA should raise the issue of financing needs of innovative small business and performance results of implementation of Financial Engineering instruments in 2007-2013. Notably access to financing for SMEs is not developed in-depth, while it is flagged in the 2013 Country-specific Recommendations and commission position paper (CPP). SMEs in the Blue Economy should be discussed.

Administrative capacity – The PA needs to ensure a better coherence with the CPP as regards enhancing professionalism and integrity of civil servants and magistrates. The identified needs have to be translated appropriately in the strategic priorities as well. A clearer assessment is necessary of the current HRM policy of the administration and the judiciary, including the adequacy of the respective training policies for career development of civil servants and magistrates.

Renewable Energy Sources - The PA should indicate how energy efficiency actions will be properly coordinated, an issue of major concern that has been raised on multiple occasions by Commission services.

Fisheries - The PA should refer to the preparation of a policy framework for the Bulgarian Black Sea fleet and a concept for the development of fisheries port infrastructure in line with the main principles of the CFP reform i.e. transition to maximum sustainable yield and discard ban. In line with the CPP, Bulgaria should evaluate and identify the remaining overcapacity in its fleet in order to phase it out. The need to reduce and eliminate unwanted catches and discards should be better addressed.

2. Financial allocation proposed by Member State

Indicative financial allocations have been given for ERDF, CF and ESF only. For EAFRD and EMFF a financial distribution in percentages has been given. However, the sums do not add up. Bulgaria is eligible for EUR 7 472 ERDF/CF/ESF (+ 166 ETC) million, but table gives a total of EUR 6 825.7 million, which is 647 million short.

With 49.5% of planned expenditures on Thematic Objectives 1-4 (R&D, ICT, SMEs and low carbon), Bulgaria seems to fall just short of the 50% required for less developed region (<75% EU GDP), although there is also research funding under TO 10. With 15% Bulgaria would meet the minimum standard of 12% for TO 4.

With regard to the ESF indicative allocation, the financial tables state that the ESF should be 28.6% of the Structural Funds resources, yet it is 26.7%. According to the latest available version of the Common Provisions Regulation, article 84(3) stipulates that the minimum ESF share (28.7% in the case of Bulgaria) should be applied after the resources for the FEAD have been deducted from the overall Structural Funds resources.

It is not clear what types of activities are included in the calculation of the EAFRD distribution per thematic objective (TO) in Chapter 1.4. Allocations for TO 1 (0.45%) and TO 8 (2.5%) could be too low; there is also need to clarify the types of interventions counted for the calculation of the EAFRD allocation for TO 6 (40.5%). The information is also needed in order to assess the respect of the 5% legal requirement for Leader and 30% for expenditure related to environment and climate under EAFRD.

Bulgaria should re-evaluate the indicative percentage of support from the EMFF to the individual TOs and consider increasing the modest allocation to TO8 for CLLD taking into account the corresponding EFF allocations and fisheries communities' needs.

The allocated ERDF/CF budget for transport seems substantially lower (EUR 300 million) than the 2007-13 budget. Given the needs and importance for economic development, an increase of the transport budget allocation needed and/or alternative sources of financing should be found (national, PPP, IFIs).

The OP "Good Governance" appears as multi-funded by ESF and ERDF (p.121), whereas the Commission services have recommended that, given the envisaged scope of activities, this OP should be mono-funded by ESF to facilitate the future implementation.

3. Cross-cutting policy issues and effective implementation

With regard to ex ante conditionalities (ExAC), part II of this letter contains the Commission's preliminary assessment of the self-assessment provided by Bulgaria, without prejudice to a final assessment upon the submission of the programmes. Yet, it is clear that certain ex ante conditionalities will not be met at the start of the programming period, notably for healthcare, water, ICT, RIS, transport. Also for ExAC 4 "Effective application of EU public procurement law", Commission services need additional information since ex-ante conditionalities seem to be met only partially.

The PA lists the main results expected for each of the thematic objectives and for each of the ESI Funds. Quantification of targets and clear timetables are essential for establishing added value of ESI Funds. Achievements need therefore to be more concrete and quantified, establishing better links between identified funding areas and expected results. The incorporation in the PA of a consolidated table with result indicators, milestones and targets established in programmes for the performance framework should

allow for a comprehensive monitoring of the performance of the different ESIF programmes.

ESIF management - Cooperation and coordination among the authorities in charge can still be improved. It is necessary to describe ESIF management architecture for 2014-2020: roles, responsibilities and coordination mechanisms. Section II on coordination of ESIFs does not always take proper account of EAFRD. The PA should give a general outline of how TA funds can be used to improve the performance of bodies responsible for the management of the Funds, for increasing the capacity of beneficiaries, for the fulfilment of ex-ante conditionalities and to meet the new requirements of e-cohesion.

Anti-corruption measures (section 2.5) - The PA should explain how relevant Managing Authorities will set up and implement effective and proportionate anti-fraud measures.

Roma – The PA should mention discrimination and anti-Roma attitudes from the mainstream society as a cause of social exclusion, as well as interventions to meet the current social disparities and exclusion of Roma communities. The diagnosis should explain the reasons for the educational gap between Roma and mainstream society (p. 14 EN text). The "cultural backwardness" as a reason is not acceptable.

De-institutionalisation - A commitment of Bulgarian authorities is missing in the PA to continue the functioning of the inter-institutional working group on de-institutionalization of child care given the high visibility of the process and to ensure proper coordination of on-going activities across individual ESIF programmes (p.147).

Public procurement - The Bulgarian public procurement legislation and its implementation give rise to concern; the frequent legislative changes, together with the complicated legal and regulatory landscape, put legal certainty at risk. There seem to be some important incompatibilities in the national laws with EU public procurement legislation. Furthermore, the administrative capacity that is not up to standard and insufficient ex-ante controls are performed by the Public Procurement Agency (PPA).

Maintenance costs for ESIF investment projects are not eligible for ESIF support and have to be covered by the national budget in order to guarantee the sustainability of EU funds' investments.

Partnership principle – Involvement of the following interest groups needs clarification: (associations of) persons with disabilities, "organizations working in the field of gender equality and non-discrimination", maritime and fisheries stakeholders or Fisheries Local Action Groups (FLAG), private research and innovation sector, environmental NGOs, agricultural stakeholders.

4. Other critical issues

Although the August 2013 version of the Partnership Agreement is an improvement, the length of the document (158 pages excl. annexes) needs to be reduced (ideal length max 100 pages). The level of details, notably sections 1.1.5 and in 1.3 is very high. There are also lengthy descriptions of national strategies, which can be significantly shortened (judiciary, e-government, health). Detailed descriptions of individual interventions, measures or projects are more appropriate for the individual programmes.

PART II

1. ARRANGEMENTS TO ENSURE ALIGNMENT WITH THE UNION STRATEGY OF SMART, SUSTAINABLE AND INCLUSIVE GROWTH

1.1 Analysis of disparities, development needs, and growth potentials with reference to the thematic objectives and the territorial challenges

General

The analysis should make use of available European statistics, in particular with regard to Europe 2020 targets (1.1.3), which should be correctly referenced (source, reference period, territorial reference).

Please ensure that data in the PA and draft OPs/RDP are aligned. Examples of discrepancies: difference in total population, rural unemployment, employed in agriculture in AWU, productivity in agriculture, number of villages in rural areas.

The needs analysis section is rather extensive. It covers most of the important aspects related to the CPP and CSR, but, in some of the sub-sections, the text is too detailed in the description of the state of play and achievements instead of describing the problems and linking them to the factual information (e.g. the subsection on the judiciary system). There are also lengthy descriptions of national strategies, which can be significantly shortened (judiciary, e-government, health). The needs analysis does not appear to establish some prioritisation of what the key issues are and where the greatest needs are but in our view describes a very wide range of issues without nuancing the relationship among them or the level of their importance.

Cross-check the SWOT-table and the analysis; some SWOT items do not appear in Chapter 1.1.3. For example, reference to 'chitalishta' in 'Strengths', lack of cooperation network of rural communities in 'Weaknesses' The reference to 'Opportunities to introduce new crops in agriculture' in the SWOT opportunities is unclear and could be replaced by 'underused potential for environmentally-friendly and sustainable land management'.

Smart growth: research & innovation, competitiveness, ICT

Research & innovation

A comprehensive long term national policy on R&I should deal with the fragmentation of R&D infrastructure, regional disparities in RDI, low level of innovation activities, and the unbalanced spatial and thematic distribution of research infrastructures. The PA provides a good analysis of disparities and development needs, although it should also pay attention to the national potential (innovation, research, development) related to biodiversity and nature.

Information and Communication Technologies

The relationship between socio-economic data affecting affordability and ability to use is not evident and should be improved.

The need for HR and policy capacity for e-government should be addressed in the PA.

Conclusions of the EC study on broadband coverage and the study on the broadband needs of Bulgaria financed by the 2007-2013 Bulgarian RDP should feed into the PA strategy.

Certain aspects are missing in the PA: ICT training, population at risk of exclusion, measures supporting demand, synergy between infrastructures and reinforcing capacity to plan ICT (e.g. ICT competence Centres).

The need of putting in place appropriate coordination mechanisms enabling synergy and good planning of ICT measures (issue raised in the CPP) including complementarity between ESI Funds investments in broadband infrastructure should be further elaborated.

Competitiveness

The section in the April version of the PA included, for example, the key challenges to SMEs such as skilled workforce, internationalisation, access to financing (a key weakness in the SWOT), regulatory framework, low degree of innovation and energy efficiency, etc., but the current overview of the SMEs is quite generic without an analysis of the main hurdles behind lack of sufficient SMEs growth.

The PA should raise the issue of financing needs of innovative small business and performance results of implementation of Financial Engineering instruments in the current programming period.

The text on the agriculture, forestry & agro-food industry (p27-32 EN) is too detailed e.g. annual fluctuations, sub-sector specific challenges, etc. (more appropriate for RDP). At the same time core data and main trends should be kept. Please add data on total number of agricultural holdings (only decreasing trend is indicated) and employed in the forestry sector.

The section on tourism section predominantly refers to mass tourism, where the SWOT mentions the potential for alternative tourism. Information on rural/forestry tourism potential should therefore be added. The analysis should take into account the importance of coastal and maritime tourism and the need to support innovation and competitiveness in this niche sector of the blue economy.

Analysis of the blue economy is missing in the document when individual sectors with maritime dimension are addressed as well as accompanying strengths and opportunities. The role of the Blue Growth strategy (COM/2012/0494 final) is an opportunity to harness the untapped potential of the Black sea and the Bulgarian coastal regions and deliver sustainable economic growth and jobs in the blue economy. A clear and comprehensive analysis of the challenges and growth potentials in coastal and maritime regions is needed either under the respective factor for growth (p. 14, 16, 21, 22, 23, 26, 44, 49, 53, 55 EN version) or in a separate chapter on factors for blue growth. Establishment or support of already existing clusters in maritime sectors should be articulated in the PA.

Conclusions for sector "fishery & aquaculture" (p35EN): the potential for the development of aquaculture should be explored in particular in diversification and conversion to eco-management and organic aquaculture.

Please refer to the emphasis in future EAFRD/RDP interventions on increasing the competitiveness of small farms. Reference to the food processing industry is missing (including synergy/complementarity with ERDF).

The PA should report on planned national measures that address the unstable land ownership & tenancy situation in BG as a pre-condition for EU support (importance of issue emphasised in the CPP).

Inclusive growth: education, (employment,) social inclusion

Relevant 2007-2013 experiences in relation to TO 8, 9, and 10 should be described regarding de-institutionalisation (DI), Roma inclusion, and educational infrastructure.

Poverty mapping (under preparation with the World Bank) may help to identify the areas where most marginalised communities are concentrated and to allocate resources.

Employment and labour mobility – There is no need to limit planned interventions to boost agricultural employment to rural areas only. Not all EAFRD-related interventions listed seem to strictly relate to employment (e.g. irrigation), so should be moved to their appropriate place (same review for all sub-priorities needed). The importance of young farmers for boosting agricultural employment and reversing the negative age structure in agriculture has to be made more prominent. Reference to renewable energy as a way to boost employment outside agriculture has to be reviewed (pg. 72, EN), as it is understood that it is national policy to support only renewable energy for own consumption or for power supply to sites managed by local authorities.

Education

The analysis should address the issues highlighted in Europe 2020 and particularly the CSR for 2013: adoption of the new education law which will reform the education framework, and the reform of tertiary education.

The scope of announced sector reforms for education is unclear. Demographic challenges are mentioned (consequences depopulation, Roma will constitute 25% of new entrants on labour market soon), but the PA strategy sets no priorities and even states explicitly that "no school will be closed", which is not a sustainable approach.

School desegregation needs to be mentioned as key principle for EU financial support in education.

Sub-priority: Education, Training and Life-long Learning, p. 75: there is a need to include also a reference to the vocational education, for example: Improving the quality of vocational education and developing the dual system in order to improve the link between the education outcome and the labour market needs.

With regard to secondary education, while the 2013 CSR refers to this policy area, we find that it is not sufficiently well addressed in the needs analysis (and only comes back more explicitly in the TO/ESIF/OP overview table on p.99). Quality aspects of education (including vocational education) should be more prominently discussed in the needs analysis.

The analysis on tertiary education is weak: no mention of present cooperation with business and research sectors (except research and innovation on p25). Strengthen the analysis and ensure that there is complementarity with the analysis on research and innovation, in particular the contribution of higher education to growth, with a special emphasis on university-business cooperation, university-led business creation (spin-offs, start-ups) as well as entrepreneurial education at university level.

Roma

The analysis should cover the segregation of education (42% of Roma pupils attending schools or classes with Roma majority) and propose integrated approaches to tackle this complex problem. The sub-priority devoted to education, training and lifelong learning should give more attention to facilitating the integration of Roma in the education system. The existence of marginalised communities (Roma) living below the poverty line in segregated conditions should be mentioned in the SWOT table under Weaknesses.

Table 10 (Contribution of ESI Funds to address the specific needs of the groups at highest risk of discrimination and social exclusion) shows overlap between representatives of ethnic communities at risk of social exclusion (where spatial concentration of the Roma ethnic communities is mentioned) (page 149) and marginalized groups including Roma people (page 150).

Section 1.1.5 'Strategic Priorities for Funding from the ESIF', sub-priority 'Social Inclusion' (p73-74): the text on healthcare is disproportionately longer compared to the other social inclusion priorities listed in this section and could be shortened to ensure better consistency.

Health has to be part of integrated territorial investments, but there is no mention of the generally poorer health status and unequal access to health services of the Roma population and the less affluent part of the population, also significantly linked to geographic inequalities (e.g. the north-west region).

Healthcare

The PA does not deal with the need for reform of the healthcare sector. The intention to reorganise hospitals and invest in emergency services are mentioned but no details regarding the intended use of ERDF. Outpatient care should be developed, hospital financing improved. The areas identified as priorities for action on page 74 (improving access to health services, etc.) are not translated into major funding areas (page 111-112). Page 74 refers only to "refurbishment and insulation measures for hospitals", whereas page 111 mentions "improving the condition of the health infrastructure and medical equipment", which is too vague. A strong national strategic policy, budget and monitoring framework needs to be in place before any health investments can be awarded in 2014-2020 (ex ante conditionality).

Page 73 lists the quality of health, the provision of basic services including healthcare, improving access to health services and health promotion are appropriately mentioned as objectives in line with the Commission Position Paper on Bulgaria. However, in the table on page 111-112 there is no apparent link with the main results.

The territorial imbalances in healthcare should be described more explicitly.

Sustainable integrated regional development/management of natural resources

Use harmonized spatial definitions, where applicable, for urban, rural and coastal areas, published by the European Commission.

Disaster management and climate change adaptation should feature in the EU Strategy for the Danube River (cross-reference) and sustainable urban development.

Urban areas

The analysis should provide differentiation between (types of) urban areas other than concluding that "non-rural areas have growth potential but still face major problems."

Rural areas

Commission services welcome the Bulgarian authorities' intention to continue to use the current definition of rural areas in the next programming period (section 1.1.3). There is a need to ensure that various data cited relate to one and the same territorial coverage (different sources of information such as Eurostat, national census, current RDP etc. cited in the analysis (pg. 57-60, EN), which potentially have different territorial scopes). Analysis of (outdated) rural infrastructure should be further developed; the achievements

of the 2007-2013 RDP support should be separate e.g. in a new chapter/section on lessons learnt.

Sustainable land use - The PA is silent on any measures envisaged at national level to address the unstable land ownership & tenancy situation in BG as a pre-condition for EU support (importance of issue emphasised in the CPP).

Coastal and inland fisheries areas

There is no in-depth analysis of coastal and inland fisheries areas and lessons learnt from local development in the EFF. Challenges and difficulties encountered by FLAGs, should be explained more objectively. The late start of local strategy implementation and the lack of administrative capacity within the FLAGs were not the only reasons for the delays with the implementation of axis 4 in the EFF (p61 EN version), laying largely outside the control of the FLAGs.

The draft partnership agreement should refer to integrated coastal management and maritime spatial planning.

Little to no cross-sectorial approach has been adopted when it comes to marine and maritime sectors and their sustainable development. The territorial and transnational cooperation in this area are missing.

Environment

The Commission services Position paper identifies the need to improve air quality by implementing adequate long-term programmes and short-term action plans, depending on the pollution sources. In the case of (urban) traffic, besides electro-mobility there is the issue of fuel economy and emissions from old vehicles to be addressed as Bulgaria has one of the oldest vehicle fleets in Europe.

While it is recognised that the NH₃ and CH₄ treatment needs proper manure storage, the same should be mentioned for the Nitrates Directive.

(Table 8) Given the importance of EAFRD environmental interventions, the Rural Development Programme should be a leading (not complementary) programme. Please correct RDP name in the BG version of the Partnership Agreement.

Carbon sequestration – The PA only refers to support for afforestation, while the CPP emphasises the need of developing ecosystem based approaches to conserve and enhance natural carbon sequestration (forests, soils, peat lands, grasslands) including rural and urban green infrastructure.

While the section on 'Marine and Fisheries' addresses discards and unwanted catches, it does not contain a commitment to promote fishing at maximum sustainable yield (MSY), as called for in the Position Paper. While the priorities for the agriculture sector are listed (pp. 83-84), there is no mention of the need to reduce pollutants such as nitrous oxide, methane and ammonia which can cause soil acidification and eutrophication, despite these being highlighted in the CPP. A clarification/justification on the need 'to build a centre for the study of toxins in seawater' is needed.

Biodiversity/Natura 2000

Explain how Bulgaria will fulfil the restoration target set in the EU BDS. Preservation of biodiversity in forest planning and forest management should be included.

The species protection should be added, not only Natura 2000.

Reference (and related measures) to the Birds Directive, carbon sequestration, management, restoration and conservation of wetlands should be added.

Under section "Biodiversity conservation", the LIFE programme should be mentioned.

There is a need to review EAFRD-related priorities as not all of the activities listed seem strictly linked to bio-diversity (e.g. reference to LFA, soil erosion, cultural heritage & strategic investment planning unclear).

Sustainable growth: resource efficiency, low carbon/climate change

Water

The analysis on Water Management (page 41) needs improvement. It provides very little on the troubles with absorption for water projects in 2007-2013, notably the poor capacity of municipalities to handle complex water projects, or the challenges facing a sector reform, such as unclear asset ownership, poor planning (lack of Master Plans), and insufficient financing for re-investment linked to tariff setting mechanisms. With regard to drinking water and urban waste water treatment, the full completion of the water sector reform is still an obstacle for ensuring full compliance.

The Bulgarian water sector needs a regional approach. The work on the Water Sector Strategy, as well as the sub-Strategy for Water Supply and Sewerage utility sector and the draft Water Act needs to be presented, such as the 52 regional master plans developed with help of the World Bank.

EAFRD investments in water infrastructure should be in line with the water sector reform and with the forthcoming national strategy and regional Master Plans for the water and sewage sector. The intention of Bulgaria to potentially considerably extend the territorial scope of EAFRD interventions for water infrastructure in the new period is neither explained, nor justified. The RDP is meant to support water infrastructure in all rural areas, contrary to the current period when such investments were limited to villages below 2,000 PE only, while investments in sewage remain for < 2,000 PE. In this respect, EAFRD and ERDF complementarity of interventions has to be clarified.

It is unclear why measures for reducing negative impact of agriculture on water (group III) and introduction of water saving technologies, irrigation (group IV) to be financed under the Rural Development Programme are limited to rural areas only.

To reduce vulnerability of water resources in relation to climate change, River Basin Management Plans are part of an effective implementation of the environmental acquis for the water sector. The PA should therefore report (in sections 1.1.5 or 1.3) on all work related to river basin management plans, hydro-morphological assessment and measures, as well as support for international co-ordination for the East and West Aegean River Basin Districts.

Waste

There are no data on possible differences between the regions in terms of waste management although the needs seem different from one region to another (mostly with urban/rural division rather than geographical scope).

The PA mentions the level of efforts needed to meet the 2020 recycling target (50%), as well as landfill diversion targets for biodegradable waste, but should also give an indication on the construction/demolition waste target (70% recycling by 2020) and the target on packaging waste.

Climate change & risk management

Bulgaria does not yet have a national strategy for adaptation to climate change. It is within the scope of thematic objective 5 and e.g. ERDF to support the development, implementation and review of national adaptation strategies and this need should be

explicitly addressed by the Partnership Agreement and the concerned programme(s). At the moment the PA lists many plans for combatting climate change. More concentration of actions would be advisable.

Please refer to setting up a climate change adaptation strategy clearly identifying and coordinating the responsibilities of different governmental bodies (issue raised in CPP).

Please refer to setting up a climate change adaptation strategy clearly identifying and coordinating the responsibilities of different governmental bodies (issue raised in the CPP). The SET Plan needs to be mentioned as one of the main programmes which will allow Member States to achieve the Europe 2020 targets on Climate change and energy.

CO₂ emissions and mitigation on p. 47 should be moved to priority 4 'Low-carbon economy' as it is not an adaptation issue.

Energy & energy efficiency

In section 1.1.3, the heading should read 'Resource and energy efficiency' to reflect the content.

There is little attention for renewable energy sources (RES). The focus has been put on the development of renewable energy for private consumption, but rationale of this choice should be explained.

Priority 3, sub-priority: 'Shift to low-carbon economy, energy and resource efficiency' (page 83) should indicate how the challenge for Bulgaria to reduce the highest energy intensity in the Union will be addressed: inefficient buildings, industry, SMEs and district heating, etc. The PA could refer to cost-efficient solutions that are already on the markets and their uptake rather than promoting new innovation.

The PA should elaborate on the recommendations of the CPP with respect to outlining areas where energy efficiency improvements may be achieved and renewable energy use increased (to the extent needed for reaching the EU2020 targets). Presently, the PA focuses on flood risk management planning and prevention.

Implementation of waste to energy solutions for increase of energy efficiency, especially in district heating plants needs to be included in order to allow for the financing of the 3rd phase of the Sofia Waste project (Energy and Resource Efficiency, pp. 83-84); currently only heat supply networks seem to be covered. Such interventions need to be mentioned also in the table on page 102 under "Support for energy efficiency".

Sub-priority 'Employment and labour mobility' (p.71) should refer to the need of the development of energy efficiency training for high/medium skilled workers (energy managers and auditors, energy performance of buildings certifiers, inspectors of heating and cooling equipment, architects) and low skilled workers (construction workers, installers of equipment including distributed renewables in buildings, etc.) in the energy efficiency and services markets and the realisation of good quality renovation projects.

The section on 'Air quality' refers to the planned EAFRD funding for 'gasification' projects in rural areas – more information is needed about the scope & type of activity (new for EAFRD & not financed in current period).

Data on energy use and barriers for SMEs and transport are largely missing from the data on energy use and intensity in the different sectors.

Section 1.1.5 'Strategic priorities for funding from the ESIF', the table on page 67 should report on the progress towards the Bulgarian energy efficiency/intensity target.

The PA discusses the need for fleet renewal and improvements in energy efficiency (p. 33), but not the point raised in the Position Paper that the authorities should “evaluate and identify any remaining overcapacity in Bulgaria’s fleet in order to phase them out”.

Sustainable growth: transport connections

The intervention logic in the area of transport should be strengthened. The proposed measures and priorities are broadly consistent with the CPP, except for the intention to include local roads. However, the intended results are very vague and should have concrete figures and explain how transport interventions will contribute to achieving the targets for EU 2020.

Under 'Connectivity & accessibility' the statement "...road transport has received priority over rail." should be explained. The mentioning of investment plans should be moved to the strategy section 1.1.3 of the PA¹. On roads (p38-39EN) the analysis needs to be separated from plans, without containing action or strategy elements; mentioning certain motorways or projects (Hemus motorway, Shipka tunnel) does not mean commitment of ESI Funds.

Maintenance - The analysis (pg. 36-39) refers to a number of (planned) measures to optimize the procedures for road and rail infrastructure maintenance. The text should contain a clear commitment to properly maintain EU co-financed infrastructure from state budget. The Bulgarian authorities should specify when plan for maintenance of modernized railway lines plan will be developed.

The measures indicated in the PA to enhance the administrative capacity of the two main beneficiaries (RIA & NRIC) should take the lessons from the 2007-2013 into account.

The SWOT table for transport should include direct access to the Black Sea and the Danube for maritime / Inland Water Ways long-distance transport ('Strength').

Planned cross border TEN-T transport infrastructure investments could be integrated with measures addressing also other possible bottlenecks of border-crossing, e.g. customs issues on external borders

Administrative capacity and good governance

The analysis of administrative capacity (p. 49-51) should be strengthened by providing evidence from national monitoring tools, evaluations, assessment reports.

Better identification of the needs is necessary as regards human resources (p. 51). For example, the text outlines only measures undertaken under the OP Administrative Capacity but the statement in the table in part 1.3 (p.114) that the high level of turnover is cited as a key problem is not discussed at all.

The strategic priorities of the PA under TO11 (p. 90-92) do not focus sufficiently on one of the key country specific objectives outlined in the CPP, namely the enhancing professionalism and integrity of civil servants and magistrates.

To facilitate faster, secure and efficient trade and to combat cross-border crime, EU customs at external land and maritime borders need administrative capacity building.

Overall, the identification of objectives and measures under Priority Good governance (TO11) needs to be more precise than, for example, "the development of technical capacity for e-procurement will be supported" and "Introduction of effective monitoring

¹ For example "The implementation..." (fourth paragraph p37), "At the same time..." (fifth paragraph p37), and the text from paragraph "A combination..." in principle until "Overhaul..."

and sanctioning system for conflict of interest". The revised text on p. 90-92 could be aligned with respective part in the table in part 1.3.

The PA need to consider mechanisms to extend knowledge of the sea. Improvement of governance for maritime sectors including data sharing between maritime authorities and functions as part of a larger effort to tackle administrative burden and enable more informed decision-making process need to be foreseen.

Judiciary

National Institute for Justice (NIJ) and IPA are mentioned only with regard to the need for their own institutional capacity building. There is no assessment of the Human Resources Management policy of the administration and the judiciary, of the adequacy of the respective training policies for career development of the civil servants and the magistrates, and the conditions enabling these institutes to implement these policies. This is of particular importance in the context of the enforcement of public procurement rules.

The NIJ is addressed under the administrative reform, while it will be more appropriate to discuss it in the part on judicial reform (p.51-53).

Public procurement

More attention in analysis and overall strategy is necessary for the key procurement bottlenecks. The PA analysis should pay attention to developments of the Bulgarian public procurement legislation and its implementation that, although improving, have given rise in particular to the following areas of concern:

- the frequent legislative changes, together with the complicated legal and regulatory landscape, put at risk the required –and essential- legal certainty;
- certain important incompatibilities with EU public legislation have been identified, e.g. modification of contracts, exclusions from the scope of application of the public procurement law and definition of bodies governed by public law;
- insufficient administrative capacity (due to lack of qualified staff/experts, high staff turnover and lack of supporting structures for smaller contracting authorities);
- limited use of e-procurement, in particular concerning e-submissions;
- still insufficient ex-ante control performed by the PPA, which should be extended to (i) the decisions of the contracting authorities to use one of the derogations to the application of EU procurement legislation and (ii) the check of the technical specifications (Commission Staff Working Document accompanying the CSR from 2013);
- important delays in treatment of appeals related to public procurement, due notably to limited administrative and judicial capacity, which have affected the implementation of Structural Funds considerably;
- still insufficient ex-post checks;
- limited application of the sanctions foreseen in the national legislation.

The aim of a higher degree of 'computerisation' of public procurement is welcome but should coincide with enhancement of the capacity of beneficiaries, particularly smaller municipalities in rural and remote areas e.g. by providing training. Does the planned creation of mobile groups of employees visiting remote areas in order to provide services also cover EAFRD?

E-government

The analysis on p.53-55 refers mainly to the core e-government initiatives and e-procurement². The potential aspects for growth are not assessed against current weaknesses such as the limited use of interest or the serious regional access disparities, reported in chapter ICT (p.26). This continues to constrain the identification and prioritization of objectives and targets in the area of e-services, e-health, e-education, etc.

The SWOT mentions as strength the "presence of basis for e-governance" while the analysis on e-government pinpoints that a lot of elements are still work in progress: e-clouds, connectivity, digitalisation, etc. (p.61).

1.2 Summary of the ex-ante evaluations of the programmes

Please update the summary of ex ante evaluations whenever they have been completed for the individual ESIF programmes, including the relevance of the financial allocation. Please also provide the name(s) of the ex ante evaluator(s).

The summary of the ex-ante evaluation should report on the concrete findings and recommendations of the ex-ante evaluation recommendations. Currently the recommendations of PA evaluator (p96-97 EN) do not add much of substance or additional information. Some recommendations even seem rather biased e.g. financing roads: "The necessity of development of [...] low-category roads, is very well substantiated, with ... irrefutable argumentation." It also confirms the "spatial dimension and the place-based development policies as a separate horizontal priority, with clear territorial dimensions of comprehensive development" as a (correct) approach and in compliance with the Cohesion policy principles." where COM services do not agree, as well as encouraging basic infrastructure investments in ICT infrastructure.

The summary should include information on ex-ante evaluation findings regarding:

- reaching of EU climate objectives and the financial allocations to these objectives;
- conducting ex-ante evaluations on energy efficiency and renewables and the results;
- whether the ex ante evaluator considered PA priorities for ICT sufficient.

1.3 List of the selected thematic objectives and the main results expected

The link between TOs, funds and ESIF programmes is mapped out in a useful overview table (p99) but the choice of TOs, as well as the expected synergies from combining e.g. R&D and education and training in a single OP, could be more clearly demonstrated.

Where possible, overlaps between the table 'Rationale Thematic Objectives and main results' and the preceding analyses and strategy/priority setting should be removed. This would help reducing the size of the PA.

The introduction for "Strategic Priorities for funding under the ESIF" should include reference to an integrated maritime policy and the Blue Growth strategy, as well as improving marine and maritime cooperation in the Black Sea region through the territorial cohesion and transnational cooperation strands. (p.64 EN version).

The table is incoherent with EAFRD % allocations per TO in Chapter 1.4 (e.g. RDP is not mentioned in TO for social inclusion, but according to % allocations in Chapter 1.4 it contributes to this thematic objective with 14%).

² In 2013 DG MARKT carried out a study identifying good practices in e-public procurement (the Golden Book) and a report from an expert group elaborating a more long term vision (eTeg), available at:
- http://ec.europa.eu/internal_market/publicprocurement/e-procurement/golden-book/index_en.htm
- http://ec.europa.eu/internal_market/publicprocurement/e-teg/index_en.htm " (eTeg)

Main results expected

The TO result targets are vague, abstract and often not quantified, unless stipulated by EU 2020 targets, but even then link strategy-results is not very strong. Some 'main results' are rather 'means', i.e. 'implemented strategic and integrated R&D and innovation activities between research centres and the business sector' (objective 1, strategic priority for funding 2, table on page 99). The text could be improved with more concrete and quantified expected achievements and a better link between the identified funding areas and the main results foreseen. The PA should indicate how Bulgaria intends to evaluate the achievements to reach the climate mitigation and adaptation objectives.

The main results, especially in relation to the Europe 2020 objectives, shall be expressed using indicators of the European Statistical System where applicable.

Smart growth: research & innovation, competitiveness, ICT

Research & innovation

The PA should state that the Commission Communication “A Reinforced European Research Area Partnership for Excellence and Growth” (COM(2012)392 final) will be taken into account when drafting the Smart Specialisation Strategy (S3) and the Science Policy Strategy.

Section 1.1.5, Strategic priority 2: an explicit reference should be made to the issue that the thematic objective on R&I under the funding priority 1 will focus on implementation of the smart specialisation strategy (strategic R&I policy framework for smart specialisation).

Section 1.3: While the shortage of qualified R&I staff and outdated infrastructure are main R&I problems, they should be reflected in the main results to be achieved under the thematic priority "Strengthening research, technological development and innovation".

In addition to the use of ESIF for research infrastructure or clustering, its use for the commercialisation of innovative sustainable technologies should be mentioned.

Successful FP7 or Horizon 2020 projects should be considered as a possible source of innovative solutions, to be further developed for market uptake with ERDF support.

R&I incentives in emerging industrial sectors of the blue economy (e.g. 'blue' biotechnology) should be included.

Information and Communication Technologies

The ESIF investment results should be quantified as it is unclear whether the level of contribution of the PA to the ICT field will be sufficient to achieve the EU ICT objectives for 2020. The Digital Growth Strategy and the National Broadband Plan should help to clarify the relationship between the level of ESIF support given and the results expected to be achieved as soon as these two documents will become available.

Competitiveness

Blue Growth objectives should be met by employing all ESI-funding instruments. Ch. 1.1.3 and 1.1.5 do not sufficiently address the blue economy in the selection and rationale of thematic objectives with aquaculture being the only sector connected to Blue Growth. The Priority on "Connectivity and green economy for sustainable growth" should address sectors of potential in a blue economy, such as coastal tourism, renewable energies, maritime transport, biotechnology and sea-bed mining can contribute to economic growth as well. Establishment or support of already existing clusters in "maritime" sectors should be specifically articulated in the Partnership agreement.

Reference needed to maritime clusters and SMEs involved in coastal and maritime tourism (p. 78-79 EN version).

SME access to funding - Smart combinations between grant schemes and financial instruments (e.g. equity financing and seed funds) should lead to much higher leverage effect (p79).

Inclusive growth: education, employment, social inclusion

On a general note, Section 1.1.5 should outline briefly how ESF is going to contribute to Bulgaria's objective for low-carbon and climate resilient economy in areas such as education, labour market and lifelong learning.

Employment and labour mobility should target not only the fisheries sector but to other traditional sectors of the blue economy as well, such as shipbuilding, ship-repair and seafaring (p. 72 EN version).

TO8: Remove the first main result (energy efficiency target) listed in the last column due to its irrelevance to this TO (p.108).

Roma and social inclusion

TO9: The text under the first major funding area could be expanded by including also "activities for prevention of child abandonment" (p.111).

Education

Development and support of existing maritime clusters could facilitate access to finance and/or shortage of suitably skilled workers, allowing growth in many sectors of the blue economy (p. 75 EN version).

In Table 8 on page 66 the education challenges are not fully captured with only the low level of basic skills data used to underpin the challenges in education. Also, the key challenge of education is limited to illiteracy and early school leaving and increasing the overall quality, whereas in section 1.1 more areas were identified including tertiary education and lifelong learning.

Sub-priority education, training and lifelong learning on page 75:

- (1) Bullet 1&2- actions on early school leaving should include a special focus on Roma, reference should be made to non-segregated education, as proposed by the CPP;
- (2) Bullet 3 - mention the possibility of apprenticeships of researchers in firms;
- (3) Bullet 7 - the measure on vocational education and training should include fostering the relationship between vocational schools and local enterprises. In Section 1.3 (p.98) cooperation between academia and business and improving university curricula should be covered under TO 1. There is no clear quantifiable result for this proposed measure; further education and apprenticeships in vocational training are covered under TO8 but expected results of increased employment of marginalised groups are not quantified;

Challenges in Vocational Education and Training (VET) and adult learning are not clearly articulated in the overall challenges and elements of the structural reform (p75), and are limited to matching skills supply for all age groups and vocational guidance at schools. Issues that have system reforming potential have not been addressed at all e.g. the "practical orientation" of the provision from the analytical part; quality of provision and spending, using the EU tools and principles with the respective follow-up (modularization of curricula, quality assurance, and implementation of the National qualification framework).

For the main expected results, notably as regards the achievement of the Europe 2020 targets, only a qualitative description of the anticipated changes is available, without quantitative estimate (except the Europe 2020 objectives to reach).

TO10: The text under the first major funding area could be expanded by including also "introducing the dual system in the vocational education" (p.113).

Healthcare

Most of the health challenges identified were listed under TO 9. However, the main results expected from the action under this thematic objective are limited to the "completion and modernization of the health and social infrastructure, which provides sustainable conditions for improvement of the nation quality of life". This is clearly insufficient and not placed in the right strategic framework.

Given the analysis of development needs, an integrated approach is needed to the health aspect of the overarching thematic objective of social inclusion and combating poverty including actions on health promotion and prevention (nutrition, physical activity, alcohol, smoking) and addressing health inequalities. The implementation of local development strategies aiming to improve the provision of health care should address these risk factors while considering the specificities of the rural areas (e.g. inequality in access to health services, faster ageing of the rural population) and urban areas (e.g. pollution/air quality).

Sustainable integrated regional development/management of natural resources

Coastal areas/fisheries

The CPP asked Bulgaria to evaluate and identify any remaining overcapacity in Bulgaria's fleet in order to phase it out as it remains in overcapacity and non-competitive, despite use of EFF money for scrapping and fleet modernisation. The PA should refer to the preparation of a clearly articulated policy framework for the Bulgarian Black Sea fleet and a concept for the development of fisheries infrastructure that will ensure the transition of fisheries resources to maximum sustainable yield and the implementation of the discard ban in line with the adopted CFP reform.

Environment

The PA should refer to the National development programme's aim to "improve the environment of the Black Sea by elaborating, discussing and approving the national strategy for IMP in the Black Sea" (p. 58 of the NDP in EN). Maritime Strategic Plan for the Black Sea (national maritime strategy) should not be limited to the healthy marine environment but include measures to cover other sectors of the Bulgarian blue economy.

Sustainable growth: resource efficiency, low carbon/climate change

Water

Most of the results for measures discussed under 1.1.5 for water resource protection (e.g. improving monitoring systems) are not included in TO 6.

In relation to TO 5, strategic priority 3 is mentioned : "rehabilitation of infrastructure, connected with river basins, dams and bridges;" It is not clear what is meant by infrastructure, this would be the place to mention Green Infrastructure and Natural Water Retention Measures. Please clarify whether it refers to straightening rivers or reconnecting them with old meanders/wetlands/floodplains. Also in TO 5, River Basin Management Plans (e.g. for measures that will reduce vulnerability of water resources in to CC) need to be considered in this priority.

Climate change & risk management

TO5 - The first sentence on p.85 should make clear that this sub-priority does not cover only climate change risks and policies, but also disaster prevention and management dealing with both natural and man-made disasters.

Please describe how the bottlenecks for Thematic Objective 5 "Promote adaptation, risk prevention and management in the context of climate change" have been identified?

TO5 should include the development of a national climate change adaptation strategy, since this strategy is not in place and the lack of a national policy is even identified in the PA as a bottleneck for climate change adaptation.

The table summarising the rationale and main results (p.108) should be consistent with the priority investments (p.85) (still speaking largely about climate change risks and policies).

Investments in transport infrastructure, tourism, place-based policies etc. should also cover necessary risk prevention and management actions to ensure disaster resilient investments.

Nature based solutions and projects should be mentioned as possibilities to address flood and drought risks.

Energy & energy efficiency

The modernization of energy grids with the deployment of smart grids should include the roll-out of smart metering systems. The description of TO 4 ('Supporting the shift towards low-carbon economy in all sectors', p.103) should also mention smart metering systems.

The (smart) grid development should facilitate infrastructure investments for the deployment of electric vehicles (recharging points, reinforcing electricity networks).

The PA should consider opportunities for marine energy generation (p. 84 EN version).

The energy efficiency national target should not be listed under TO 8.

Sustainable growth: transport connections

TO7: major funding areas presumptuous e.g. financing 'completion of Hemus Motorway' and 'investment in regional road and railway connections. Lack of budget demands further prioritisation of investments.

Table with rationale of thematic objectives – Urban transport should be classified under TO4 (page 103), not TO7 (page 108).

Fishery infrastructure - The draft PA identifies “the lack of general concept for the development of the fishery infrastructure” as one of the main weaknesses in the implementation of the EFF OP under the current period 2007-2013 but remains silent on how to address this weakness, which has led to some 2007-13 EFF investments for ports modernisation ending up outside the major ports used for the landings. New investments should focus on the effective implementation of the discard ban.

Administrative capacity and good governance

Improvement of governance of maritime sectors, including data sharing between maritime authorities should help to reduce the administrative burden and enable more informed decision-making (p90 and 114 EN version). The Partnership agreement should explain the mechanisms to extend knowledge of the sea with view of increasing

efficiency of marine activities and to spur innovation in marine and maritime data use and collection.

1.5 The application of horizontal principles and policy objectives

Partnership principle

Please demonstrate the active involvement of the following stakeholders when drafting the PA:

- maritime and fisheries stakeholders or FLAGs;
- private research and innovation sector;
- environmental NGOs; and
- agricultural sector.

Biodiversity/Natura 2000

Biodiversity and ecosystem protection are explicitly mentioned in Article 8, CPR, but the PA should clearly list the measures to ensure sufficient protection and integration of biodiversity.

Gender equality

Non-discrimination and accessibility are horizontal principles and apply to all ESI Funds.

The PA should explain how this principle will be promoted throughout the ESI Funds cycle. It is written that "as part of the assessment of project proposals, their compatibility with the principles of gender equality, non-discrimination and accessibility will also be examined". The PA could refer to the relevant ERA actions.

Please indicate clearly how the polluter-pays principle and economic instruments will be applied in the field of waste management (landfill tax, extended produced responsibility schemes, pay-as-you-throw, subsidies/penalties for municipalities to encourage separate collection, etc.).

Disaster resilience should be added as a horizontal objective together with environmental protection and adaptation to climate change on p. 120.

1.6 List of programmes under the ERDF, the ESF, the Cohesion Fund (excl. ETC), EAFRD and EMFF

The OP "Good Governance" appears as multi-funded (ESF and ERDF, p.121). However, the justification for ERDF involvement is missing. The Commission services recommended that, given the planned scope of activities, this programme should better be mono-funded by ESF to facilitate its future implementation.

ANNEX 2 (p.10) 'Complementarity between OPs' foresees support for the EU presidency. This is not eligible under the ESIF. Moreover, the measures in the first column under Institutional capacity building fall only in the scope of ESF.

2 ARRANGEMENTS TO ENSURE EFFECTIVE IMPLEMENTATION -

2.1 Coordination between the ESI Funds, other Union and national funding instruments, and with the EIB.

Information on synergy and complementarity to be achieved between ESI Funds should be better explained in the PA e.g. food industry, social inclusion, local development, and infrastructure. Currently only a list of programmes and investments envisaged per type of complementarity area indicated in Annex 2 to the PA.

Section II on coordination amongst ESIFs should take EAFRD better into account. In the section "Areas of complementarity with other national and EU funding instruments, and the EIB", the reference should be to the LIFE Programme, not to the "LIFE+" Programme, also in the paragraph on Agriculture and Forestry.

Complementarities should be sought between all the ESI funds covering the areas falling under the blue economy. In particular, ERDF, ESF and possible cooperation under the ETC programmes. With regard to EMFF, complementarity/demarcation with other ESI funding instruments needs to be spelled out e.g. on fisheries ports, training for fishermen, processing, CLLD, tourism.

OP 'Good Governance' is proposed to be mono-funded (ESF) and cover the main part of e-government measures. Because there will be ERDF-type of investments in the context of the institutional capacity building, such as investment in ICT infrastructure (hardware and software), please describe the coordination and cooperation mechanisms to be put in place with other programmes.

The PA should outline the mechanisms to coordinate support for climate actions (ERDF and ESF).

The PA should indicate how energy efficiency actions will be properly coordinated, an issue of major concern that has been raised on multiple occasions by Commission services.

Information on the de-institutionalisation exercise as a good practice for coordinating different EU funds would be useful: setting-up of the high-level Inter-ministerial Working Group, coordination between ESIF programmes, steps taken so far, etc..

The necessary trans-national coordination mechanisms (responsibility, structures and processes) related to the planning and implementation of cooperation activities with the other countries in the macro-region are missing and should be described.

The coordination between OPs with for integrated urban actions should be described (section 2, 2.1, p.122) i.e. the coordination mechanisms during project selection and implementation.

Research & innovation

The areas of complementarity with other national and EU funding instruments and the EIB should also include the "Research Infrastructures" and "Future and Emerging Technology" parts of the "Excellent Science" programme.

Please indicate which managing authorities will coordinate the ESIF and Horizon 2020 interventions.

The PA should refer to the European Research Area (ERA) key priority of an Open Labour Market for researchers; ESIF and national funding instruments can support programmes for human resources development of doctoral candidates and postdocs, thus fostering better linkages between higher education and business.

2.2 Additionality ex ante verification

The planned public investment volumes (presented in the PA page 127) technically comply with the "additionality" principle as the investment plans are significantly more ambitious than the Commissions' estimated minimum baseline. However, the quality of the PA "additionality" chapter could be improved in several respects:

- 1) The current PA text reminds the reader of the purpose of additionality and the history of the concept, but does not explain the actual Bulgarian investment projection. The text should rather explain how the Bulgarian figures were obtained and what the underlying methodology is. While the PA figures are evidently taken from the latest Bulgarian convergence programme (and are thus in line with it), the convergence programme does also not explain government investment projections.
- 2) The planned investment volumes/figures cited in the PA are much higher than the public investment figures observed over the last few years. They are similar to the pre-crisis peak levels in 2008, which raises questions on the trustworthiness of the investment projection, given the currently substantially weaker economic and budgetary outlook. There might be good explanations for the relatively high investment projections (which the current PA does not present) or the figures might be over-estimated due to methodological faults.

2.3 Fulfilment of applicable ex ante conditionalities

Please be reminded that the section below sets out the Commission services' preliminary assessment of the self-assessment provided in the draft PA, without prejudice to the final assessment upon submission of programmes by Bulgaria. On the basis of the information set out in the PA, the Commission services are not in a position to assess the full consistency and adequacy of the information provided by Bulgaria on the fulfilment of ExAC, as required by Article 17(3) of the draft CPR.

The results of the self-assessment of non-fulfilment are in most cases consistent with the Commission services' assessment. Below follow some preliminary remarks on certain ExAC.

Specific ex ante conditionalities

ExAC 4.1 'Energy efficiency': the evaluation that there is 'partial' fulfilment of the conditionality related to the Directive 2010/31/EU is correct. However, the evaluation that the criteria related to Directive 2006/32/EC (measures consistent with article 13) is fulfilled (page 5 of Annex 3) is not complete. Even though Bulgaria communicated full transposition of Directive 2006/32/EC, an investigation on the adequacy of the application of Article 13 of ESD on individual metering is currently carried out in Bulgaria.

ExAC 6.1 'Water sector' - There are still unresolved issues. With respect to first criterion "The MS has ensured...regions affected":

- a) For action 7 it should be clarified whether water storage for hydropower, cooling for energy production, water services for navigation and floods protection will be considered in the new economic analysis and cost recovery;
- b) There is no information whether metering and volumetric pricing are in place for all water uses;
- c) It is not clear whether the new amendment on tariffs putting fee on pollution will cover diffuse pollution from agriculture (action 6).

With respect to second criterion ("The adoption of a river basin ...water policy"): the need for improving monitoring programmes of certain biological and chemical quality

elements, it is not clear from Actions 1 and 2 that all WFD required parameters will be monitored and which River Basin Specific pollutants will be monitored, when methodologies for analysing and assessing priority substances, river basin specific pollutants, biological and hydro-morphological elements will be developed/finalised, and when relevant data collection will begin.

ExAC 6.2 'Waste sector': In order to be able to assess the consistency and adequacy of the information provided on the fulfilment of ex- ante conditionality, additional information is needed on

- the on-going process to elaborate the National Waste Prevention Programme,
- the measures taken to meet the European targets including details on how the Bulgarian government plans to ensure that the obligations set on municipalities will be fulfilled and
- the measures to improve performance (and fight with frauds) of extended producer responsibility schemes.

ExAC 7.1-7.3 'Transport' - The ExACs n°7 for transport are indeed not yet fulfilled, notably the absence of a general transport master plan. More information is needed assess the fulfilment of the Ex Ante Conditionalities 7.1 and 7.2 for the transport sector with regard to planning, maturity project pipeline, and measures supporting administrative capacity. ExAC 7.3 should be added in the next version of the PA.

ExAC 7.4 'Energy infrastructure - smart grids' (TO 7 instead of TO 4 as in PA) - In the initial table under the column 'Criteria for fulfilment' a reference is made to Article 3.11 of Directive 2009/72/EC and Article 3.8 of Directive 2009/73/EC ('measures to optimize use of energy'). It is important to mention one of the measures proposed in these articles in the 'Actions to be taken', namely the deployment of smart metering systems or smart grids.

ExAC 8.3 'Existence of modernised labour market institutions': only a reference to the National Employment Plan in the PA does not put the Commission in a position to assess the consistency and adequacy of the information provided on the fulfilment of the criteria as required by Article 17(3) CPR. Additional information/clarification/reference documents are needed, in accordance with Article 15(1) CPR, on the fulfilment of the relevant criteria, in particular as regards the administrative capacity of the Employment Agency.

ExACs 9.1-9.3 - All three ex ante conditionalities on education are applicable: 1) Early school leaving (self-assessment: partially fulfilled, exp.Oct 2013); 2) Higher education (self-assessment: partially fulfilled, (policy framework for tertiary education expected by May 2014). 3) Lifelong learning (self-assessment: fulfilled; EC: not fulfilled - public consultation in Oct 2013, adoption end 2013). For all three conditionalities, Commission services will need to assess the policy frameworks to conclude whether the criteria have been fulfilled.

ExAC 10.3 - The Commission is not in a position to assess the consistency and adequacy of the information provided by the Member State on the fulfilment of ex- ante conditionalities, as required by Article 17.3 CPR. Additional information/clarification, in accordance with Article 15.1 CPR, on the state of play regarding adoption of the National Health Strategy (p13EN) is needed.

General ex ante conditionalities

ExACs 1-3 The self-assessment does not include the three general ex ante conditionalities on non-discrimination, gender equality and disability. A self-assessment needs to be undertaken and, in case they are applicable, the relevant information of their fulfilment included in the Partnership Agreement and Programmes.

ExAC 4 'Public Procurement law' - The 2007-2013 period has shown that PP is a major stumbling block in the implementation of projects. The Country Specific Recommendations have repeatedly highlighted public procurement as a critical issue. Yet the ExAC, speaking of "effective application of EU public procurement rules through appropriate mechanisms on public procurement", does not seem fulfilled. To assess the consistency and adequacy of the information provided on the fulfilment of the ExAC for public procurement, additional information/clarification is needed on:

- the existence of a public procurement strategy incl. time line for specific deliverables;
- the extent the Public Procurement Law (PPL) has been brought in line with the EU public procurement legislation (modification of contracts, exclusions from the scope of PPL application, application of the PPL by bodies governed by public law);
- the conformity of the legal landscape with EU public procurement rules;
- where to strengthen the administrative and judicial capacity of the PPA, the State Financial Inspection Agency, the Commission for the Protection of Competition, the Supreme Administrative Court but also contracting authorities;
- the state of play establishing an e-procurement system;
- the efficiency of review procedures, including at judicial level; and
- sanctions on irregularities in public procurement procedures.

ExAC 5 State Aid law in the field of the CSF Funds – In Annex 3 the Bulgarian authorities mention their intention to amend the State Aid Act (SAA) in view of improving/strengthening the regime. In order to be able to assess fulfilment of ExAC 5, information should be provided on the expected amendments to the SAA, on the timetable for the implementation of those amendments or on the weaknesses in the current regime that the amendments aim at correcting.

ExAC 6 'Arrangments for effective application of EU environmental legislation related to EIA and SEA' - PA Annex 3 claims this ExAC has been fulfilled. However, criterion 2 is only partially fulfilled. Please report on the arrangements to disseminate and exchange information for all staff involved in the implementation of EIA/SEA Directives for the implementation of ESI Funds at all relevant levels.

ExAC 7 'Statistics and result indicators' - The draft PA says that the ExAC is fulfilled but, as fulfilment of this ExAC on statistics and result indicators can only be assessed in the ESIF programmes, this statement should be revised.

2.4 Performance framework

The PA should have a consolidated table of indicators with result indicators, milestones and targets established in programmes for the performance framework should allow for comprehensive monitoring of the performance of the ESIF programmes.

There is no overview yet of indicators or milestones (as in Art 19 + Annex II of CPR) as OPs are still being drafted. Coordination and monitoring of this exercise is to be done by Central Coordination Unit in Council of Ministers.

The PA gives an outline of the methodology and mechanisms to ensure consistency in the functioning of the performance framework across programmes and ESI Funds, but it should be updated as it contains many on-going activities.

2.5 Administrative capacity management & control of programmes and beneficiaries

ESIF management

Bulgaria should be more realistic when it claims that all ESIF management issues have been resolved. Cooperation and coordination among the authorities in charge can still be improved. Therefore it is necessary to describe ESIF management architecture for 2014-2020: roles, responsibilities and coordination mechanisms (see suggestion for presentation of text in chapter 2.5³). Quantification of targets and clear timetables are desirable.

The PA should give a general outline of how TA funds can be used to improve the performance of the bodies responsible for the management of the Funds, for increasing the capacity of beneficiaries, for the fulfilment of ex-ante conditionalities and to meet the new requirements of e-cohesion.

Actions need to include the development of transparent and equitable rules for performance based remuneration of all services involved in the management and control of the EU funds.

The analysis of fraud and corruption is of good quality, but anti-corruption measures need to be specified in section 2.5. The PA should contain specific text guaranteeing that all relevant Managing Authorities set up effective and proportionate anti-fraud measures.

Additional information on adequate administrative capacity ensuring the effective implementation of EU State aid rules, in both quantitative and qualitative terms, is required, taking account of the administrative burden for businesses at the same time.

Public procurement

Since the Public Procurement Authority (PPA) is in charge of performing the ex-ante control of public procurement procedures involving EU funds, strengthening its administrative capacity is of significant importance to ensure the effectiveness of that ex-ante control (see ExAC 4 "Effective application of EU public procurement law"). The assessment of the administrative capacity of the PPA does not take into consideration, however, the needs consequent to:

(1) the requirements of the 2013 CSR for extended ex-ante control to other aspects of the public contracts, and

(2) the changes of the ex-ante control proposed by the Council of Ministers on 28 August 2013 and sent to Parliament for adoption (the mandate of the PPA will be shortly extended to the works contracts financed by the national budget above certain thresholds).

Furthermore, the modifications proposed on 28 August 2013 included that, for contracts financed fully or partially with EU funds, OP managing authorities would perform an ex-

³ Please present the text in three blocks: 2.5 'Administrative Capacity' / 2.5.1 'Identification of Needs' / 2.5.1.1 'Authorities responsible for ESIF management' + HR (text OK as it is) + Tools (text OK but streamline the link to chapter 2.6) + Structures (add new text on improving coordination and cooperation) / 2.5.1.2 Beneficiaries (text OK as it is) / 2.5.2 'Good practices and measures to improve capacity' / 2.5.2.1 'Authorities responsible for ESIF management' (structures, HR and tools including the PPA reg. ESIF funded projects is concerned) / 2.5.2.2 'Beneficiaries'. Sector-specific activities can feature in the relevant chapters but there should be cross-references in the overall chapter on administrative capacity.

ante control prior to the ex-ante control of the PPA. If this amendment is finally voted by the Parliament, there should be an assessment of the capacities of the MA to perform their part of the ex-ante control and of the practical consequences of this double control (potential overlaps).

No concrete assessment has been provided with regard to the administrative capacity needs of the SFIA and the CPC, which are key actors in the ex-post control and review within the Bulgaria public procurement system.

Beneficiaries

EAFRD beneficiaries should be included in the assessment of the administrative capacity and in the section on good practices and measures to improve administrative capacity.

Section 2.5 on strengthening administrative capacity should mention FLAGs and LAGs.

The assessment has to recognise the need to support the development of the capacity to plan and implement ICT projects both at national and regional/local level.

The PA should indicate how the administrative capacity needs in the area of climate action (both mitigation and adaptation) will be taken into account.

2.6 Actions planned to reduce the administrative burden for beneficiaries

The PA contains a good approach for reduction of administrative burden (section 2.6), although IT is not a solution for everything. Some of the elements related to coordination and cooperation between institutions should be taken up under Chapter 2.5, however, as they are a core part of an efficient public administration. The length of the text can be reduced as many points are already outlined in the analytical part of the PA.

It is important to know whether the standardized application and reporting forms that will be introduced – mentioned at page 134 of the English version of the PA - are going to be designed in a way as to cater for the relevant obligations arising for instance under the provisions of the revised General Block Exemption Regulation.

An indicative timetable of the actions planned to achieve a reduction in the administrative burden for beneficiaries could be added.

The new model of ex-ante control (put forward by the Council of Ministers on 28 August 2013 and sent to the Parliament for adoption), which establishes a control with the same scope to be performed by both, the PPA and the MA. The PA should indicate how administrative burdens deriving from overlapping controls and tasks will be avoided.

3. INTEGRATED APPROACH TO TERRITORIAL DEVELOPMENT

The connections between the National Spatial Development Concept as the basis to define the preferred regional development model for the country (page 55), the National Regional Development Strategy 2012-2022 and the National Development Programme Bulgaria 2020 need explanation (applies also to Section 3 of III, point 3.1., page 138).

Specifications on types of territories shall be based on EU-wide harmonised typologies where such typologies exist: 1. NUTS-3: Urban/Rural Typology, Metropolitan Regions, Coastal Regions, 2. LAU-2 (municipalities): Degree of urbanisation, Cities, Larger Urban Zones, Greater City Districts, Coastal Areas.

The PA should take the territorial dimension of the integrated maritime policy and the Blue Growth strategy into account. The PA should refer to the establishment of an inter-institutional working group to address the spatial dimension and the place-based policies of the Integrated Maritime Policy (IMP) and explain how Bulgaria intends to approach integrated coastal management and maritime spatial planning.

3.1.1 Community-led local development (CLLD)

The CLLD section is rather repetitive with standard information that does not need to be included. The types of territories where CLLD is planned seem to be only rural and despite the generic intention to use EMFF funds for CLLD, the fisheries dependent territories are not explicitly mentioned. The potential of CLLD in fisheries areas to create new job opportunities, enhance quality of life in fisheries communities and overcome decline of fisheries and depopulation deserves more attention in the PA.

The pre-defining in the PA of the particular CLLD area for Smolyan ignores the requirement of an appropriate selection procedure. Instead, the PA could indicate the policy choice for targeting the multi-fund possibility to territories whose development is lagging behind, while at the same time allowing for competition amongst territories and not precluding the outcome of a genuine selection procedure with relevant selection criteria.

Risk prevention and management actions should part of local development strategies and included in the integrated approach towards environment (p139).

3.1.2 Integrated Territorial Investments

Please explain the reasons for selecting the pilot area for ITI. Except the designation as intervention area, there is no further information provided on the planned ITI in the North-West region (objectives, scope of actions, territorial challenges to tackle, etc.). What would be the management structure of the ITI (MA in charge; delegation to local level?). What funds/OPs would it cover? If it is a multi-OP ITI, please describe the coordination arrangements.

According to the PA, the "realisation of the integrated territorial approach based on CLLD instrument in the district of Smolyan... will create the foundation to step and build on for the purpose of implementing ITIs". However, CLLD and ITI are not identical tools, their intervention logic and objectives are completely different.

3.1.3 Sustainable urban development

There is no thematic differentiation as regards the needs of the cities under categories I to IV (pages 56 and 142) – big cities usually face different challenges compared to mid and small sized towns – EU support should therefore have a more focused, needs-based approach. Wide-scale intervention under an OP Regional Development in 67 cities, without differentiation does not allow for satisfactory territorial concentration of ERDF resources. The claim that "The urban centres from level 1 to 3, and 28 towns from the 4th level with a trend and potential for promotion to a higher hierarchical level are essential for achieving investment focus and concentration effects" is a contradiction (p56-57 + 93-95, p141-144 EN). Moreover, there is an inconsistency in the number of cities in categories III and IV on page 56 and page 142: the total number is still 67 but with variations in the number of cities under the two categories.

Integrated urban development

Integrated Urban Development Plans are only mentioned in one sentence at the end of the section. Some more information on the planning and implementation of the integrated approach needs to be included. The sentence "cities will not be competing with each other" (p143) ought to be replaced by description of the Integrated Urban Development Plans preparation and the identification of priority projects by the cities – financial allocations should be based on identified needs, administrative capacity and maturity of project pipelines.

The link between specific support for marginalised groups, including Roma (page 147) and the areas of integrated actions for Sustainable Urban Development should be described.

Risk management and disaster resilience should be part of integrated sustainable urban development plans given the increased exposure and vulnerability of citizens, infrastructure and property.

Urban areas & environment

Transport noise creates 80-85% of the total noise pollution in cities. Please provide cross-references to Sustainable Mobility and illustrate the actions how the PA will address the noise issue.

Please indicate how the PA will stimulate development and implementation of green infrastructure projects to improve the quality of life in urban environments.

3.1.4 European Territorial Cooperation

There is a lack of thematic concentration with 11 areas mentioned as priority without a specification to particular cross-border territories. The PA should also describe how synergy and complementarity will be ensured between the interventions for Growth & Jobs and European Territorial Cooperation (ETC) goals (p144-145EN).

The draft partnership agreement indicates the priority areas for cooperation identified for 2014-20, namely employment and labour mobility, education and learning, entrepreneurship, competitiveness, social inclusion, culture, infrastructure, resource efficiency and administrative capacity, but should also mention priority areas for international cooperation. The maritime angle is missing.

In the section on macro-regional cooperation (p. 145), please mention of the need for cooperation within the Black Sea Convention (Bucharest Convention).

EU Strategy for the Danube Region

The PA briefly mentions mechanisms to achieve synergies at trans-national level with the macro-regional and sea basin strategies, but it does not demonstrate how these will be properly explored. In particular, regarding the EU Strategy for the Danube River (EUSDR) the PA only contains a very general paragraph on the need for an "on-going coordination of different actions by different authorities in the execution of a common action plan for all stakeholders with clearly defined responsibilities and tasks".

The EUSDR should contain a dedicated research agenda addressing the key environmental challenges and risks. Environmental related aspects (beyond risks) should be more prominent. Under 'ETC programmes and co-operation' the PA could list the development of green infrastructure solutions to ensure sustainable water, coastal and flood prevention, and address nature preservation and restoration.

3.1.5 Areas affected by poverty, discrimination or social exclusion

The data used in the PA are not always as accurate as they can be. The most detailed Eurostat data on People at risk of poverty or social exclusion are on NUTS-2.

Please describe the link between specific support for marginalised groups, including the Roma (page 147) and the areas of integrated actions for Sustainable Urban Development.

Table 10 (p149-150): what is the difference between "ethnic communities at risk of social exclusion" (row 4) and "marginalised groups including Roma people" (row 6)?

3.1.6 Regions with demographic challenges and natural handicaps

A coherent approach should be presented to counter negative demographic trends. The section on demographic challenges could be expanded to include less statistical data and more information on how the ESI funds will be used, which would contribute to reversing the negative trends.

4. ELECTRONIC DATA EXCHANGE

Section 4.1 (e-cohesion) - The PA states that “providing an on-line application function is not a requirement for Member States” (p.154). Article 112(3) Common Provisions Regulation does not impose an obligation but the PA should refer to the option for beneficiaries when signing a document setting out the conditions for support for each operation, whether they prefer electronic exchange of data, without parallel paper exchange, or not.