03 October 2025

Positive preliminary assessment of the satisfactory fulfilment of milestones and targets related to the second payment request submitted by Bulgaria on 23 July 2025, transmitted to the Economic and Financial Committee by the European Commission

Executive summary

In accordance with Article 24(2) of Regulation (EU) 2021/241, on 23 July 2025, Bulgaria submitted a request for payment for the second instalment of the non-repayable support. The payment request was accompanied by the required management declaration and summary of audits.

To support its payment request, Bulgaria provided due justification of the satisfactory fulfilment of 58 out of the 59 milestones and targets of the second instalment of the non-repayable support, as set out in Section 2.1.1. of the Council Implementing Decision of 4 May 2022 on the approval of the assessment of the recovery and resilience plan for Bulgaria[1].

For 1 target and 1 milestone covering a large number of recipients, in addition to the summary documents and official listings provided by Bulgaria, Commission services have assessed a statistically significant sample of individual files. The sample size has been uniformly set at 60 which corresponds to a confidence level of 95% or above in all cases.

In its payment request, Bulgaria has confirmed that measures related to previously satisfactorily fulfilled milestones and targets have not been reversed. The Commission does not have evidence of the contrary. Upon receipt of the payment request, the Commission has assessed on a preliminary basis the satisfactory fulfilment of the relevant milestones and targets. Based on the information provided by Bulgaria, the Commission has made a positive preliminary assessment of the satisfactory fulfilment of 58 out of 59 milestones and targets.

The milestones and targets positively assessed as part of this payment request demonstrate significant steps in the implementation of Bulgaria's Recovery and Resilience Plan. They notably highlight the continuation of the reform momentum in key policy areas. This includes, among others, the entry into force of the amendments to the Employment Promotion Act, the [legal] definition of energy poverty, the strengthening of the capacity to manage and implement TEN-T railways projects, the establishment of the governance structure of Natura 2000 Network, and the entry into force of the amendments to the e-Health regulatory framework. The milestones and targets also confirm progress towards the completion of investment projects related to the establishment of the national STEM centre, the signature of financing agreements between Bulgaria and the European Investment Fund, the launch of a tender for the construction of production capacity of electricity from renewable sources and of calls for proposals for energy efficiency renovations, and final recipients trained to strengthen their procurement capacity.

By the transmission of this positive preliminary assessment and in accordance with Article 24(4) of Regulation (EU) 2021/241, the Commission asks for the opinion of the Economic and Financial Committee on the satisfactory fulfilment of the relevant milestones and targets.

Contents

Number: 2	Related Measure: C1.R1: Reform in preschool and school education and lifelong learning
Name of the Milestone: Entry into force of the amendments to the Employment Promotion Act	
Qualitative Indicator: Provision in the law indicating the entry into force of the amendments to the Employment Promotion Act	**Time:** Q4 2022

Context:

Milestone 2 is part of Reform C1.R1 "Reform in preschool and school education and lifelong learning" which aims to increase quality and access to education and training of all levels. To achieve this, the reform includes the adoption of a legislative package as well as the adoption of an action plan to implement the strategic framework setting out the priorities for the development of the Bulgarian education system until 2030.

Milestone 2 requires the adoption of a provision in the law indicating the entry into force of the amendments to the Employment Promotion Act. The amendments to the Employment Promotion Act shall: i) introduce the possibility of combining vocational training with participation in a training course for persons over 16 years of age; ii) introduce the option of validating professional skills and key competences acquired through non formal learning or self-learning; iii) Increase the flexibility of training opportunities, including by increasing the offer of online trainings.

Milestone 2 is the second milestone of Reform C1.R1 to increase quality and access to education and training and it follows the completion of Milestone 1, related to the adoption of amendments to the Preschool and School Education Act, including secondary legislation. It is implemented together with Milestone 3, related to the adoption of an action plan containing the measures addressing the recommendations of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030). It is followed by Milestone 4, related to the adoption of amendments to the regulatory framework for vocational education and training (VET), which shall introduce changes to the list of professions for VET and their programmes.

The reform has a final expected date for implementation by 31 December 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the publication in the State Gazette No. 41 of June 3, 2022, of the Act for Amendments and Supplements to the Employment Promotion Act ("*Закон за изменение и допълнение на Закона за насърчаване на заетостта*"), which entered into force on June 3 2022 accompanied by a link where the publication can be accessed.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Entry into force of the amendments to the Employment Promotion Act

The legislation introducing amendments to the Employment Promotion Act with the title "Act for Amendments and Supplements to the Employment Promotion Act" was published in the State Gazette No. 41 of 3 June 2022 and, according to its Article 24, it entered into force on the same day.

Furthermore, in line with the description of the measure, the entry into force of the amendments to the Employment Promotion Act contributes to increasing i) quality and ii) access to education and training.

i) Quality: a set of legal amendments (Article 16 point 17; Article 30a(1) points 25 and 26) envisages state funding for the validation of professional knowledge, skills and competences. This will facilitate the provision of additional training when gaps in the professional knowledge, skills and competences are identified. The identification of gaps is based on a preliminary comparison of the professional knowledge, skills and competences with the learning outcomes included in the State Education Standards for acquiring a qualification in the relevant profession. Following this process, tailor-made courses can be organised and funded. This increases both the quality of trainings and access to training.

ii) Access: another set of amendments (Final Provisions of the Act for Amendments and Supplements to the Employment Promotion Act) allows for the possibility to gain an entry educational level equivalent by participating in a literacy training course. Hence it increases access to vocational training for people previously excluded. Another set of amendments (Article 17(1) points 7 and 10; Article 26 point 6) enriches the range of services provided by the active labour market policy to job seekers. It introduces the option for referral to a procedure for validation of professional knowledge, skills and key competences acquired through non-formal training or informal learning. De facto this is equivalent to increasing access to education and training by removing the necessity of additional formal courses.

The amendments to the Employment Promotion Act shall

- **introduce the possibility of combining vocational training with participation in a training course for persons over 16 years of age:**

Article 21 of the Act for Amendments and Supplements to the Employment Promotion Act (Final Provisions) introduces new Paragraph 8 in Article 8 of the Vocational education and training Act. This new provision removes the entry educational level requirement for adults to participate in vocational training provided that participation in the vocational training course is simultaneously combined with participation in a literacy training course. As such, the required educational level can be achieved by means of a successfully completed literacy training course. Before the introduction of this possibility, people without education had to first complete successfully a literacy training course to become eligible to participate in vocational training course. The new legislative option for simultaneous participation in vocational training course and in literacy training course increases the flexibility of training opportunities and reduces the duration of time spent on training, while it expands the eligibility and access to vocational training of adults without education.

- **introduce the option of validating professional skills and key competences acquired through non formal learning or self-learning:**

The second kind of amendments (Article 16 point 17, Article 17(1) points 7 and 10; Article 26 point 6) expands the set of services available to job seekers as part of the active labour market policy. More specifically, it introduces the option for referral to a procedure for validation of professional knowledge, skills and key competences acquired through non-formal training or informal learning. The labour offices will provide information and consultation to job seekers about the opportunity for validation of professional knowledge, skills and competences, the validation procedure, the

institutions eligible to carry out validation, needed documents. The procedure for validation provides job seekers with another option to acquire professional qualification, which is easier and shorter in duration compared to participation in a formal training course.

- **increase the flexibility of training opportunities, including by increasing the offer of online trainings:**

According to Ordinance No. 2 of 13 November 2014 on the Conditions and Procedure for Validation of Professional Knowledge (Article 6(1), Article 7 points 2-5), the determination of the acquired professional knowledge, skills and competences requested for validation is carried out through a preliminary comparison of the professional knowledge, skills and competences with the learning outcomes included in the State Education Standards for acquiring a qualification in the relevant profession. The validation procedure envisages the organisation of additional training when gaps in the professional knowledge, skills and competences are identified.

The possibility to cover the expenditures for the abovementioned validation procedure (including the expenditures for the additional training, verification and examination), which the new amendments to the Employment Promotion Act introduce (Article 16 point 17; Article 30a(1) points 25 and 26) means that costs for additional training, verification and examination can also be covered by Active Labour Market policies funding. This increases the training offers and their flexibility through organisation of short-term training courses that are tailored-made in line with the individual needs/gaps identified during the validation procedure. According to the Vocational Education and Training Act the forms of training of adults (persons aged 16 and above) are daily, evening, extramural, individual, remote, as it is determined by the training institution in coordination with the applicant of the vocational training. The training courses are organised in person or online.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 3	Related Measure: C1.R1 Reform in preschool and school education and lifelong learning
Name of the Milestone: Action Plan(s) for the implementation period 2023-2027 of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030)	
Qualitative Indicator: Adoption by the Council of Ministers	**Time:** Q4 2022

Context:

The objective of this reform is to increase quality and access to education and training. The reform consists of the entry into force of a legislative package, including amendments to the Preschool and School Education Act and secondary legislation, amendments to the Employment Promotion Act, the adoption of at least one Action Plan for the implementation of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030) and amendments to the regulatory framework for vocational education and training (VET).

Milestone 3 concerns the adoption of at least one Action Plan to cover for the implementation period 2023-2027 of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030), which includes the formulation of measures and actions, including their timeline, to address the objectives of the Strategic Framework.

Milestone 3 is the third step of the reform, and it is accompanied by milestone 2, which requires amendments to the Employment Promotion Act concerning training opportunities and validation of

skills. It follows the completion of milestone 1 that covered amendments to the preschool and school education legislation. It is followed by milestone 4 requiring to align the regulatory framework for vocational education and training with the needs of professional competences.

The reform has a final expected date for implementation by 31 December 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i) Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii) A copy of the adopted Action Plan until 2024 for the implementation of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030) and of the Strategic framework for development of education, training and learning in the Republic of Bulgaria (2021 – 2030);
iii) A copy of the adopted Action Plan for the period 2025 - 2027 for the implementation of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021 - 2030).
iv) A copy of Excerpt from Protocol No 13 of the Meeting of the Council of Ministers on 22 March 2023 adopting the Action Plan until 2024 for the implementation of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030);
v) A copy of excerpt from protocol No. 52 of the meeting of the Council of Ministers on 18 December 2024 adopting the Action Plan for the period 2025-2027 for the implementation of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030);
vi) Copy of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030);
vii) List of participants at the Advisory Board meeting of 14 December 2022.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Adoption of at least one action plan to cover for the implementation period 2023-2027 of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030).

The Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030) (hereinafter referred to as the "Strategic Framework") will be implemented based on three plans. The Action Plan until 2024 for the implementation of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030) (hereinafter referred to as the "first Action plan") was adopted by Decision of the Council of Ministers held on 22 March 2023 (see Excerpt from Protocol No. 13 of the Meeting of the Council of Ministers on 22 March 2023).
The Action Plan for the period 2025-2027 for the implementation of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030) (hereinafter referred to as the "second Action plan") was adopted by Decision of the Council of Ministers held on 18 December 2024 (see Excerpt from Protocol No. 52 of the Meeting of the Council of Ministers on 18 December 2024).

The first adopted Action plan cover measures and actions until end-2024. The second action plan to the Strategic Framework for the development of education, training and learning in the Republic of Bulgaria (2021 – 2030) covers the period 2025 – 2027 and the third action plan will cover the period 2028 – 2030.

The Council Implementing Decision required that at least one Action plan covering for the period 2023-2027 would formulate measures and actions, including their timeline, to address the objectives of the Strategic Framework. Bulgaria has opted for three consecutive action plans, respectively for the periods 2023-2024, 2025-2027 and 2028-2030 to cover the entire lifespan of the Strategic Framework, flanked by two interim reports and a final analytical report. The objectives, measures and result indicators included in it will be updated in 2024 and in 2027, in line with progress achieved or possible changes in challenges. The reason for the Strategic Framework to be implemented with three consecutive plans is the opportunity for earlier reporting of the results achieved and of their impact on the implementation of the Strategic Framework. This will allow to more accurately assess the follow-up actions needed to reach the targets set in the Strategic Framework compared to the scenarios with fewer action plans, addressing its objectives as per the requirements of the Council Implementing Decision. Thus, the adoption of the action plan for the period 2028-2030 would fall beyond the timeline of the RRP and is not subject to assessment as per the CID requirements. As of this, the approach chosen has a positive impact on achieving the reform that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

At least one action plan to cover for the implementation period from 2023-2027 of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030) shall formulate measures and actions, including their timeline, to address the objectives of the Strategic Framework. The objectives of the Strategic Framework shall include: better access to quality education for children from vulnerable groups, including Roma.

The Strategic Framework covers several objectives, including Objective 5.6 “Educational integration of children and pupils from vulnerable groups, including Roma, of applicants for or beneficiaries of international protection and migrants” (page 28). The fourth measure under objective 5.1 Overcoming regional, socio-economic and other barriers to access to education (page 11) determines one of the expected results as “Better access to quality education for children from vulnerable groups, including Roma”. Further, Objective 5.3 *“Supporting the development of professionals in pre-school and school education”* (page 27). Envisages, amongst other sub-objectives, to develop and implement programmes to support teachers operating in schools with a high number of children/pupils from vulnerable groups, including Roma.

The first Action plan includes measures and actions, including their timeline, to support better access to quality education for children from vulnerable groups, including Roma as follows:

i) Additional Bulgarian language training for children from vulnerable groups, as part of Project “Active inclusion in the pre-school education system” in the Operational Programme Science and Education for Smart Growth. Indicative time of completion: Q4 2023 (page 10).

ii) Active inclusion in the pre-school education system, as part of the Operational Programme Science and Education for Smart Growth. This includes measures such as extended access to pre-school education for children from vulnerable groups and living in poverty, including Roma, as well as the provision of teaching aids, tools, materials, software programmes for teaching etc. developed for children with another mother tongue/children who do not have a good command of Bulgarian. Indicative time of

completion: Until finalisation of activities (page 11).

iii) Overcoming regional and socio-economic barriers to access to education, for example, by means of providing free, safe and environmentally friendly transport of children/pupils to educational institutions or supporting municipalities with a concentration of children and students from vulnerable groups, including Roma, for educational desegregation. Indicative time of completion: Q4 2024 (page 12).

iv) Increasing the competences of pedagogical and non-pedagogical specialists, determined by the individual needs of children and students from risk groups. One example is developing the competences of pedagogical professionals to work effectively with children and pupils with a non-Bulgarian mother tongue in schools with at least 30 % pupils from families who do not speak Bulgarian at home, by providing relevant training, which is expected to improve their access to education and its quality, by better preparing staff. Indicative time of completion: Q4 2024 (page 9).

v) Implementation of effective educational integration and full socialisation of children and students from ethnic minorities. Indicative time of completion: Q4 2024 (page 18)

vi) Socio-economic integration of vulnerable groups. Integrated measures to improve access to education component, for example, by means of additional activities with pupils at risk of dropping out of school from vulnerable groups, including ethnic minorities and those seeking or granted international protection. Indicative time of completion: Q4 2023 (page 19)

The second Action plan includes measures and actions, including their timeline, to support better access to quality education for children from vulnerable groups, including Roma as follows:

i. Improving the inclusive nature of preschool education with a focus on children from vulnerable groups, including Roma, to reduce the number of children not covered and dropped out of education at compulsory preschool age; Increased capacity of institutions in the preschool education system to implement inclusive education; Built a supportive community to form positive attitudes and motivation of parents towards education for the full inclusion of their children in preschool education. Indicative time of completion: Q4 2027 (page 5)

ii. Improving the inclusive nature of the school education system with a focus on students from vulnerable groups, including Roma, and reducing the proportion of early school leavers. Indicative time for completion: Q4 2027 (page 6)

iii. Educational integration of children and students from vulnerable groups, including Roma, through the implementation of activities by municipalities for educational desegregation and prevention of secondary segregation (NP "Support to Municipalities for Educational Desegregation"). Indicative time for completion: Q4 2027 (page 8)

iv. Conducting joint activities between kindergartens, between schools and between kindergartens and schools with a concentration of children from vulnerable groups, and those in which there is no concentration of children from vulnerable groups, to implement intercultural education. Indicative time for completion: Q4 2027 (page 8)

v. Promoting the process of educational desegregation and prevention to prevent secondary segregation. Indicative time for completion: Q4 2027 (page 8)

In terms of quality, the Action Plans include measures targeting more broadly all pupils and that are expected to increase quality, such as updating educational content and educational programmes to prepare pedagogical professionals in higher education institutions, both in terms of curricula and of practical trainings.

At least one action plan to cover for the implementation period from 2023-2027 of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria

(2021-2030) shall formulate measures and actions, including their timeline, to address the objectives of the Strategic Framework. The objectives of the Strategic Framework shall include: larger coverage of children in the education system

The Strategic Framework covers several objectives including Objective 1.1. “Extending the scope of children from 0 to 7 in early childhood education and care. Effective socialization” (page 18), Objective 1.2. “Ensuring quality education and care for every child at an early age” (page 18) as well as Objective 5.6 “Educational integration of children and pupils from vulnerable groups, including Roma, of applicants for or beneficiaries of international protection and migrants” (page 28).

The first Action plan includes measures and actions, including their timeline, to support larger coverage of children in the education system as follows:

i) Providing conditions for the child’s transition from family environment to early childhood education and care, for example, by analysing training needs of early childhood education and care (ECEC) professionals to support and partner with families and by increasing the share of children in pre-school education. Indicative time of completion: Q4 2024 (page 2).
ii) Improving the conditions for raising, educating, training and socializing children in early childhood education and care, for example by providing modernised facilities, equipment and didactic tools, including materials to develop children’s thinking and imagination and by updating the regulatory framework to support the operation of innovative kindergartens. Indicative time of completion: Q4 2024 (page 2).
iii) Applying an individual approach to the child in all early childhood education and care services, for example by improving the ratio between the number of children and the number of professionals working with them. Indicative time of completion: Q4 2023 (page 3).
iv) Creating conditions for increasing the range of children and students in activities of interest, for example by supporting students’ involvement in extracurricular activities such as sport, leisure and culture by increasing the number of schools with equipped and furnished rooms for these activities by interest. Indicative time of completion: Q4 2024 (page 5).
v) Creating conditions for equal access to pre-school and school education by identifying protected secondary schools and schools, aiming at increasing the net enrolment rate of the population in education both in primary and secondary and upper secondary education. Indicative time of completion: Q4 2024 (page 11).

The second Action plan includes measures and actions, including their timeline, to support larger coverage of children in the education system as follows:

i) Introduction and development of quality and accessible integrated services for early childhood organization and care (ECEC) - (project "Strong Start"). Indicative time of completion: Q4 2027 (page 1)
ii) Ensuring conditions for a smooth transition of the child from the family environment to ECEC. Indicative time of completion: Q4 2027 (page 1)
iii) Improving access to early childhood education and care through intensive work with parents ("Strong Start" project). Indicative time of completion: Q4 2027 (page 1)
iv) Engaging parents and other family members in the process of covering and including children and students in the system of preschool and school education and increasing the educational potential of the family (NP "Together for Every Child"). Indicative time of completion: Q4 2027 (page 4)
v) Designation of protected kindergartens and protected schools in the Republic of Bulgaria and provision of conditions for the education and upbringing of children and students in

them. Indicative time of completion: Q4 2027 (page 5)

vi) Providing free transportation for children of compulsory preschool age and for students from 1st to 12th grade, as well as for students who are training to acquire a qualification in a profession under Art. 283, para. 2 of the ZPUO. Indicative time for completion: Q4 2027 (page 5)

vii) Provision of free use of textbooks and teaching kits for students from grades I to XII - printed editions and e-readable textbooks; teaching kits for the subject mother tongue for students from grades I to VII - printed editions and e-readable textbooks; teaching kits for the subject religion for students from grades I to XII - printed editions and e-readable textbooks; textbooks and teaching kits printed in Braille for students with visual impairments; textbooks and teaching aids for special subjects for students with sensory disabilities; cognitive books, textbooks and teaching kits for Bulgarian language and literature for children and students educated in the European Schools. Indicative time for completion: Q4 2027 (page 6)

viii) Increasing the scope and successful inclusion of every child and student in education, in implementation of PMS No. 100/08.06.2018, amended and supplemented by PMS No. 259/14.10.2019, on the establishment and functioning of a Mechanism for joint work of institutions on the coverage, inclusion and prevention of dropout from the education system of children and students of compulsory preschool and school age (NP "Together for Every Child"). Indicative time for completion: Q4 2027 (page 6)

ix) Preventing school dropout and early leaving from education. Indicative time for completion: Q4 2027 (page 6)

At least one action plan to cover for the implementation period from 2023-2027 of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030) shall formulate measures and actions, including their timeline, to address the objectives of the Strategic Framework. The objectives of the Strategic Framework shall include: the introduction of a revised system of teacher qualifications and effective management practices of educational institutions

The Strategic Framework covers several objectives including Objective 3.2 “Competence development in line with the changing role of the teacher” (page 23).

The first Action plan includes measures and actions, including their timeline, to support the introduction of a revised system of teacher qualifications and effective management practices of educational institutions, as follows:

i) Implementation of integrated measures to improve the qualification and motivation of specialists in early childhood education and care, such as trainings, supervision and mentoring models as well as enhanced competence profiles developed and implemented for non-pedagogical professionals. Indicative time of completion: Q4 2024 (page 2).

ii) Updating the professional profiles of teachers in line with the key competencies of the 21st century. Indicative time of completion: Q2 2024 (page 6).

iii) Updating the educational content and educational programs for the preparation of pedagogical specialists in higher schools. Indicative time of completion: Q4 2023 (page 7).

iv) Improving the system of continuing qualification of teachers in line with the key competences and skills for life and work in the 21st century, starting by assessing the needs for continuous professional development, by setting up amended system for teacher qualification and effective management practices and by establishing a database of trainings provided to each teacher. Indicative time of completion: Q4 2024 (page 7).

The second Action plan includes measures and actions, including their timeline, to support the introduction of a revised system of teacher qualifications and effective management practices of educational institutions, as follows:

i) Organizing and conducting forums and conferences to present good practices and research analyses, for motivation and information about the opportunities for professional development of teachers, principals and other pedagogical specialists. Indicative time for completion: Q4 2027 (page 3)
ii) Career guidance for students with the aim of guiding them towards the teaching profession and motivating graduates of pedagogical specialties to start working in the education system. Indicative time for completion: Q4 2027 (page 3)
iii) Promoting the training and engagement of pedagogical specialists throughout their careers for continuing professional development. Indicative time for completion: Q4 2027 (page 4)
iv) Conducting courses and seminars for educators focused on extracurricular, Olympiad, research and project-based education. Indicative time for completion: Q4 2027 (page 4)
v) Improving the qualifications of directors and supporting newly appointed directors through training for the development of leadership competencies, sharing of good practices, etc. Indicative time for completion: Q4 2027 (page 16)
vi) Increasing the capacity of experts from Regional Education Departments through training at the Institute of Public Administration and the National Center for Public Administration and NCPQPS – Bankya. Indicative time for completion: Q4 2027 (page 16)
vii) Adoption and effective implementation of the Quality Standard in School Education. Indicative time for completion: Q4 2027 (page 16)
viii) Effective interaction with stakeholders, non-governmental organizations and other civil society representatives on issues of preschool and school education. Indicative time for completion: Q4 2027 (page 16)

At least one action plan to cover for the implementation period from 2023-2027 of the Strategic Framework for the Development of Education, Training and Learning in the Republic of Bulgaria (2021-2030) shall formulate measures and actions, including their timeline, to address the objectives of the Strategic Framework. The objectives of the Strategic Framework shall include: Innovation in schools, with a focus on the digital transformation and sustainable development

The Strategic Framework covers several objectives including Objective 6.4 “Developing education in a digital environment and through digital resources” (page 32) and Objective 6.5 of the “Education for sustainable development” (page 33). The Strategic Framework also includes Objective 7.3. “Developing vocational education and training based on the transition to a digital and green economy” (page 35).

The first Action plan includes measures and actions, including their timeline, to foster innovation in schools, with a focus on the digital transformation and sustainable developments, as follows:

i) Multiplication of successful innovations in all schools, by mapping and evaluating the innovations implemented, developing a toolbox for self-assessment of innovation activities to be implemented by educational institutions, with public disclosure of aggregated results and by establishing professional learners/learning communities and innovation forums. Indicative time of completion: Q4 2024 (page 20).
ii) Creating a national STEM skills environment for tomorrow, for example by setting up national/regional STEM centres across the country. Indicative time of completion: Q4 2023 (page 20).
iii) Creating school centres with a STEM environment, such as dedicated classrooms and

laboratories. Indicative time of completion: Q4 2024 (page 21).

iv) Developing digital and media literacy and cybersecurity skills in the school community, for example by means of practical trainings for students and teachers to develop skills for the creation and use of artificial intelligence. Developing digital competence and digital creativity. Indicative time of completion: Q4 2024 (page 21).

v) Ensuring digital preparedness and security in educational institutions, starting by ensuring internet connectivity, by setting up e-diaries and by developing guidelines for the virtual delivery of educational activities to support teaching practices and techniques. Indicative time of completion: Q4 2024 (page 23).

vi) Smart digitalisation of education in line with the effort to build e-government by setting up an information and communication IT environment built to integrate the current digital educational tools and data and by supporting the automated exchange of information provided to facilitate daily educational and administrative activities. Indicative time of completion: Q4 2024 (page 24).

vii) Development of education in a digital environment and through digital resources under the Project "Education for tomorrow", for example by setting up a “digital rucksack” with lessons, tests, exercises, collected texts, images, interactive presentations, 3D models, video and audio clips, virtual and augmented reality and by providing free access to textbooks. Indicative time of completion: Q4 2023 (page 24).

The second Action plan includes measures and actions, including their timeline, to foster innovation in schools, with a focus on the digital transformation and sustainable developments, as follows:

i) Creation and development of internship programs of a research and pedagogical nature for students. Indicative time for completion: Q4 2027 (page 3)

ii) Conducting and technical support for scientific competitions on a national and regional scale, aimed at schoolchildren and students. Indicative time for completion: Q4 2027 (page 9)

iii) Conducting public lectures, demonstrations and other forms of communication events aimed at popularizing science, research and innovation. Indicative time for completion: Q4 2027 (page 9)

iv) Providing support to children with outstanding talents for high achievements in the fields of science, technology, arts and sports. Indicative time for completion: Q4 2027 (page 9)

v) Multiplying successful innovations in all schools through the National Program "Innovations in Action". Indicative time for completion: Q4 2027 (page 10)

vi) Determination of innovative schools for each academic year according to a List approved by the Council of Ministers. Indicative time for completion: Q4 2027 (page 10)

vii) Creating a national STEM environment for tomorrow. Indicative time for completion: Q2 2026 (page 10)

viii) Cooperation to multiply effective innovations between innovative educational institutions, between innovative and non-innovative schools. Indicative time for completion: Q4 2027 (page 10)

ix) Stimulating innovation and uniting people for a common cause by implementing value-added educational models. Indicative time for completion: Q2 2026 (page 10)

x) Applying innovative tools and models in the organization and content of student learning by conducting educational itineraries for innovative learning outside of school. Indicative time for completion: Q4 2027 (page 11)

xi) Developing skills for safe use of the Internet, for recognizing risks, threats, fake news, and training for teacher trainers in cybersecurity, etc. Indicative time for completion: Q4 2027 (page 11)

xii) Increasing the number of electronic devices in institutions of the preschool and school education system and training for directors to find device donors among businesses. Indicative time for completion: Q4 2027 (page 11)

In conclusion, the Action Plans include measures and actions, including their timeline, to support the implementation of each objective of the Strategic Framework for the period 2023-2027.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 7	Related Measure: C1.R2: Higher Education Reform
Name of the Milestone: Action plan for the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria (2021-2030)	
Qualitative Indicator: Adoption by the Council of Ministers	**Time:** Q4 2022

Context:

The measure aims to enhance the effectiveness of higher education across the territory of Bulgaria.

Milestone 7 requires the adoption of the Action Plan for the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria (2021-2030) covering measures and actions, including their timeline, to address the objectives of the strategy. The strategy shall cover several objectives, such as the development of a mechanism to update and expand curricula, the strengthening of research activities and scientific networks and supporting life-long learning in higher education institutions. In line with the description of the reform in the annex to the Council implementing decision, the strategy also needs to make recommendations to foster access to quality higher education, increase its labour market relevance and promote research.

Milestone 7 is the third and last milestone of the reform, and it follows the completion of milestone 5 related to the entry into force of the amendments to the Higher Education Act and milestone 6 related to the adoption of the National Map of Higher Education.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. A copy of the adopted Action Plan for the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria (2021-2030);
iii. Decision from the agenda of the meeting of the Council of Ministers of 6 January 2021 (extract from Minutes No. 51 of the meeting of the Council of Ministers) - for the adoption of the Action plan for the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria for the period 2021 – 2030, together with links where both the Decision and the Action Plan for the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria (2021-2030) can be accessed;
iv. A copy of the adopted three-year plan for the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria 2021 – 2030 for the period 2021-2024 - https://www.mon.bg/nfs/2022/05/3-godishen-plan_strategy-vo_05052022.pdf
v. Order No. RD09 – 2937 of 21 April 2022 by the Minister for Education and Science for the approval of a three-year plan for the implementation of the Strategy for the Development

of Higher Education in the Republic of Bulgaria 2021 – 2030 for the period 2021-2024, together with links where both the Order and the three-year plan can be accessed; https://www.mon.bg/nfs/2022/05/zap2937_strategy-vo_05052022.pdf

vi. A copy of the Strategy for the Development of Higher Education in the Republic of Bulgaria (2021-2030);
vii. Decision of the 44th National Assembly of 17 December 2020 on the adoption of a Strategy for the Development of Higher Education in the Republic of Bulgaria for the period 2021 – 2030, published in the State Gazette No. 2 of 8 January 2021, together with links where both the Decision and the Strategy can be accessed; https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=154629
viii. Explanatory note demonstrating that the revision of existing provisions regarding state-controlled subsidised admission to public higher education institutions have been made in accordance with national and regional developments of the labour market (as part of the summary document).

The authorities also provided:

ix. National Map of Higher Education in the Republic of Bulgaria of 2021-2030, together with links where it can be accessed;
x. Methodology to prepare and update the information on the state of the composition and territorial distribution of higher education contained in the National Map of Higher Education in the Republic of Bulgaria 2021-2030, adopted by the Ministry of Education and Science, together with links where it can be accessed;
xi. Status of the profile and territorial distribution of higher education in the Republic of Bulgaria in 2021, adopted by the Ministry of Education and Science, together with links where it can be accessed.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The Action Plan for the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria (2021-2030) was adopted:

The Action Plan for the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria (2021 – 2030) (hereinafter referred to as the "Action Plan") was adopted by Decision of the Council of Ministers of 6 October 2021 for the adoption of the Action plan for the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria for the period 2021 – 2030. However, Bulgarian authorities have decided to adopt a separate three–year Action Plan for the implementation of the Strategy for the development of higher education in the Republic of Bulgaria 2021 – 2030 for the period 2021-2024 (hereinafter referred to as the "three-year Action Plan") by Order No. RD09 – 2937 of 21 April 2022 of the Minister for Education and Science. This three-year Action plan is not linked to a requirement of the Council Implementing Decision, but facilitates the implementation of the Strategy and of the Action Plan by providing indicators with base and target for each measure.

The Action Plan for the implementation of the Strategy for the Development of Higher Education in the Republic of Bulgaria (2021-2030) shall formulate measures and actions, including their timeline, to address the objectives of the strategy.

The Strategy for the Development of Higher Education in the Republic of Bulgaria for the period

2021 – 2030 (hereinafter referred to as the "Strategy") defines ten objectives to enhance the effectiveness of higher education under Section 5 "Priority areas and objectives for the development of higher education" on page 33. The analytical underpinning of these objectives is presented in Section 2 "Analysis of the environment and state of the higher education system" across three subsections covering: 1) the overview of the implementation of the previous strategy for the development of higher education (2014-2020), 2) the challenges posed by developments outside the field of higher education, 3) the challenges arising from developments within the field of higher education in the Republic of Bulgaria.

Based on the results of this analysis, the objectives identified in the Strategy are as follows:

- Objective 1. "Develop a sustainable mechanism to modernise existing curricula and create new curricula;
- Objective 2. "Introducing modern, flexible and effective forms and methods of learning";
- Objective 3. "Improving the organisation and effectiveness of education in higher education institutions";
- Objective4. "Internationalisation of higher education and inclusion in international educational and scientific networks";
- Objective 5. "Encouraging the participation of young teachers";
- Objective 6. "Strengthening scientific work in higher education institutions";
- Objective 7. "Building an effective link between education-science and business";
- Objective 8. "Enhancing the role of higher education institutions as an active actor for regional development";
- Objective 9. "Improving the governance and accreditation system of higher education institutions";
- Objective 10. "Improving the structure and efficiency of higher education".

Through a mapping it was verified that for each objective, the Action Plan presents measures and actions, including their timeline, to address the objectives of the Strategy and that the objectives cover each element of the milestone as presented below. Formally, each objective will be implemented by means of "activities" and, for each activity a set of measures is developed to implement it.

An excerpt of this mapping with at least one example of an action for each objective is presented below:

- Objective 1. "Develop a sustainable mechanism to modernise existing curricula and create new curricula;
    - An example of corresponding action: 1.1.2 Achieving a balance between the development of cognitive (including analytical and digital) and non-cognitive (including social and emotional) competences Timeline: 2021-2025. (p.3)
- Objective 2. "Introducing modern, flexible and effective forms and methods of learning";
    - An example of corresponding action: 2.1.1 Establishing university centres for learning resources. Timeline: 2021-2025. (p.7)
- Objective 3. "Improving the organisation and effectiveness of education in higher education institutions";
    - An example of corresponding action: 3.1.1 Basing the internal quality management system (QMS) on a description and analysis of the key processes and activities of the higher school and their interrelationship. Timeline: 2021-2025. (p.11)
- Objective 4. "Internationalisation of higher education and inclusion in international educational and scientific networks";
    - An example of corresponding action: 4.1.1 Stimulation of higher education institutions for inclusion and active participation in the initiative to build European

universities. Timeline: 2021-2025. (p.14)

- Objective 5. “Encouraging the participation of young teachers”;
    - An example of corresponding action: 5.1.1 Creation of standards that guarantee the appointment of teachers possessing personal and professional knowledge and skills, ensuring high quality of teaching and forming mutual trust with students. Timeline: 2022-2025. (p.18)
- Objective 6. “Strengthening scientific work in higher education institutions”;
    - An example of corresponding action: 6.1.5 Regulation and resource provision of the activity of doctoral schools. Timeline: 2025-2027. (p.21)
- Objective 7. “Building an effective link between education-science and business”;
    - An example of corresponding action: 7.1.4 Inclusion in the periodic certification of teachers of indicators that objectively take into account the relevance of the taught material from the point of view of its scientific and technological level. Timeline: 2021-2023. (p.24)
- Objective 8. “Enhancing the role of higher education institutions as an active actor for regional development”;
    - An example of corresponding action: 8.2.3 Regulation and activation of the role of the regional managements, through the boards of trustees and other appropriate forms, in the preparation, regular monitoring and reporting of the mandate programs of the rectoral managements in terms of compliance with the needs of the region. Timeline: 2021-2025. (p.28)
- Objective 9. “Improving the governance and accreditation system of higher education institutions”;
    - An example of corresponding action: 9.1.1 Clear legal regulation of the powers of the Boards of Trustees of Universities. Timeline: 2021-2022. (p.28)
- Objective 10. “Improving the structure and efficiency of higher education”.
    - An example of corresponding action: 10.1.1 Creation of a system for joint use of the material base (teaching laboratories, training bases, sports bases, etc.) of two or more higher schools in order to increase the quality and effectiveness of training. Timeline: 2021-2025. (p.31)

Some specific measures and actions in the Action Plan related to the Strategy objectives addressing the milestone elements are:

In the Action Plan, all the activities under Objective 1, namely activities from 1.1 to 1.4, focus on the milestone element “the development of a mechanism for updating existing and developing new curricula”. The relevant measures substantiating these activities are all measures from 1.1.1 to 1.4.7 (pages 3 – 7). One example is measure 1.2.2 “Strengthening the interdisciplinary approach to the preparation of school curricula and programmes, and introducing hybrid disciplines involving teachers from different scientific fields and professional backgrounds”, to be implemented in two consecutive phases, 2021-23 and 2024-28 (page 4).

In the Action Plan, concerning this dimension of the milestone, the most relevant activity under Objective 8 is Activity 8.1 “Creation and use of a national map of higher education in the Republic of Bulgaria (NVORB)”. Under this activity, the use of the information from the National Map of Higher Education in the Republic of Bulgaria (hereinafter referred to as the “National Map of Higher Education”) by employers and the relevant ministries in cooperation between institutions from the higher education system and state and local authorities will be strengthened, which in turn will help to implement changes in the state-controlled subsidised access to public higher education schools in accordance with the labour market.

Measures in the Action Plan relevant for the purpose of the element of the milestone "a revision of existing provisions regarding state-controlled subsidised admission to public higher education institutions. Changes shall be made in accordance with national and regional developments of the labour market" are:

- Measure 8.1.1 "Establishment of the National Map of Higher Education in the Republic of Bulgaria, which identifies the development needs of higher education by region and the resources available from teachers and potential candidate students, also taking into account the possibilities for attracting foreign students and Bulgarians living abroad"; this measure is currently already implemented (due by 2021) (page 27 of the Action Plan and 72 of the three-year Action Plan);
- Measure 8.1.2 "Using information from the National Map of Higher Education, employers and line ministries to further develop the state-controlled subsidised admission system in the public higher education institutions, in line with national and regional needs and forecasts for future labour market developments". Notably, the Action Plan envisages regulatory changes to be implemented over two consecutive phases (2021-25 and 2026-30) to achieve this result (page 27 of the Action Plan and 73 of the three-year Action Plan).

In the Action Plan, under Objective 4 and Objective 6, all activities are relevant for the purpose of the element of the milestone "research enhancement and promotion of higher educations by developing scientific networks;" The following are examples measures in the Action Plan under these activities:

- Measure 4.1.2 "Expanding international cooperation and academic partnerships with foreign universities and scientific organisations, and participating in university and scientific networks", by developing new contractual instruments to increase the number of new international partners from 11 to 20 over two subsequent phases (2021-25 and 2026-30) (page 14 of the Action Plan and 33 of the three-year Action Plan);
- Measure 6.2.2 "Encourage cooperation among higher education institutions and between higher education institutions and the Bulgarian Academy of Sciences and the Agricultural Academy and business institutes for the preparation and implementation of common scientific projects and joint training through common master and doctoral programmes with shared human and material resources", bringing the number of joint programmes from 37 to 180, supported by the Research, Innovation and Digitalization for Smart Transformation Programme under the ESF (European Social Fund); this is planned over two subsequent phases (2021-23 and 2024-30) (page 22 of the Action Plan and 60 of the three-year Action Plan).

In the Action Plan, measures relevant for the purpose of the element of the milestone "the establishment of training centres for life-long learning in higher education institutions" are:

- Measure 7.2.5 "Supporting the activities of the centres for lifelong learning at the higher education institutions" aims at establishing additional centres for lifelong learning bringing their number from 1 000 to 3 000 over two subsequent phases (2021-25 and 2026-30) ((page 25 of the Action Plan and 66 of the three-year Action Plan);
- Measure 1.1.3 "Encouraging the development of key competences for lifelong learning, competence in foreign languages, civil and social competences, common digital competences as well as competences in the field of financial literacy" by updating curricula and programmes over two subsequent phases (2021-23 and 2024-30) (page 3 of the Action Plan and 4 of the three-year Action Plan);
- Measure 8.2.4 "Supporting and encouraging development of training programmes for postgraduate qualification and retraining (learning through lifetime) which correspond to the needs of the region" by updating at least 20 lifelong learning programmes over two subsequent phases (2021-25 and 2026-30) (page 28 of the Action Plan and 76 of the three-

year Action Plan).

In the Action Plan, measures relevant for the purpose of the element of the milestone "the introduction of additional specialisations and programmes in higher educations with double diplomas" are:

- Measure 4.2.7 "Encouraging and supporting the establishment of joint educational programmes between Bulgarian and foreign higher education institutions, as well as new forms of educational exchanges within the framework of European cooperation such as double and joint degrees and others", bringing the number of joint curricula from 117 to 210 also making use of the Erasmus + programme, over two subsequent phases (2021-25 and 2026-30)(page 16 of the Action Plan and 41 of the three-year Action Plan);
- Measure 10.1.3 "Encouraging the development of interdisciplinary curricula and the hybrid specialties combining disciplines of two or more professional directions that are carried out by two or more higher education institutions", including by means of changes in the regulatory framework and of policies for development of the higher education", with the aim of bringing the number of interdisciplinary curricula and hybrid courses from 356 to 400 over two subsequent phases (2021-24 and 2025-30) (page 31 of the Action Plan and 84 of the three-year Action Plan).

All the measures in the Action Plan are accompanied by an implementation timeline.

The objectives of the strategy shall cover: the development of a mechanism for updating existing and developing new curricula;

The Strategy contains a dedicated objective focusing on this element of the milestone, namely Objective 1. "Develop a sustainable mechanism to modernise existing curricula and create new curricula".

…the revision of existing provisions regarding state-controlled subsidised admission to public higher education institutions, where changes will be made in accordance with national and regional developments of the labour market;

The Strategy contains a dedicated objective covering this element of the milestone, namely Objective 8 "Enhancing the role of higher education institutions as an active actor for regional development". This is to be achieved by means of a set of measures grouped under two overarching activities, amongst which the creation and use of the National Map of Higher Education in the Republic of Bulgaria as a guideline for policy development in the higher education system ("Activity 8.1"). As presented below, Objective 8 of the Strategy covers the revision of existing provisions regarding state-controlled subsidised admission as their revision, by means of regulatory changes, is a necessary step to achieve the objective.

- National and regional needs and forecasts for future market developments are taken into account in the Strategy as follows. Changes to the provisions on state-controlled subsidised admissions are going to be designed based on the National Map of Higher Education and based on input from stakeholders. The National Map of Higher Education is adopted by the Council of Ministers after a proposal from the Minister of Education and Science and it is updated annually. It defines the profile and territorial structure of the higher education sector in the country by professional fields and specialties of regulated professions in relation with the socio-economic development and the needs of the labour market. It therefore captures existing mismatches between the existing offer and labour market needs and provides policy orientations based on identified results. The document contains a

section formulating policy guidelines to enhance higher education in line with labour market needs, namely Section 4. "Guidelines of national policies for the development of the profile and territorial structure of higher education in professional fields and specialties from the regulated professions in compliance with socio-economic development and labour market needs". The National Map of Higher Education (p.71) specifies that these guidelines will be applied in conjunction with existing policies 1) on the conditions and procedures for validating the number of students and doctoral candidates admitted to training in public higher education institutions and for adopting a list of priority vocational fields and a list of protected specialities (as defined by Decree No. 328 of the Council of Ministers of 30 November 2015) and 2) on the funding from the State budget for the financial support of studies in public higher education institutions, subject to a comprehensive assessment of the quality of training and its relevance to the needs of the labour market.

…research enhancement and promotion of higher education by developing scientific networks;

The Strategy contains two objectives that are relevant to this element of the milestone, namely Objective 4 "Internationalisation of higher education and inclusion in international educational and scientific networks" and Objective 6 "Strengthening scientific work in higher education institutions".

…the introduction of additional specialisations and programmes in higher education with double diplomas;

The introduction of additional specialisations and programmes in higher education with double diplomas is implemented through measures to stimulate the establishment and support the functioning of joint educational programs between Bulgarian and foreign universities. This includes the development of interdisciplinary curricula and of hybrid specialties combining two or more professional pathways.

For this element, several objectives can be considered relevant such as Objective 4 "Internationalisation of higher education and inclusion in international educational and scientific networks", Objective 6 "Strengthening scientific work in higher education institutions", Objective 7 "Building an effective link between education-science and business" and Objective 10 "Improving the structure and efficiency of higher education".

…the establishment of training centres for life-long learning in higher education institutions;

This element of the milestone is covered by Objective 7 "Building an effective link between education-science and business" and it is supported by others such as Objective 1 "Develop a sustainable mechanism to modernise existing curricula and create new curricula" and Objective 8 "Enhancing the role of higher education institutions as an active actor for regional development".

Furthermore, in line with the description of the measure, the Strategy shall set key objectives and make recommendations to foster access to quality higher education, increase the labour market relevance of higher education and promote research, including via the development of international research networks.

The Strategy identifies several challenges, identifies concrete corresponding objectives, and makes recommendations for specific activities on how to achieve them. Each activity under each objective is addressed by several measures to implement it. The ten priority objectives identified by the Strategy can be associated to the three areas mentioned above as follows:

- Fostering access to quality higher education:

- Objective 1. Develop a sustainable mechanism for updating existing and creating new curricula and programmes;
- Objective 2. Introduction of modern, flexible and effective forms of training;
- Objective 3. Improving the quality of education in higher schools' accreditation
- Objective 8. Increasing the role of higher education institutions as an active factor for regional development system.

One example for a recommended activity under Objective 2 is activity 2.2 "Creation of a material and financial foundations enabling the application of modern and flexible teaching and research methods". This activity is implemented by, amongst others, measure 2.2.4 "support for content creation and technological resources for the development of quality distance learning, with interactive access and virtual audiences, including and for attraction of foreign students and Bulgarian youth from abroad to study in Bulgaria" (p.42 of the Strategy), which can support access to quality higher education by creating additional tools. Another recommended activity, under Objective 8, is activity 8.1 "Creation and use of a national map of higher education in the Republic of Bulgaria". This is implemented by, amongst others, measure 8.1.5 "systematic efforts at national and regional level for overcoming to existing real social and regional inequalities in access to higher education, e.g. by supporting preparatory courses for candidate students from vulnerable groups and in certain regions" (p.51 of the Strategy), which aims to support vulnerable and/or disadvantaged groups in accessing higher education.

- Increasing the labour market relevance of higher education:
  - Objective 1. Develop a sustainable mechanism for updating existing and creating new curricula and programmes;
  - Objective 2. Introduction of modern, flexible and effective forms of training;
  - Objective 3. Improving the quality of education in higher schools;
  - Objective 7. Building an effective relationship education-science-business;
  - Objective 8. Increasing the role of higher education institutions as an active factor for regional development.

Concerning increasing the labour market relevance of higher education, the entire Objective 7 "Building an effective relationship between education and science and business" contributes to addressing this dimension of the measure. Examples of corresponding recommended activities and measures for their implementation are:

- 7.1.1 Updating the content of curricula and programs, as well as the accompanying educational materials in all Higher education institutions, so that they correspond to modern scientific and technological knowledge. (page 49 of the Strategy)
Labour market relevance implies possession of latest knowledge and in particular focus on digital (technological) and scientific aspects, so this recommended action addresses the element from the reform description.

- 7.3.3 Inclusion of training on innovation, entrepreneurship and intellectual property in all academic plans and programs (with the exception of some specific professional areas such as theology and philosophy) according to the specifics of the professional area and the educational degree. (page 50 of the Strategy).
Innovation, entrepreneurship and Intellectual property are key elements of increasing number of businesses and thus their inclusion in academic plans, increases the labour marker relevance of higher education.

Similarly, the entire Objective 8 "Enhancing the role of higher education institutions as an active

factor for regional development" is relevant and all the corresponding recommended activities set under it contribute to increasing labour-market relevance.

A relevant example of recommended activity is:

- 8.1.3 "Regulating procedures to use the information from the National Map of Higher Education for a balanced development of the network of higher education institutions according to the needs of the regions and according to real possibilities" (page 251 of the Strategy).
Given the fact that the National Map of Higher Education provides analysis of the national and regional socio-economic and labour market developments, using information from the Map for the development of network of higher education institutions increases the labour market relevance of the higher education.

- Promoting research, including via the development of international research networks
    - Objective 4. Internationalisation of higher education and inclusion in international educational and scientific networks;
    - Objective 6. Activation of scientific activity in higher schools;
    - Objective 7. Building an effective relationship education-science-business;
    - Objective 8. Increasing the role of higher education institutions as an active factor for regional development;
    - Objective 10. Improving the structure and efficiency of Higher Education.

Concerning this element of the measure, Objective 4 has the highest relevance and all the recommended activities envisaged under it contribute to promoting research, including via the development of international research networks. An example is activity 4.1 "Building effective networks between Bulgarian and foreign higher education institutions on the basis of jointly implemented activities".

Measure 4.1.3 "Boosting and supporting international research cooperation and participation in international research projects and infrastructures" (page 34 of the Strategy) implies direct promotion of research as participation in international research projects and infrastructures is a prerequisite for the development of international research networks.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 8	Related Measure: C1.I1: STEM centres and innovation in education
Name of the Milestone: Establishment of the national STEM centre	
Qualitative Indicator: Provision in the national legislation indicating the establishment of the national STEM centre	**Time:** Q4 2022

Context:

The measure aims to modernise teaching tools and enhance the learning in the fields of science, technology, engineering and math (STEM) subjects in Bulgarian schools, inter alia via the construction and/or refurbishment of a national and three regional STEM centres. The national STEM centre is expected to act as a centralised unit that develops content, tools and methodologies to support the trainings of both teachers and students.

Milestone 8 requires the establishment of the national STEM centre through national legislation.

Milestone 8 is the first step of the investment and it will be followed by milestone 9, related to the signature of contracts for the provision of construction or renovation works for the national and

regional STEM centres and for the STEM laboratories in schools, and by target 10 related to the finalisation of construction/renovation works for the four centres and to the setup of 2 234 newly built/equipped STEM laboratories in schools, respectively.

The investment has a final expected date for implementation in Q2 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. A copy of the publication in the State Gazette No. 62 of 27 July 2021 of Order No. RD-14-45 of the Minister of Education and Science of 14 July 2021 establishing the national STEM centre together with a link where it can be accessed (https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=160272).
iii. A copy of the Regulation for the structure and activities of the national STEM centre, published in the State Gazette No. 2 of 7 January 2022 together with a link where it can be accessed (https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=167251).

The authorities also provided a copy of the Pre-school and School Education Act, published in the State Gazette No. 79 of 13 October 2015, together with a link where it can be accessed (https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=97877).

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Provision in the national legislation indicating the establishment of the national STEM centre.

The Council Implementing Decision required a provision in the national legislation indicating the establishment of the national STEM centre. The national STEM centre was established by Order No. RD-14-45 of the Minister of Education and Science of 14 July 2021 (hereafter referred to as "Order") in line with the provisions in the Pre-school and School Education Act. More specifically, the provisions in Article 310(1) point 3, Article 311(4) and Article 320(1) provide the legal basis of the power of the Minister of education and science to establish a National STEM Center by order. The Order was published in the Official Journal 'State Gazette' No. 62, page 86 and entered into force on 27 July 2021 in line with the provisions of Article 320(1) of the Pre-school and School Education Act. This article stipulates that the orders for opening, changes, transformations or closure of institutions in pre-school and school education enter into force on the day of their promulgation in the State Gazette, unless otherwise provided therein. Furthermore, the structure, organisation of work and activities of the national STEM Center, are defined by the Regulation for the structure and operation of the national STEM Center, published in the State Gazette No. 2 of 7 January 2022 (hereafter referred to as "the Regulation"). The Order entered into force three days after its publication in the State Gazette in line with the general rules in Article 5(5) of the Constitution of the Republic of Bulgaria.

The main responsibilities of the national STEM centre shall include the organisation of trainings for teachers and other pedagogical professionals.

As explained above, the structure, organisation of work and activities of the national STEM centre are defined by the Regulation. Article 4 of the Regulation spells out the main responsibilities of the national STEM Center. The organisation of trainings for teachers and other pedagogical professionals is covered by Article 4(3) – 4(6) of the Regulation.

The main responsibilities of the national STEM centre shall include the development of teaching material and the set-up and maintenance of an electronic portal and library with publicly available educational resources.

The responsibility for the development of teaching material and the set-up and maintenance of an electronic portal and library with publicly available educational resources is established by Article 4(5) and 4(15) of the Regulation. Further, Article 16 defines the activities of the Training and Resources Department of the National STEM Centre. These include developing learning resources and models, as well as, amongst others, the creation and maintenance of an electronic portal and library for sharing resources, practical guides, quality standards, useful links.

The main responsibilities of the national STEM centre shall include the coordination and support of student activities in STEM fields, including participation in scientific Olympic competitions, as follows:

The coordination and support of student activities in STEM fields, including participation in scientific Olympic competitions is covered by Article 4(7) and 4(9) – 4(13) of the Regulation. These articles define the role of the STEM centre as coordinator of student research communities, as well as organiser of activities to exchange best-practice with other national and international institutions as well as of events to disseminate the results of STEM-related research. Further, the national STEM centre is in charge of running competitions to create new educational content and organising annual awards for innovators. Lastly, the centre is to organise and conduct the preparation of national Olympic teams in STEM competitions.

Furthermore, in line with the description of the measure, the national STEM centre is expected to act as a centralised unit that develops content, tools and methodologies to support the trainings of both teachers and students.

Article 3(1) of the Regulation stipulates that the national STEM centre is to coordinate and support the establishment and development of an integrated learning environment in the STEM fields in each Bulgarian school, creating a model for learning, working with research methods and tools, resources and professional development and qualification. With respect to the development of content and tools to support the trainings of teachers and students, as explained above in the analysis of the main responsibilities of the national STEM centre, Articles 4(5), 4(15) and 16 of the Regulation establish that one of the main responsibilities of the centre is to develop teaching material and to set-up and ensure the maintenance of an electronic portal and library. The development of methodologies to support the trainings of teachers and students is covered in the Regulation by Article 4(5), which states that, amongst other functions and activities, the centre develops practical guidance and other materials for teachers on research, projects and competition training in the STEM environment; by Article 4(6), according to which the centre organises and conducts courses, seminars and other events for teachers, pedagogical specialists, students and others in order to disseminate the research approach in education and training; as well as by Article 4(8), which stipulates that the centre participates in the elaboration of rules, regulations and guidelines for school STEM projects. In consideration of the foregoing, the national STEM centre acts as a centralised unit that develops content, tools and methodologies to support the trainings of teachers and students.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 29	Related Measure: C2.I1: Programme to accelerate economic recovery and transformation through research and innovation		
Name of the Target: Signature of contracts with research higher education institutions			
Quantitative Indicator: Number	**Baseline:** 0	**Target:** 9	**Time:** Q4 2022

Context:

The objective of this investment is to accelerate economic recovery and transformation through research and innovation. To this end, the investment aims to enhance Bulgaria's research and innovation performance, the effectiveness of technology transfer and foster information-sharing among research universities by putting in place an effective financing system that rewards project proposals by higher education institutions and innovative small and medium enterprises.

Target 29 requires the signature of contracts with nine higher education institutions selected by a committee in the Ministry of Education and Science. The contracts shall cover research activities to be carried out based on a concrete plan for research development and technology transfer. In addition, the selected institutions are required to participate in a research network.

Target 29 is the first step of the implementation of the investment, and will be followed by target 30, which requires a report by each of the research higher education institutions to present the results achieved. Target 29.a expands on Target 29 by including an additional higher education institution, increasing the target number of institutions with which a funding contract is signed to 10. The investment furthermore comprises of milestone 27 and target 28, related to the rewarding of project proposals by innovative small and medium-sized enterprises and higher education institutions. The investment has a final expected date for implementation in Q2 2026.

Evidence Provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. A summary document duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled.
ii. A list of research higher education institutions based on the Decision of the Council of Ministers No. 839 of 27 October 2022 and published in State Gazette No. 87 of 1 November 2022.
iii. Evaluation Report submitted on 16 December 2022 to the National Science fund by an evaluation committee appointed by the National Science Fund on behalf of the Ministry of Education and Science.
iv. Copies of the Evaluation Statements on the scientific programmes by the research groups of each university.
v. Copies of the decisions of the National Science Fund of 16 December 2022 for the provision of funds under the Recovery and Resilience Facility to the nine research higher education institutions.
vi. Copies of the signed contracts with each of the nine research higher education institutions.
vii. Copies of the Strategic Research and Innovation Programmes for Development (hereinafter referred to as "Innovation Programmes"), by each of the nine research higher education institutions. Copy of Order No. D 01-49 of 14 November 2022 appointing a commission for the evaluation of applications complemented by supplementing Order No. RD 04-6 of 18 November 2022 and supplementing Order No. RD 04-7 of 23 November 2022 appointing

assistant evaluators for the evaluation of specific scientific programmes in the process of peer reviewing. The three orders were signed by the director of the National Science Fund.

viii. Copy of Order No. RD 09-1552 of 20 July 2023 signed by the Minister of Education and Science establishing a Monitoring Committee.

ix. Copy of Order No. RD 3724 of 29 July 2022, as approved by the Minister for Education and Science.

The authorities also provided:

x. Research Programmes indicating the activities to be carried out by each individual research group, the members and research methods, as well as the objectives and expected results.

xi. Copies of the evaluation of the Strategic Research and Innovation Programme for each of the nine research higher education institutions.

xii. For each research higher education institution, an official letter complementing the Innovation Programme of the institution by further explaining how gender equality and the importance of green innovation is being addressed.

xiii. Summary Report explaining the strategic priorities and the concrete plans for research development and technology transfer.

xiv. Document including references and extracts from relevant sections in the Innovation Programmes of each higher research university.

xv. For each research higher education institution, a Signed Declarations for the compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01).

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the target.

Signature of contracts with 9 research higher education institutions based on a decision of the Council of Ministers

Based on Decision No. 839 of 27 October 2022 of the Council of Ministers and published in State Gazette No. 87 of 1 November 2022, adopting an updated list of ten research higher education institutions, of which nine were selected for funding under target 29 of the Bulgarian RRP.

For each of the nine research higher education institutions, Bulgaria has provided copies of signed legal documents, each consisting of Financial and Supplementary Agreements as well as General Terms and Conditions to Contracts. Each contract was signed by representatives of the National Science Fund and representatives of the respective higher education institution:

1. University of Plovdiv:
   - Financial Agreement with reference number BG-RRP-2.004-0001-C01, signed on 31 December 2022;
   - General Terms and Conditions to Contracts, signed on 31 December 2022;
   - Supplementary Agreement signed on 14 March 2023.
2. Chemico-techology and metallurgical University – Sofia:
   - Financial Agreement with reference number BG-RRP-2.004-0002-C01, signed on 31 December 2022;
   - General Terms and Conditions to Contracts, signed on 31 December 2022;
   - Supplementary Agreement signed on 16 March 2023.
3. Medical University – Pleven:

- Financial Agreement with reference number BG-RRP-2.004-0003-C01, signed on 31 December 2022;
- General Terms and Conditions to Contracts, signed on 31 December 2022;
- Supplementary Agreement signed on 20 March 2023.

4. Medical University – Sofia:
   - Financial Agreement with reference number BG-RRP-2.004-0004-C01, signed on 31 December 2022;
   - General Terms and Conditions to Contracts, signed on 31 December 2022.
   - Supplementary Agreement signed on 24 March 2023.
5. Technical University, Sofia:
   - Financial Agreement with reference number BG-RRP-2.004-0005-C01, signed on 31 December 2022;
   - General Terms and Conditions to Contracts, signed on 31 December 2022;
   - Supplementary Agreement signed on 14 March 2023.
6. University of Thrace – Stara Zagora:
   - Financial Agreement with reference number BG-RRP-2.004-0006-C01, signed on 31 December 2022;
   - General Terms and Conditions to Contracts, signed on 31 December 2022;
   - Supplementary Agreement signed on 14 March 2023.
7. Medical University – Plovdiv:
   - Financial Agreement with reference number BG-RRP-2.004-0007-C01, signed on 31 December 2022;
   - General Terms and Conditions to Contracts, signed on 31 December 2022;
   - Supplementary Agreement signed on 20 March 2023.
8. Sofia University:
   - Financial Agreement with reference number BG-RRP-2.004-0008-C01, signed on 31 December 2022;
   - General Terms and Conditions to Contracts, signed on 31 December 2022;
   - Supplementary Agreement signed on 9 March 2023.
9. Medical University of Varna:
   - Financial Agreement with reference number BG-RRP-2.004-0009-C01, signed on 31 December 2022;
   - General Terms and Conditions to Contracts, signed on 31 December 2022;
   - Supplementary Agreement signed on 20 March 2023.

The procedure for the selection of innovation programmes shall be carried out by an evaluation committee, and the subsequent monitoring of the innovation programmes shall be carried out by a monitoring committee. Both committees shall be established within the Ministry of Education and Science and shall operate on peer-review process.

Procedure for selection:
The committee for the evaluation of proposals for projects to be included in the Innovation Programmes of the higher education institutions (hereinafter referred to as "the Evaluation Committee") was appointed by the National Science Fund, a secondary budget authority under the control of the Ministry of Education and Science, through Order No. RD 01-49 of 14 November 2022. Assistant evaluators were appointed through supplementing Order No. RD 04-6 of 18 November 2022 and supplementing Order No. RD 04-7 of 23 November 2022.

Nine institutions presented project proposals for funding. According to the Evaluation Report, the Evaluation Committee verified the administrative compliance and admissibility of the project proposals and agreed to admit the nine research higher education institutions to the technical and

financial evaluation stage. The Evaluation Committee conducted the technical and financial evaluation of proposals, and on 16 December 2022, the Evaluation Committee submitted the Evaluation Report to the National Science Fund, unanimously providing a positive assessment for disbursement of funding to all nine higher education institutions. On 16 December 2022, the executive board of the National Science Fund adopted official decisions for the provision of funding to the nine research higher education institutions pursuant to Order No. RD 3724 of 29 July 2022, as approved by the Minister for Education and Science.

The Evaluation Report also provides an overview on the evaluation process and its conclusions. The assessment of the Evaluation Committee is based on the scientific evaluation conducted by assistant evaluators on the Research Programmes and the Innovation Programmes, as well as on individual evaluation reports of each research group. Assistant evaluators are professors and researchers employed in national and international research institutes. As such, the evaluation effectively qualifies as peer review process, given that the scientific evaluation of Programmes was conducted by recognised scientists. The selected assistant evaluators are listed by name in the Evaluation Report.

Procedure for monitoring:
A new monitoring and evaluation committee was appointed on 20 July 2023 by the Minister for Education and Science with Order No. RD09-1552 (hereinafter referred to as "the Monitoring Committee"). The primary aim of the Monitoring Committee, as laid down by Article 3 of the Order, is to monitor the implementation of the Research Programmes and the Innovation Programmes. Article 3 also specifies in detail the mandate and responsibilities of the Monitoring Committee including the submission of annual reports to Executive Agency "Programme Education" on the implementation of the Research Programmes and Innovation Programmes. According to Article 1, the Monitoring Committee is composed of nine scientific experts, all with an academic title including professors, each coordinating the monitoring of the implementation of the Programmes by one higher education institution, under the supervision of the Ministry for Education and Science. As such, the monitoring of the Programmes by scientist effectively qualifies as peer review process.

Each contract shall lay down the conditions for the activities to be carried out with the funds, based on the innovation programmes submitted by the higher education institutions.

For each of the nine contracts, Article 1 of the Financial Agreements requires the respective research higher education institution to perform the activities specified in detail in the Research Programmes, as approved by the Evaluation Committee and the final recipient must achieve specific indicators by certain deadlines. The maximum total expenditure eligible for funding to each higher education institution is specified in Article 2 and reported below. Additionally, Article 4 requires to implement the investment activities in accordance with the horizontal principles of Article 5 of Regulation (EU) 2021/241. These conditions ensure that the activities are aligned with the approved Research Programmes.

The conditions for the activities to be carried out with funds are further specified in the General Terms and Conditions to Contracts, which were signed in December 2022. For each higher education institution, the Supplementary Agreement as signed in March 2023 amends the Financial Agreement and the General Terms and Conditions for Contracts by introducing additional requirements, such as the obligation for final recipients to comply with the principle of 'Do no significant harm' (compare further explanations on 'Do no significant harm' below).

For each research higher education institution, the activities to be carried out with the funds are

indicated in the Innovation Programme. Each Innovation Programme lays down a plan for the execution of the individual Research Programme, outlining the institution's plans for research development and technology transfer.

The maximum financing to be awarded to each research higher education institution according to the respective financing agreements is reported below:

1. University of Plovdiv: BGN 18 600 000;
2. Chemico-tech and metallurgical University – Sofia: BGN 18 600 000;
3. Medical University – Pleven: BGN 11 164 341;
4. Medical University – Sofia: BGN 40 920 000;
5. Technical University, Sofia: BGN 26 039 999;
6. University of Thrace – Stara Zagora: BGN 11 164 390;
7. Medical University – Plovdiv: BGN 26 040 000;
8. Sofia University: BGN 40 920 000;
9. Medical University of Varna: BGN 26 040 000

These shall determine a concrete plan for research development and technology transfer and shall specify the participation in a network among the nine research higher education institutions, taking into account gender equality and the importance of green innovations.

Section 3 of each Innovation Programme indicates the research activities to be conducted, the research methods and the expected outcomes for each scientific group. As such, Section 3 provides for a concrete plan for research development, including plans for international cooperation in the scientific areas that are consider as strategically important for the respective research higher education institution. Subsections 3.4 and 3.5 outline the strategic approach for technology transfer, with a focus on intellectual property. In this regard, Subsection 3.4 focuses on applied research aimed at innovations or intellectual property creation, for example by introducing calls for the selection of projects which may provide for the conditions for knowledge transfer through intellectual property protection. Subsection 3.5 describes the policies in place aimed at protecting, managing and commercialising intellectual property created in each institution as part of technology transfer. In this regard, the Innovation Programmes define policies to build innovation ecosystems within the research higher education institutions for the commercialisation of research results and intellectual property rights. In addition, Section 4 provides detailed information on the management of the programs and a breakdown of the distribution of the funding.

Section 2 of each Innovation Programme includes a commitment of the nine research higher education institutions to participate and cooperate in a network. This may include the development of joint research and training programmes, or the organisation of joint scientific events.

In addition to the Innovation Programmes, each research higher education institution has submitted an official letter to the Executive Agency "Programme Education" of the Ministry of Education and Science, which for some universities provides for additional specification for the participation in a network among the nine research higher education institutions, such as defining the nature of the collaboration and the thematic strands of the presented Innovation Programmes.
Section 2 of the Innovation Programmes and the official letters mentioned above also outline the activities and objectives set out by the research higher education institutions in addressing gender equality. The letters provide information on the representation of women in the education institutions and may also reference specific policies promoting gender equality. As an example, the Gender Equality Plan adopted by the Technical University of Sofia foresees conducting a survey of attitudes towards equality between men and women, while the "Plan for Equality between Women

and Men" of the University of Plovdiv has been developed to ensure equality in educational, research, labour and social relationships among the university community.

The importance of green innovation is also addressed in Section 2 of the Innovation Programmes, where the institutions explain how green innovation is fostered by the projects proposed. The University of Plovdiv, for example, explains that the main goal of its programme is the development and implementation of environmentally friendly technologies, at the heart of their outlined projects. Some universities outline further in the official letter the scientific strands of their strategic programmes that focus on green innovation and sustainable development, such as the implementation of environmental-friendly technologies or the optimisation of the use of natural resources. As an example, the Medical University of Sofia in its official letter details its strategy for sustainable development in the period of implementation of the programme, while the University of Thrace - Stara Zagora outlines its plans for collaboration and joint research in the field of renewable energy.

Furthermore, in line with the description of the measure, in order to ensure that the measure complies with the 'Do no significant harm' Technical Guidance (2021/C58/01), the eligibility criteria contained in terms of reference for upcoming calls for projects shall:

- **exclude the following list of activities and assets: (i) activities and assets related to fossil fuels, including downstream use; (ii) activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks; (iii) activities and assets related to waste landfills, incinerators and mechanical biological treatment plants; and (iv) activities and assets where the long-term disposal of waste may cause harm to the environment; and**
- **require that only activities and assets that comply with relevant EU and national environmental legislation may be selected**

The Council Implementing decision required that the eligibility criteria contained in terms of reference for upcoming calls for projects shall comply with the 'Do no significant harm' Technical Guidance (2021/C58/01) and that they shall exclude the following list of activities and assets: (i) activities and assets related to fossil fuels, including downstream use; (ii) activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks; (iii) activities and assets related to waste landfills, incinerators and mechanical biological treatment plants; and (iv) activities and assets where the long-term disposal of waste may cause harm to the environment; and require that only activities and assets that comply with relevant EU and national environmental legislation may be selected. The call for projects BG-RRP-2.004 'Establishing of a network of research higher education institutions in Bulgaria' launched on 21 October 2022 does not include the 'Do no significant harm' Technical Guidance (2021/C58/01) and the relevant exclusion list required by the measure description. Each higher education institution has signed a financial agreement that require adherence to the DNSH principle (Article 7) and amended Supplementary Agreements have been signed in March 2023 to introduce additional requirements, such as the obligation for final recipients to comply with the principle of 'Do no significant harm'. Each research higher institution has also provided a Signed Declaration confirming compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01), which exclude the following list of activities and assets: (i) activities and assets related to fossil fuels, including downstream uses; (ii) activities and assets under the EU Emissions Trading System where projected greenhouse gas emissions are not lower than the relevant reference values; (iii) activities and assets related to landfills, waste incineration plants and mechanical biological treatment plants; (iv) activities and assets where long-term disposal of waste may cause damage to the environment, and requiring the selection of only those activities and

assets that comply with relevant EU and national environmental legislation. Whilst this constitutes a minimal substantive deviation from the requirement of the Council Implementing Decision, the compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01) is ensured through Article 7 of the financial agreements, the amended Supplementary Agreements, and the Signed Declaration for the compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01) which excludes the activities listed above and confirms that the implementation of all activities financed under the contract shall comply with the relevant EU and national environmental legislation. As of this, this minimal deviation does not change the nature of the measure and does not affect the progress towards achieving the investment that the target represents. On this basis, it is considered that this constitutive element of the target is satisfactorily fulfilled.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 40	Related Measure C3.I2: Guarantee Instrument for Growth
Name of the Milestone: Signature of the contribution agreement between the European Commission and the Government of Bulgaria	
Qualitative Indicator: Agreement signed	**Time:** Q3 2022

Context:

Milestone 40 is related to Investment 2.1.a 'Guarantee instrument for growth'. This investment concerns the implementation of a guarantee instrument to alleviate the challenges faced by businesses in obtaining credit finance to quickly recover from the COVID-19 crisis and create opportunities for business expansion to achieve growth and sustainable development.

Milestone 40 concerns the signature of the Contribution Agreement to InvestEU between the Bulgarian Government and the European Commission (hereinafter referred to as the 'Agreement').

Milestone 40 is the first step of the implementation of the investment, and it will be followed by Targets 41 and 42, which require, respectively, 50% and 100% of the total allocated financing to be approved by the InvestEU Investment Committee. The investment has a final expected date for implementation by 30 June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (dated 20 September 2023);
ii. Copy of the Contribution Agreement, signed by the European Commission and the Bulgarian Government (on 7 November 2022)
iii. Amendment to the Contribution Agreement, signed by the European Commission and the Bulgarian Government (on 28 February 2024);
iv. Market Assessment by the European Investment Fund: RRF Bulgaria market testing outcome involving the main Bulgarian financial intermediaries (dated September 2022).

The authorities also provided:

v. Second amendment and restatement agreement in respect of EIF MS-C Schedule, no. 3 (Amendment to the Guarantee Agreement), signed between the European Commission and the European Investment Fund (on 28 May 2024).

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities cover all constitutive elements of the milestone. In particular:

Signature of contribution agreement between the European Commission and the Government of Bulgaria

The Contribution Agreement to InvestEU between the European Commission and the Government of Bulgaria was signed on 7 November 2022, ratified by the National Assembly of the Republic of Bulgaria on 5 January 2023 and published in the State Gazette No. 4 dated 13 January 2023. On 20 February 2024, an amendment to the Contribution Agreement was signed between the European Commission and the Government of Bulgaria to reflect that on 11 October 2023 the 'Do no significant harm' Technical Guidance (2021/C58/01) was replaced by the 'Do no significant harm' Technical Guidance (C/2023/111).

The contribution agreement between the European Commission and the Government of Bulgaria shall (a) require the application of the Commission's technical guidance on sustainability proofing for the InvestEU Fund, (b) exclude activities and assets on the exclusion list specified in the description of the measure from eligibility. […] Considering that the proposed instrument shall be implemented following a contribution to InvestEU, the points (a) and (b) above shall be ensured through the application of the InvestEU provisions and the selected Implementing Partner's lending policy and exclusion criteria.

Additional exclusions necessary in order to ensure compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01) - including on waste - shall be specified in the guarantee agreement between the European Commission and the European Investment Fund (EIF). Furthermore, in line with the description of the measure, **to ensure that the investment complies with the 'Do no significant harm' Technical Guidance (2021/C58/01), the contribution agreement between the European Commission and the Bulgarian Government shall**

- **require the application of the Commission's technical guidance on sustainability proofing for the InvestEU Fund; and**
- **exclude the following list of activities and assets from eligibility:**
  (i) activities and assets related to fossil fuels, including downstream use;
  (ii) activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks.

In line with the CID requirement, the amendment to the Contribution Agreement requires the application of the Commission's technical guidance on sustainability proofing for the InvestEU Fund. In addition, Article 4.6 (II) of the agreement states that the application of that Technical Guidance in combination with the application of the implementing partner's policies related to the implementation of the InvestEU Fund, notably those of the European Investment Fund (EIF), are sufficient to prove the absence of significant harm as per Article 5(2) of Regulation (EU) 2021/241.

Correspondingly, Article 5 of the amended Guarantee Agreement between the Commission and the EIF, signed on 28 May 2024, reads that ''the Commission considers the application of the Sustainability Proofing Guidance in combination with the application of the EIF's policies related to implementing the InvestEU Fund (i.e. the EIB Group's 'Climate Bank Roadmap 2021-2025') sufficient to prove the absence of significant harm as per Article 5(2) of the Regulation".

In addition, in order to ensure compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01), the Council Implementing Decision required to exclude the following list of activities and assets from eligibility: (i) activities and assets related to fossil fuels, including downstream use;
(ii) activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks. For this reason, Clause 4.6(II) of the Contribution Agreement, before its amendment, stated that the Guarantee Agreement should mandate that the Financing and Investment Operations conform to the 'Do No Significant Harm' Technical Guidance (2021/C58/01).

However, the 'Do no significant harm' Technical Guidance of the Commission was replaced by the new 'Do No Significant Harm' Technical Guidance (C/2023/111). The new 'Do no significant harm' Technical Guidance (C/2023/111) contains a specific provision for guarantee agreements, which states that the Commission considers the application of the Technical guidance on sustainability proofing for the InvestEU Fund (2021/C 280/01) in combination with the application of the relevant implementing partner's policies related to implementing the InvestEU Fund sufficient to prove the absence of significant harm as per Article 5(2) of the RRF Regulation.

Accordingly, the Contribution Agreement was amended to specify that the relevant provisions of the Contribution Agreement should be read and interpreted in line with the new 'Do No Significant Harm' Technical Guidance (C/2023/111).

Therefore, Clause 4.6(II) of the amended Contribution Agreement ensures compliance with the 'Do No Significant Harm' Technical Guidance (C/2023/111) by stipulating that the Financing and Investment Operations shall comply with the updated 'Do no significant harm' Technical Guidance (C/2023/111), and it reads as following: "The Guarantee Agreement shall include provisions stipulating that Financing and Investment Operations shall comply with the 'Do no significant harm' Technical Guidance (C/2023/111), through the use of sustainability proofing and the exclusion of certain activities and/or assets in accordance with the Guidance".

While the Contribution Agreement pertains to the use of sustainability proofing and exclusion of certain activities and assets, Article 4 of the amended Guarantee Agreement between the Commission and the EIF states that the 'Do no significant harm' Technical Guidance (2021/C58/01) mentioned in the Agreement should be interpreted in in line with the new 'Do no significant harm' Technical Guidance (C/2023/111).
In this respect, the amended Guarantee Agreement does not include an additional exclusion list, given that such a list is not necessary in order to ensure compliance with the new 'Do no significant harm' Technical Guidance (C/2023/111).

As of this, this minimal deviation does not change the nature of the measure and does not affect the progress towards achieving the investment that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

The contribution agreement between the European Commission and the Government of Bulgaria shall […] (c) include criteria to ensure that the financial instrument is in line with Commission's Guidance Note of 22 January 2021 (SWD(2021) 12 final) related to financial instruments

The following lists the type of information that Member States who decide to set up financial instruments under the InvestEU should provide according to the Commission's Guidance Note of 22 January 2021 (SWD(2021) 12 final) and indicates where the Contribution Agreement includes this information:

a. Policy objectives of the measure: The objective is to address the Bulgarian economy's structural issues, such as liquidity shortages and solvency risks in local businesses, caused by revenue loss and supply chain disruptions from the COVID-19 pandemic. The Financial Product is expected to enhance enterprise competitiveness by making finance more accessible to SMEs and small mid-caps, helping them recover quickly from the crisis and pursue growth and sustainable development (Clause 10 (III) of the Contribution Agreement, page 15).
b. State aid dimension of the measure: Financial contributions under the Guarantee Agreement are governed by EU State aid rules. They are exempt from notification if compliant with Regulation (EU) No 651/2014 on declaring certain categories of aid compatible with the internal market in application of Clauses 107 and 108 of the Treaty or similar regulations (Contribution Agreement, Clause 3.4, page 7).
c. Target amount of finance and investment to be mobilized: The amount of contribution stemming from RRF will be EUR 75 million (Clause 10 (III), page 14).
d. Contribution to the Invest EU provisioning: EUR 150 million shall be provisioned from the contribution stemming from RRF for the two guarantee instruments (Clause 5, page 9).
e. Type of support to be deployed: The support includes various financial products, such as working capital funds, revolving credit lines, investment loans, and leasing (Clause 10 (III), page 14 and Annex 2(III), Clause10.d, page 40).
f. Targeted beneficiaries and nature of investment: The financial instrument should support SMEs and small-midcap companies (Annex 2(III), Clause 7, page 39).
g. A clear milestone linked to the set-up of the instrument: Milestone 40 is linked to the set-up of the guarantee instrument, and its fulfilment results in the set-up of the guarantee instrument.
h. A timetable for deploying the financial instrument: The InvestEU programme mandates adherence to a specific timeline. According to the schedule set in the Council Implementing Decision, the implementing partner is required to use commercially reasonable efforts to guarantee that a minimum of 50% of the finance and investment operations are approved by the InvestEU Investment Committee by the end of 2023. This approval rate is expected to reach 100% by the end of 2024 (Annex2(III), Clause 9, page 39).
i. The name of the InvestEU implementing partner: The implementing partners are the European Investment Fund and the Bulgarian Development Bank for all guarantee instruments covered by the Guarantee Agreement (Clause 11.2, page 16). For the Guarantee Instrument for Growth, the Guarantee Agreement lists EIF (Annex2(III), Clause 1, page 40)
j. A description of the monitoring system to report on the investment mobilized: The Guarantee Agreement refers to the monitoring framework established by the Commission to ensure compliance with the objectives of the InvestEU Regulation and the Agreement. The Commission will monitor the Guarantee Agreements' implementation and require reports from implementing partners, aligned with EU Compartment terms but also covering Member State Compartment objectives (Clause 4.2 and 4.3, page 8)

The financial instrument shall take the form of a portfolio guarantee, implemented by the EIF, [...] Furthermore, in line with the description of the measure, **the guarantee instrument shall be implemented as a contribution to InvestEU with the European Investment Fund (EIF) as an implementing partner.**

Annex 2 (III) Clause 1 of the Contribution Agreement states that the instrument constitutes a contribution to InvestEU with the European Investment Fund as an implementing partner. Clause 11.2 of the Contribution Agreement also specifies that in line with Clause 15(1) of the InvestEU Regulation, the European Investment Fund and the Bulgarian Development Bank were identified as

the implementing partners covering all four guarantee instruments in the Guarantee Agreement and the European Investment Fund as implementing partner for this specific guarantee instrument (the guarantee instrument for growth) (Annex2(III), Clause 1).

Portfolio guarantees under InvestEU typically encompass a variety of financial products. These include senior financing options such as loans, leasing, and credit lines, as well as documentary finance, including bank guarantees and letters of credit. Additionally, they cover other forms like subordinated and quasi-equity financing. Annex 2(III), specifically Clause 10d, lists the eligible transactions for the guarantee instrument for growth. This list features transactions in the form of senior financing, including loans, leasing, revolving credit lines (including overdrafts), and documentary finance (such as bank guarantees, letters of credit, and bid bonds). It also includes supply chain finance, subordinated financing, and quasi-equity financing. Furthermore, Clause 10.2 (III) lists financial products covered, which extend to working capital funds, revolving credit lines, investment loans, and leasing. The categorization of the Guarantee Instrument for Growth as a portfolio guarantee is evident from its inclusive range of covered products and the broad eligibility criteria for transactions, as detailed in Annex 2(III). This diversification is consistent with the nature and the purpose of portfolio guarantees, which is to spread risks across various financial products, thereby fostering growth by enabling easier access to finance for a wide array of investments. Accordingly, the Guarantee instrument for growth the EIF implements can be considered a portfolio guarantee in accordance with the requirements of the Council Implementing Decision.

The financial instrument [...] and shall support SMEs and small mid-caps by covering different financial products, including working capital, credit lines, investment loans, and leasing.
Furthermore, in line with the description of the measure, **the guarantee instrument shall target SMEs and small mid-caps and shall cover various financial products, including working capital funds, including revolving credit lines, investment loans, and leasing.**

Clause 7 in Annex2(III) of the Contribution Agreement defines SMEs and small-midcap companies as targeted beneficiaries for this guarantee investment.

Annex 2(III), under the Clause 10d, lists the eligible transactions under *the guarantee instrument for growth*. These include, but are not limited to, transactions in the form of senior financing including investment loans, leasing, revolving credit lines (including overdrafts), documentary finance (including bank guarantees, letters of credit, bid bonds), supply chain finance (including reverse factoring (confirming) and with recourse factoring); subordinated financing; quasi-equity financing. Additionally, under Clause 10(III)- specifically covering *the guarantee instrument for growth*, working capital funds are also mentioned.

The financial instrument shall address the current market failures faced by enterprises in accessing finance, in particular challenges following the COVID-19 pandemic, with a view to improve access to credit lines.

In line with Clause 10.2 (III) the financial instrument is designed to address the prevalent market failures that SMEs and small mid-caps are experiencing in securing finance, particularly in the aftermath of the COVID-19 pandemic. The same Clause further specifies that the financial instrument seeks to enhance access to credit lines, aiming to rectify the structural frailties of the Bulgarian economy. Notably, these weaknesses include a lack of liquidity and heightened solvency risks among enterprises. These challenges stem largely from their inability to fulfil financial commitments, a consequence of the substantial decline in revenue and disruptions in supply chains due to the COVID-19 pandemic.

It is expected that the instrument supports at least 615 beneficiaries.

As indicated in Clause 10.2(III) of the Agreement, the financial instrument is indirect financing through financial intermediaries and is expected to support at least 615 final recipients.

The total amount of RRF funding for the instrument shall be EUR 75 million.

According to Clause10.2 (III), the financial instrument shall be implemented with the contribution stemming from the RRF. The same Clause specifies that the amount of contribution stemming from the RRF will be EUR 75 million.

The structure of the instrument shall enable to leverage private funds.

Annex 2(III), Clause 5a, states that the structure of the instrument shall enable the leveraging of private funds. According to the Clause 10.2(III), the indicative minimum leverage factor of the financial instrument is four and is further defined in the Guarantee Agreement in Clause 6 of Annex I.

Any returns to the financial instrument, including from repayments, as well as profits obtained through the use of RRF funds, less the remuneration of the fund manager and the financial intermediaries, shall be used for the same policy goals, including after 2026.

As outlined in Clause 12.1 of the Contribution Agreement, the financial activities linked to the Bulgarian compartment in the Common Provisioning Fund, including treasury gains from asset management, remuneration for the EU Guarantee under the Member State Compartment, recoveries, and other payments related to the financing and investment operations under the Guarantee Agreement, will contribute to an increase in the provisioning, as outlined in Clause 5 of the Contribution Agreement. Furthermore, according to Clause 12.5 of the Contribution Agreement, the surplus paid by the Commission to Bulgaria, as defined in Clauses 12.3 and 12.4 of the same Agreement, shall be allocated by the Member State to the originating funds, thus constituting a return, taking into account losses of the underlying operations and their revenues (less renumeration of the fund manager and the financial intermediaries). According to Clause 12.6, any surpluses related to returns on financial instruments arising from the RRF contributions are to be used for the same policy goals, including after the year 2026.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 43	Related Measure C3.I2: Equity Instrument for growth
Name of the Milestone: Signature of the financing agreement between the European Investment Fund and the Republic of Bulgaria	
Qualitative Indicator: Agreement signed and investment policy adopted	**Time:** Q3 2022

Context:

Milestone 43 is part of sub-investment 2.1.b ‘Equity Instrument for growth’ of Investment 2 (C3.I2) ‘Economic Transformation Programme’, whose objective is to alleviate the long-lasting economic negative impact of the COVID-19 crisis on Bulgarian undertakings.

Milestone 43 concerns the signature of the financing agreement ("hereinafter referred to as "Agreement") between the European Investment Fund ("hereinafter referred to as "EIF") and the Government of Bulgaria, as well as the adoption of the investment policy of the Fund, which shall provide financial instruments (equity) support for SMEs and small mid-caps, including start-ups and early growth companies.

Milestone 43 is the first step of the implementation of investment 2 and it will be followed by targets 44 and 45, related to the financing or investment of the operations respectively amounting to 50% and 100% of the total allocated financing approved by the Investment Committee. The investment has a final expected date for implementation on 30 June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Copy of the Funding Agreement between The Republic of Bulgaria represented by the Ministry of Innovation and Growth and the European Investment Fund, including the adopted investment policy.

The authorities also provided:

iii. A memo produced by the EIF on the selection and monitoring processes in place for the implementation of the Investment.
iv. Annex III – Underlying Fund Term Sheet for the Growth Window.
v. The call for expression of interest published by the EIF on 2 October 2023.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities cover all constitutive elements of the milestone.

The financing agreement between the European Investment Fund and the Government of Bulgaria, and adoption of the investment policy of the Fund.
The milestone in the Council Implementation is further specified in the Operational Arrangements, which states that the financing agreement and the funding agreement mentioned in the description of the milestone are one and the same document.

In December 2022, the Government of Bulgaria signed the Agreement with the EIF. It was signed by the Bulgarian Minister of Innovation and Growth on 5 December and by EIF representatives (Head of Division of Mandate Management Equity and Head of Equity Investments) on 4 December. This Agreement included the adopted investment policy of the Fund. The Agreement was ratified through a law passed by the 48th National Assembly on 19 January 2023, and subsequently published in State Gazette No. 8 on 25 January 2023. The Agreement thus became effective from 25 January 2023. The terms 'financing agreement' and 'funding agreement' are used interchangeably and refer to the same entity, in accordance with the detailed specifications outlined in the Operational Arrangements (OAs).

The investment policy shall be adopted by the governing bodies of the financial instrument.

Articles 7.1 to 7.14 of the Agreement detail the establishment of an Investment Committee, which adopted the Investment Strategy (i.e., investment policy). This is in line with the primary functions of this committee, which are spelled out in Article 7.1 of the Agreement, and which include approving, monitoring, and supervising the implementation of the Investment Strategy, as well as endorsing the entry into Commitment Agreements with financial intermediaries. The Funding

Agreement and the Investment Strategy, which is specified in Appendix A to the Agreement, provide further guidance on these processes. The Investment Committee acts as a governing body of the financial instrument. In accordance with articles 7.2 and 7.3 of the Agreement, the Investment Committee is established by the Republic of Bulgaria, which should communicate the details of the Investment Committee members to the EIF, and the members ''shall act at all times in good faith, with professionalism and in the interest of the best implementation of the Recovery Equity Fund of Funds ("hereinafter referred to as "REF") in accordance with the terms of this agreement''. Article 7.6 further specifies the Investment Committee responsibilities vis-à-vis the Republic of Bulgaria and spells out the tasks in implementing the financial instrument.

Furthermore, in line with the description of the measure, the equity instruments shall be implemented by the EIF as a financial partner (implementing partner) through a direct award to the EIF by a dedicated RRF funding agreement to be signed between the Republic of Bulgaria and the EIF for the management of the RRF supported equity operations.

The terms and conditions of the direct award are specified in the Agreement. Specifically, Articles 2.1 and 2.2 of the Agreement detail the mandate and responsibilities of EIF in executing the Agreement. Specifically, Article 2.1 appoints the EIF to manage the funds and resources provided by the Republic of Bulgaria for the REF and to perform other related duties as specified in the Agreement. Article 2.2 further clarifies the EIF's mandate, with 2.2.b stating that the Republic of Bulgaria authorises the EIF to implement the Fund by adhering to the investment strategy, while also taking into account the Risk Policy (outlined in Appendix C to the Agreement).

The investment policy shall be in line with the Commission's Guidance Note of 22 January 2021 (SWD(2021) 12 final) related to financial instruments.

On the basis of the GUIDANCE TO MEMBER STATES RECOVERY AND RESILIENCE PLANS (SWD(2021) 12 final) (hereinafter referred to as "the guidance note"), Member States who decide to set up financial instruments outside of InvestEU should provide the following information, which, indeed, features in the Financing Agreement as well as the Investment Strategy, provided as Appendix A to the Agreement:

- the policy objectives of the measure

With regard to the policy objectives of the Fund, these are listed in section 1 of the Investment Strategy, Appendix A of the Agreement, and are the following:

- support Bulgarian undertakings by alleviating the long-lasting economic negative impact of the COVID-19 crisis;
- increase the innovation capacity of companies, accelerate their productivity improvements and the transition to a knowledge economy;
- invest in infrastructure assets contributing to climate neutrality and accelerate the green and digital transition in priority sectors in the country.

These policy objectives reflect the three investments concerning equity instruments included in the Bulgaria's RRP, namely Investment 2.1.b "equity instruments for growth", investment 2.1.e "Innovation Pool (equity instrument for innovation)" and Investment 2.3.a "Equity instruments for climate neutrality and digital transformation investments".

- the State aid dimension of the measure

With regard to the state aid dimension of the measure, Section 13 of the Agreement and Section 6 of the Investment Strategy, Appendix A of the Agreement, cover the state aid framework for the investment. The latter describes the actions to be undertaken by the Bulgarian administration to

comply with state aid rules, depending on the state aid regime that applies for each specific investment approved by the Investment Committee. The section outlines the following procedures regarding state Aid compliance in Bulgaria:

- If the De minimis state aid regime or a state aid free regime/market conformity is applicable, the Ministry of Innovation and Growth consults the Bulgarian state aid authority prior to implementation.
- In cases where the General Block Exemption Regulation (GBER) framework is applicable, the Bulgarian state aid authority must approve the terms to ensure compliance with the GBER state aid regime.
- Regardless of the regime, the Ministry of Innovation and Growth is responsible for monitoring and ensuring compliance with the applicable state aid requirements on behalf of the Republic of Bulgaria.

Additionally, financial intermediaries are obliged to provide the EIF and/or the Republic of Bulgaria with any necessary information to fulfill Bulgaria's state aid reporting obligations.

Additionally, state aid regime option(s) and applicable terms of reference are described in detail in Annex III – Term Sheet for the Growth Window to the call for expression of interest.

- the target amount of finance and investment to be mobilized

With regard to the target amount of finance and investment to be mobilized, the Innovation Window must have an initial budget of EUR 75 million and is expected to support at least 30 final recipients, as outlined in Section 2 (point 1) of the Investment Strategy, Appendix A of the Agreement.

- the type of support to be deployed (e.g. loans, guarantees, equity)

With regard to the type of support to be deployed, this is included in the Investment Strategy (see below under the analysis of constitutive element ‘the support shall be delivered through venture capital funds and private equity’).

- the targeted beneficiaries (e.g. SMEs, mid-caps) and the nature of the investment (e.g. innovation, broadband, infrastructure)

With regard to the targeted beneficiaries and the nature of the investment, this is included in the Investment Strategy, Appendix A of the Agreement, separately for each of the windows of the Fund (see below under the analysis of constitutive element ‘the Fund shall provide financial instruments (equity) support for SMEs and small mid-caps, including start-ups and early growth companies’).

- a clear milestone linked to the set-up of the instrument

Milestone 43 is linked to the set-up of the instrument.

- a timetable for deploying the financial instrument

With regard to the timetable for deploying the financial instrument, this is outlined in Section 5 of the Investment Strategy, Appendix A of the Agreement.

- the name of the implementing partner

With regard to the name of the implementing partner, this is the EIF, as per recital 2.1 of the

Agreement.

- a description of the monitoring system to report on the investment mobilized through the financial instrument

With regard to the description of the monitoring system to report on the investment mobilized through the financial instrument, Appendix D describes the type of information to be collected by the EIF and the objectives for monitoring, while Appendix E outlines the main elements of the progress report.

- the calculation of the loss distribution

With regard to the calculation of loss distribution, it is covered by Article 9.2 of the Agreement. It states that any costs associated with the application of negative interest to the REF Bank Account, or any other necessary bank accounts for the REF implementation, including those related to Treasury Funds and treasury losses, will be covered in a specific order: firstly, from the current account balance; secondly, by the positive Interest Generated on the REF Account; then, by the Proceeds of Operations available in the REF Account. If these amounts are insufficient (as determined annually by the EIF), the Republic of Bulgaria will cover the remaining costs.

The investment policy shall include selection criteria to ensure compliance with the "Do no significant harm" Technical Guidance (2021/C58/01) of supported transactions under this measure through the use of sustainability proofing;

Appendix G mandates adherence to the Commission's technical guidance on sustainability proofing within the framework of the InvestEU Fund. This requirement ensures that all activities and investments under the fund are evaluated and managed in a way that supports sustainable development principles. Additionally, the Appendix specifies that the eligibility criteria for projects and investments should be in compliance with the relevant environmental legislation at both EU and national levels, thereby upholding environmental standards and practices.

The investment policy shall include selection criteria to ensure compliance with the "Do no significant harm" Technical Guidance (2021/C58/01) of supported transactions under this measure […] by requiring beneficiaries that derived more than 50% of their direct revenues during the preceding financial year from activities or assets on the following list of activities to adopt and publish green transition plans: (i) activities related to fossil fuels, including downstream use; (ii) activities under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks; and (iii) activities related to waste landfills, incinerators and mechanical biological treatment plants.
This requirement could be implemented, for example, by relying on the EIF's new restricted sectors (non-infra equity Funds – Paris alignment framework), adjusted by certain additional restrictions on ETS sectors and certain transport activities; and by requiring the verification of legal compliance with the relevant EU and national environmental legislation of the beneficiary by the EIF for all transactions, including those exempted from sustainability proofing.

Appendix G of the Agreement concerns the implementation of the 'Do not significant harm' principle ('DNSH'). The text of Appendix G reflects the constitutive elements of the milestone with respect to DNSH. Appendix G lists the eligibility criteria for the underlying financial instruments. These include the exclusion of the following list of activities and assets from eligibility:

- activities and assets related to fossil fuels, including downstream use;
- activities and assets under the EU Emission Trading System (ETS) achieving projected

greenhouse gas emissions that are not lower than the relevant benchmarks;

- activities and assets related to waste landfills, incinerators and mechanical biological treatment plants;

The Agreement excludes from funding those assets and activities for which, based on the CID Annex, beneficiaries derived more than 50% of their direct revenues during the preceding financial year. For those they would need to adopt and publish green transition plans. The exclusions are further operationalized in Annex III – Term Sheet for the Growth Window to the Call for expression of Interest.

The Fund shall provide financial instruments (equity) support for SMEs and small mid-caps, including start-ups and early growth companies. The support shall be delivered through venture capital funds and private equity.
The milestone in the Council Implementation is further specified in the Operational Arrangements, which requires that the Fund shall provide financial instruments (equity) support for SMEs, small mid-caps and also mid-caps.

Section 2 of the Appendix A on investment strategy describes the financial products to be offered and lists the three windows - which correspond to the three investments linked to the equity instruments under the Economic Transformation Programme, namely Investment 2.1.b Equity instruments for growth ('*Growth Window*'), Investment 2.1.e – Equity instrument for innovation ('*Innovation Window*'), and Investment 2.3.a - Equity instruments for climate neutrality and digital transformation investments ('*Infrastructure Window*').

With respect to Investment 2.1.b, associated with milestone 43, the investment strategy states that the Growth Window targets SMEs and small mid-caps in growth stage, including start-ups and growth companies, through equity growth instruments, including venture capital funds, growth funds, mezzanine funds and private debt funds. Replacement capital (excluding strategies intended for asset stripping) may also be permitted, subject to the provisions of the applicable State Aid regime.

The management of the Fund shall be entrusted to the EIF.

Article 2.1 of the Agreement specifies the appointment of EIF to implement and manage the funds and resources provided by the Republic of Bulgaria for the REF. It also includes the EIF's responsibility to perform additional functions and duties related to the REF, as outlined in the Agreement. The specific activities that the EIF undertake in managing the Fund are detailed in Article 2.2.

A dedicated RRF funding agreement shall be signed between the EIF and the Government of Bulgaria for the management of the RRF equity supported operations.

The Agreement was signed by both the Republic of Bulgaria and the EIF on 5 December 2022, and ratified by the National Assembly of the Republic of Bulgaria on 19 January 2023. Article 2.1 of the Agreement specifies the appointment of EIF to implement and manage the funds and resources provided by the Republic of Bulgaria for the REF, which is established as a separate block of finance (non-incorporated vehicle) within EIF.

An investment committee shall be responsible for approving operations with intermediaries as proposed by the fund manager (EIF) based on market needs and in an open and market-conform way.

Article 7.1 sets up the Investment Committee with key roles in approving, monitoring, and overseeing the investment strategy's implementation.

Article 7.6 outlines the Committee's responsibilities, emphasizing that it should approve operations based on proposals from the EIF. This is detailed in 7.6 (e) and 7.6 (f), which state that the Investment Committee has the responsibility to approve or not object to various proposals by EIF during the duration of the Agreement. This includes approving calls for expressions of interest for the selection of Financial Intermediaries and Underlying Funds and approving or not objecting to the allocation of REF resources to these Underlying Funds, as proposed by the EIF.

Recital 7.10 further clarifies that the Investment Committee should conduct its decision-making based on market needs and in a manner that is open and conforms to market standards.

Finally, Appendix H of the Agreement includes the Rules of Procedures for the Investment Committee. This appendix comprehensively establishes the composition of the Investment Committee, outlining its powers, functioning, decision-making process, and the code of conduct for its members. For instance, it stipulates that the Investment Committee members must have at least 3 years of relevant experience in the field, act independently and decide based on market needs and in an open and market-conform way regarding the approval of investments.

It is expected that the instrument supports at least 24 beneficiaries. The total amount of RRF funding shall be EUR 75 million.

Section 2 of Appendix A on investment strategy details the three windows, each corresponding to one of the three equity instruments included in the Economic Transformation Programme. For the Growth Window, which corresponds to the Equity investment for growth, it is noted that it has an initial budget of EUR 75 million and that it aims to support at least 24 final recipients.

The structure of the Fund shall leverage private funds.

Section 2 of Appendix A on investment strategy states that the Bulgarian REF is financed by the contribution committed, along with the necessary leveraged amount from private investors, in accordance with the applicable state aid regimes. Section 4 of Appendix A on investment strategy discusses the risk distribution between public and private investors, stating that both are expected to share the same risk and reward in a layered financing structure, subject to State Aid rules. Financial intermediaries are required to ensure private participation in the Underlying Funds, considering the minimum level required by their strategy and the agreed state aid framework. The leverage effect of the allocated amount depends on the types of Underlying Funds and Final Recipients, with a possibility that no private investors join in some high-risk investments, subject to the applicable state aid framework.

Any returns to the Fund or financial instruments, including from repayments, as well as profits obtained through the use of RRF funds, less the remuneration of the fund manager and the financial intermediaries, shall be used for the same policy goals, including after 2026.

Article 5 of the Agreement details the management and prioritisation of the Proceeds of Operations, which encompass repayments (as defined in section 1 of the Agreement on page 9), along with any gains, interest, or revenues of the REF. Specifically, Article 5.2 sets forth the hierarchy for the use of returns, stating that after accounting for the payment and/or reimbursement of Management Fees that are due but unpaid, unforeseen additional expenses, and

potential shortfalls, the subsequent returns should be allocated to entering into Commitment Agreements with the Underlying Funds according to the investment strategy. Additionally, Section 5, point 5.2 of Appendix A on the investment strategy further clarifies that Commitment Agreements financed by Legacy Funds—a collective designation for any funds still under EIF management during the Legacy Period—may commence within the Legacy Period, which begins on 1 July 2026. Lastly, Article 5.2 stipulates that any remaining returns should be dedicated to investments that are consistent with the policy objectives of the Bulgarian REF, as elaborated in the investment strategy.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 46	Related Measure: C3.I2: Investment 2.1.c Grant for technological modernisation
Name of the Milestone: Selection procedures completed	
Qualitative Indicator: Published list of projects approved for funding and list of reserves	**Time:** Q4 2022

Context:

Milestone 46 is part of is part of investment C3.I2, whose objective is to support the innovation and growth of Bulgarian businesses, in particular by fostering their green and digital transition. The objective of sub-investment 2.1.c is to increase the efficiency of production processes, achieve higher productivity, reduce production costs and optimise the production chain by providing grants to small and medium-sized enterprises (hereinafter referred to as "SMEs").

Milestone 46 requires that open and competitive selection procedures for grants for modernisation are completed, accompanied by a published list of projects approved for funding and a list of reserve projects.

Milestone 46 is the first step of implementation of this sub-investment, and it will be followed by target 47, related to the completion of 665 projects to support technological modernisation. The investment has a final expected date for implementation on 30 June 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Annex 1 - Application package for procedure BG-RRP-3.004 „Technological modernization", including the Guidelines for Applicants, Execution Conditions for Project Implementation by Final Recipients, and annexes (published on 22 July 2022).
iii. Annex 2 - A spreadsheet with a list of selected projects including for each project: a unique identifier, the name of the beneficiary, the category of the enterprise, its location, the NACE (Statistical Classification of Economic Activities) sector/s in which it is active, a short project description, period for implementation, the amount of funding awarded to the project, the amount of co-financing by the beneficiary.
iv. The link to the website where the approved projects are published: https://www.mig.government.bg/naczionalen-plan-za-vazstanovyavane-i-ustojchivost/tehnologichna-modernizacziya/
v. Annex 3 - A list of reserve projects with a project description.
vi. Annex 4 - Extracts of the official documents containing the eligibility criteria that ensure

compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01) of selected projects, including, awarded projects with activities under the EU Emission Trading System, the projected level of greenhouse gas emissions per unit of product and a list with the European Union Transaction Log (EUTL) identifier numbers.

vii. Annex 5 - The Evaluation Report of the Evaluation Committee on its assessment of the submitted applications against the call's demands and annexes.

viii. Annex 6 - Internal Rules for the General Directorate for European Funds for Competitiveness, under the Ministry of Growth and Innovation (21 July 2022) and annexes.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The selection procedures shall be run in an open and competitive manner.

The grant scheme employs an open and competitive selection process for allocating funds from the Recovery and Resilience Facility. As per the Guidelines for Applicants to receive a grant under selection procedure for proposals for the implementation of investments by final recipients BG-RRP-3.004 "Technological modernisation" (hereinafter referred to as "Guidelines") and the Evaluation Report of the Evaluation Committee on its assessment of the submitted applications against the call's demands (hereinafter referred to as "Evaluation Report"), this process includes:

- The call published on 22 July 2022 was open to micro, small, and medium-sized enterprises as defined by specific legislative criteria and Commission recommendations. Detailed eligibility criteria are covered in Section 11 of the Guidelines. Applicants must have been registered as business entities no later than December 31, 2019, and must meet specific net sales revenue thresholds for the years 2019, 2020, and 2021, with amounts varying by company category. Additionally, for the financial year 2021, distinct net sales revenue thresholds apply according to the company's category. Finally, applicants were required to develop their main economic activity in sectors identified as national and regional priorities under the National Strategy for Small and Medium-sized Enterprises 2021-2027 focusing on manufacturing.

- Two-stage evaluation: Applicants undergo an administrative and eligibility check, followed by a technical and financial evaluation, as outlined in section 18 of the Guidelines. These checks are done on objective criteria and contribute to a fair assessment of all applications.

- Clear criteria and methodology: The process is based on predefined criteria and methodology detailed in section 22 and Annex 6 of the Guidelines. This approach allows for consistent and objective evaluation of applications, with only those meeting a minimum score being considered for ranking.

- Public transparency: Key documents, including Guidelines and Execution Conditions for Project Implementation by Final Recipients, were made publicly available on the Ministry's website and in the Information System for the Management and Monitoring of EU Funds in Bulgaria (EUMIS 2020). This step was taken to maintain transparency and allow for public consultation before the official launch of the procedure.

- Electronic submission and response system: Applications were submitted through EUMIS 2020. The system also enabled applicants to request clarifications, to which the Ministry responded within specified timeframes, facilitating a more accessible and responsive process.

- Adherence to standards: The Evaluation Report (Annex 5), specifically Section 1, validates the call's adherence to the steps of the Guidelines as outlined above, principles of free competition, equal treatment, publicity, and non-discrimination. The Evaluation Report details the work of the Evaluation Committee responsible for assessing and ranking the proposals submitted for investment implementation under the procedure for selecting proposals from final recipients. The Evaluation Committee for the procedure was established by Order No. RD-14-264 on 28 September 2022, by the Minister of Innovation and Growth. This committee completed the evaluation of over 2,400 proposals submitted for the implementation of investments (Annex 5). The document's thorough analysis on compliance, eligibility criteria, and adherence to the "do no significant harm" principle demonstrates a structured and transparent approach in the evaluation process.

- Control and verification: The Evaluation Report underwent a preliminary control, as per the Ministry's Management and Control System (Annex 6). The findings, recorded in the "Checklist of Preliminary Control of the Evaluation Report" (Annex 5), further confirm the adherence to the stipulated processes.

The beneficiaries shall be SMEs.

According to section 11.1, point 2, "Criteria for eligibility of applicants" of the Guidelines, only SMEs were eligible to apply under the procedure. This eligibility is defined in accordance with Articles 3 and 4 of the Law on Small and Medium Enterprises and the Commission Recommendation of May 6, 2003, regarding the definition of micro, small, and medium-sized enterprises. Section 15, "Eligible target groups" of the Guidelines, also specifies that the procedure targets SMEs operating in the national and regional priority sectors outlined in the National Strategy for Small and Medium-sized Enterprises 2021-2027.

The verification of compliance with this requirement occurred during the project evaluation phase based on the declaration provided by the applicants, as detailed in the "Declaration on the circumstances under Articles 3 and 4 of the Law on Small and Medium Enterprises" (part of the application package under Annex 1).

The projects shall support the acquisition of new technology with a focus on the digitalisation of production processes (purchase of new technological equipment focusing on the digitalisation of production processes in order to achieve a market advantage, product customisation, flexibility, efficiency and originality to expand or diversify their production).

Section 13.1 "Eligible activities" of the Guidelines specifies that eligible activities under the grant scheme include the acquisition of new technologies, particularly focusing on the digitalisation of the production processes with the aim to expand production capacity and/or diversify the products or services offered. The new technological equipment is expected to contribute to both digitalization of production processes and either the expansion of production capacity or diversification of products/services. Consequently, the acquisition of these new technologies is expected to achieve market advantage, customization, originality and/or enhanced flexibility and efficiency in production processes.

At least 50% of the cost of the project shall be co-financed by the beneficiary.

Section 10 of the Guidelines states that the maximum grant funding intensity for applicants under both the "regional investment aid" and "de minimis" aid is limited to 50% of the total investment costs. Consequently, beneficiaries are required to co-finance at least 50% of the project

expenditures.

The total funding to approved projects shall be at least EUR 120 million.

According to Section 7 of the Guidelines the total amount of available funding under the grant scheme is BGN 260 000 000 (approximately EUR 132 935 889 – using the 1 EUR to 1,96 BGN fixed exchange rate). According to information provided on the approved projects (Annex 2), the total amount of funding allocated for the approved projects stands at BGN 255.22 million (approximately 130.49 million EUR – using the 1 EUR to 1,96 BGN exchange rate) (Annex 2).

In order to ensure that the measure complies with the 'Do no significant harm' Technical Guidance (2021/C58/01), the eligibility criteria contained in the terms of reference for upcoming calls for projects shall exclude activities and assets on the exclusion list specified in the description of the measure and require that only activities that comply with relevant EU and national environmental legislation may be selected. Furthermore, in line with the description of the measure, in order to ensure that the measure complies with the 'Do no significant harm' Technical Guidance (2021/C58/01), the eligibility criteria contained in terms of reference for upcoming calls for projects shall

- **exclude the following list of activities and assets: (i) activities and assets related to fossil fuels, including downstream use[1]; (ii) activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks[2]; and (iii) activities and assets related to waste landfills, incinerators[3] and mechanical biological treatment plants.[4]**
- **require that only activities and assets that comply with relevant EU and national environmental legislation may be selected.**

The Guidelines encompass several sections detailing eligibility, ineligibility, and compliance principles for the grant scheme. Section 13.1, "Eligible Activities," mandates that eligible proposals must align with the "Do No Significant Harm" (DNSH) principle. Section 13.2 "Ineligible Activities" and Section 14.3 "Ineligible Costs" exclude all the activities and assets as listed in the description of the measure (i, ii, iii) and in the footnotes by stating that they are not supported to ensure adherence to the DNSH principle.

[1] Except projects in power and/or heat generation, as well as related transmission and distribution infrastructure, using natural gas, that are compliant with the conditions set out in Annex III of the 'Do no significant harm' Technical Guidance (2021/C58/01).

[2] Where the activity supported achieves projected greenhouse gas emissions that are not significantly lower than the relevant benchmarks an explanation of the reasons why this is not possible shall be provided. Benchmarks established for free allocation for activities falling within the scope of the Emissions Trading System, as set out in the Commission Implementing Regulation (EU) 2021/447.

[3] This exclusion does not apply to actions under this measure in plants exclusively dedicated to treating non-recyclable hazardous waste, and to existing plants, where the actions under this measure are for the purpose of increasing energy efficiency, capturing exhaust gases for storage or use or recovering materials from incineration ashes, provided such actions under this measure do not result in an increase of the plants' waste processing capacity or in an extension of the lifetime of the plants; for which evidence is provided at plant level.

[4] This exclusion does not apply to actions under this measure in existing mechanical biological treatment plants, where the actions under this measure are for the purpose of increasing energy efficiency or retrofitting to recycling operations of separated waste to compost bio-waste and anaerobic digestion of bio-waste, provided such actions under this measure do not result in an increase of the plants' waste processing capacity or in an extension of the lifetime of the plants; for which evidence is provided at plant level.

Section 16 "Applicable Horizontal Principles" requires applicants to declare their compliance with this principle and provide relevant project information. The guidelines also include criteria to evaluate administrative admissibility and exclude projects under the EU Emission Trading System.

Additionally, Section 16 specifies that final recipients undergo controls verifying their compliance with the DNSH Technical Guidance, covering six environmental goals and EU and national environmental legislation. For the latter, it specifies that the proposals must be in accordance with the environmental objectives as specified in the EU Taxonomy Regulation, namely aligned with climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protecting and restoring biodiversity and ecosystems. This verification occurred during the evaluation stage post-project to ensure that projects align with climate change mitigation and adaptation, sustainable use of water and marine resources, circular economy, pollution prevention and control, and biodiversity and ecosystem protection.

Furthermore, also the "Technical implementation of the projects" section in the Execution Conditions for Project Implementation by Final Recipients specifies that projects must comply with the DNSH principle throughout and post-implementation. Compliance with the DNSH principle is also a requirement in the grant contract under Article 3.6.10 (template for final recipients provided in application package under Annex 1). Controls at the end of project implementation will assess adherence to the principle, including with respect to EU environmental legislation. The application package (Annex 1) also includes detailed information to assist applicants in complying with the DNSH principle.

In line with the description of the measure, the Ministry of Innovation and Growth shall ensure that an effective management and control system is implemented at administrator level and shall be able to take corrective action whenever necessary, including by performing sample checks at company level, while the administrator shall monitor and report regularly on the progress of the project implementation in accordance with all the respective conditions.

Section 4 of the Internal Rules for the General Directorate for European Funds for Competitiveness (hereinafter referred to as “DG EFC”) (Annex 6) addresses the requirement that the Ministry of Innovation and Growth ensures an effective management and control system at the administrator level. This section outlines in detail the step-by-step procedures for executing, reporting, and controlling the contracts with the final recipients. Those include conducting both preliminary and subsequent control over the selection procedures for contractors, checking advance payment requests on concluded financing contracts with final recipients, and modifying and terminating financing contracts. The control is performed at several levels (e.g. at least two people controlling one case and a third one involved in case of diverging conclusions) and by different controllers (e.g. persons involved in preliminary control are excluded from the subsequent controls). Additionally, Section 4 covers presenting financial and technical reports from final recipients, tracking investment implementation, and verifying presented financial and technical reports. Based on the detailed outlined procedures for execution, reporting, and control, along with mechanisms for both preliminary and subsequent oversight, the management and control system, as described in Section 4 of the Internal Rules, can be considered as effective.

The document also specifies that the DG EFC under the Ministry of Innovation and Growth organizes the coordination of investment documents and is responsible for making funds available from RRF. Its responsibilities include the conclusion of financing contracts, checking financial and technical reports, performing on-the-spot checks, carrying out controls on public procurement, and

preparing and introducing summary reports into the information system. Moreover, DG EFC is tasked with making payments to final recipients, entering information into the system, accounting for all operations, and ensuring compliance with environmental goals and EU and national environmental legislation.

In section 1.2. General rules and requirements in the Execution Conditions for Project Implementation by Final Recipients (Annex 1), it is outlined that the monitoring and reporting structure (DG EFC) will conduct verifications to ensure the administrative, financial, technical, and physical compliance of project implementation. These checks include both administrative (document verification related to milestones, targets, and eligible costs) and on-the-spot checks to verify project activities and outcomes. Administrative checks by DG EFC are to be performed on all projects. On-the-spot checks, based on a risk assessment, delays, or failure to achieve reported results, are conducted as needed. The final recipients are also required to grant direct access to the audit institutions for on-the-spot checks, both during and after project implementation.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 48	Related Measure: C3.I2: Investment 2.1.d Grant scheme for information and communication technology and cybersecurity in SMEs
Name of the Milestone: Selection procedures completed	
Qualitative Indicator: Published list of projects approved for funding and list of reserves	**Time:** Q4 2022

Context:

Milestone 48 is part of is part of investment C3.I2, whose objective is to support the innovation and growth of Bulgarian businesses, in particular by fostering their green and digital transition. The objective of this specific sub-investment is to support the deployment of digital technologies, including cybersecurity measures, for the uptake of Industry 4.0 and the transition to higher levels of digital transformation by providing grants to small and medium-sized enterprises (hereinafter referred to as "SMEs").

Milestone 48 requires that open and competitive selection procedures for grants for information and communication technology and cybersecurity are completed, accompanied by a published list of projects approved for funding and a list of reserve projects.

Milestone 48 is the first step of the implementation of the sub-investment and it will be followed by target 49, related to the completion of 1492 projects to support entry-level digitalisation in companies. The investment has a final expected date for implementation in Q4 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Annex 1 - Application package for procedure BG-RRP-3.005 “Solutions in the Field of Information and Communication Technologies and Cybersecurity in SMEs”, including the Guidelines for Applicants, Execution Conditions for Project Implementation by Final Recipients, and annexes (published on 17 October 2022).
iii. Annex 2 - A spreadsheet with a list of selected projects including for each project: a unique identifier, the name of the beneficiary, the category of the enterprise, its location, the NACE

(Statistical Classification of Economic Activities) sector/s in which it is active, a short project description, period for implementation, the amount of funding awarded to the project, the amount of co-financing by the beneficiary.

iv. The link to the website where the approved projects are published: https://www.mig.government.bg/wp-content/uploads/2023/02/odobreni.pdf

v. Annex 3 - A list of reserve projects with a project description https://www.mig.government.bg/wp-content/uploads/2023/02/rezervi.pdf

vi. Extracts of the official documents containing the eligibility criteria that ensure compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01) of selected projects.

vii. Annex 4 - The Evaluation Report of the Evaluation Committee on its assessment of the submitted applications against the call's demands and annexes: https://umis2020.government.bg/#/evalSessions/4767/allDocs/docs/63561?rf=1679669178000

viii. Annex 5 - Internal Rules for the General Directorate for European Funds for Competitiveness, under the Ministry of Growth and Innovation (21 July 2022) and annexes.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The selection procedures shall be run in an open and competitive manner.

The grant scheme employs an open and competitive selection process for allocating funds from the Recovery and Resilience Facility. As per the Guidelines for Applicants to receive a grant under selection procedure for proposals for the implementation of investments by final recipients "Information and communication technology solutions and cybersecurity in small and medium-sized enterprises" (hereinafter referred to as "Guidelines") and the Evaluation Report of the Evaluation Committee on its assessment of the submitted applications against the call's demands (hereinafter referred to as "Evaluation Report"), - this process includes:

- The call published on 31 August 2022 was open to micro, small, and medium-sized enterprises as defined by specific legislative criteria and Commission recommendations. Detailed eligibility criteria are covered in Section 11 of the Guidelines. Applicants must have been registered as business entities no later than December 31, 2019, and must meet specific net sales revenue thresholds for the financial year 2021, with amounts varying by company category. Finally, applicants were required to develop their main economic activity in a sector which is not considered ineligible under section 11.2 "Criteria for the inadmissibility of candidates".

- Two-stage evaluation: Applicants undergo an administrative and eligibility check, followed by a technical and financial evaluation, as outlined in section 18 of the Guidelines. These checks are done on objective criteria and contribute to a fair assessment of all applications.

- Clear criteria and methodology: The process is based on predefined criteria and methodology detailed in Annex 4 of the Guidelines. This approach allows for consistent and objective evaluation of applications, with only those meeting a minimum score being considered for ranking.

- Public transparency: Key documents, including Guidelines and Execution Conditions for Project Implementation by Final Recipients, were made publicly available on the Ministry's website and in the Information System for the Management and Monitoring of EU Funds in Bulgaria (EUMIS 2020). This step was taken to maintain transparency and allow for public consultation before

the official launch of the procedure.

- Electronic submission and response system: Applications were submitted through EUMIS 2020. The system also enabled applicants to request clarifications, to which the Ministry responded within specified timeframes, facilitating a more accessible and responsive process.

- Adherence to standards: The Evaluation Report (Annex 4), specifically Section 1, validates the call's adherence to the steps of the Guidelines as outlined above, principles of free competition, equal treatment, publicity, and non-discrimination. The Evaluation Report details the work of the Evaluation Committee responsible for assessing and ranking the proposals submitted for investment implementation under the procedure for selecting proposals from final recipients. The Evaluation Committee for the procedure was established by Order No. RD-02-16-645 dated December 29, 2022, by the Minister of Innovation and Growth. This committee completed the evaluation of over 7,475 proposals submitted for the implementation of investments (Annex 5). The document's detailed discussion on compliance, eligibility criteria, and adherence to the "do no significant harm" principle reflects a structured and transparent approach in the evaluation process.

Control and verification: The Evaluation Report underwent a preliminary control, as per the Ministry's Management and Control System (Annex 5). The findings, recorded in the "Checklist of Preliminary Control of the Evaluation Report" (Annex 4), further confirm the adherence to the stipulated processes.

The selected beneficiaries shall be SMEs.

According to section 11.1, point 3, "Criteria for eligibility of applicants" of the Guidelines, only SMEs were eligible to apply under the procedure. This eligibility is defined in accordance with articles 3 and 4 of the Law on Small and Medium Enterprises and the Commission Recommendation of May 6, 2003, regarding the definition of micro, small, and medium-sized enterprises (published in Official Journal L 124 on May 20, 2003, p. 36). Section 15, "Eligible target groups" of the Guidelines, also specifies that the procedure targets SMEs operating in the national and regional priority sectors outlined in the National Strategy for Small and Medium-sized Enterprises 2021-2027.

The verification of compliance with this requirement occurred during the project evaluation phase based on the declaration provided by the applicants, as detailed in the "Declaration on the circumstances under articles 3 and 4 of the Law on Small and Medium Enterprises" (part of the application package under Annex 1).

The projects shall support the acquisition and integration of digital technologies in companies at the first two levels of basic digitalisation (computerisation and connectivity). The grants shall support activities such as the provision of ICT digital marketing services, web-based ICT services for platforms, websites, mobile applications, the acquisition of software to optimise management, manufacturing and logistics processes, the introduction of measures to ensure information and cybersecurity as an important element of the business digitalisation process, the purchase of hardware needed for the operation of new applications and software.

The grant scheme focuses on advancing digital technologies in SMEs to achieve two primary levels of digitalization: "computerization" and "connectivity." This initiative is essential for meeting basic requirements, including cybersecurity, to enable SMEs to adopt Industry 4.0 and progress towards advanced digital transformation, as outlined in section 5 of the Guidelines for Applicants.

Section 13.1, "Eligible Activities" of the Guidelines specifies the permissible activities under the grant, grouped into three categories (Annex 1):

- ICT services/solutions for digital marketing, platforms, websites, and mobile apps.
- ICT services/solutions to optimize management, manufacturing, and logistics processes.
- ICT services/solutions for enhancing enterprise cybersecurity.

Applicants can opt for one or more services/solutions according to the "List of eligible ICT services and solutions" (part of the application package under Annex 1), which also lists necessary hardware. The scope and type of eligible activities were developed in consultation with the Ministry of e-Governance, the authority on digitalization issues.

The total funding to approved projects shall be at least EUR 14 million.

According to Section 7 of the Guidelines the total amount of available funding under the grant scheme is BGN 30 600 000 (approximately EUR 15 645 531 using the official fixed exchange rate of 1 EUR to 1,95583 BGN). According to information provided on the approved projects (Annex 2), the total amount of funding allocated for the approved projects stands at BGN 30 590 682 (approximately 15 640 767.35 using the official fixed exchange rate of 1 EUR to 1,95583 BGN) (Annex 2).

In order to ensure that the measure complies with the 'Do no significant harm' Technical Guidance (2021/C58/01), the eligibility criteria contained in the terms of reference for upcoming calls for projects shall exclude activities and assets on the exclusion list specified in the description of the measure and require that only activities that comply with relevant EU and national environmental legislation may be selected.
Furthermore, in line with the description of the measure, in order to ensure that the measure complies with the 'Do no significant harm' Technical Guidance (2021/C58/01), the eligibility criteria contained in terms of reference for upcoming calls for projects shall

- **exclude the following list of activities and assets: (i) activities and assets related to fossil fuels, including downstream use[5]; (ii) activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks[6]; (iii) activities and assets related to waste landfills, incinerators[7]**

[5] Except projects in power and/or heat generation, as well as related transmission and distribution infrastructure, using natural gas, that are compliant with the conditions set out in Annex III of the 'Do no significant harm' Technical Guidance (2021/C58/01).
[6] Where the activity supported achieves projected greenhouse gas emissions that are not significantly lower than the relevant benchmarks an explanation of the reasons why this is not possible shall be provided. Benchmarks established for free allocation for activities falling within the scope of the Emissions Trading System, as set out in the Commission Implementing Regulation (EU) 2021/447.
[7] This exclusion does not apply to actions under this measure in plants exclusively dedicated to treating non-recyclable hazardous waste, and to existing plants, where the actions under this measure are for the purpose of increasing energy efficiency, capturing exhaust gases for storage or use or recovering materials from incineration ashes, provided such actions under this measure do not result in an increase of the plants' waste processing capacity or in an extension of the lifetime of the plants; for which evidence is provided at plant level.

and mechanical biological treatment plants[8]; and

- **require that only activities and assets that comply with relevant EU and national environmental legislation may be selected.**

The Guidelines encompass several sections detailing eligibility, ineligibility, and compliance principles for the grant scheme. Section 13.1, "Eligible Activities," mandates that eligible proposals must align with the "Do No Significant Harm" (DNSH) principle. Section 13.2 "Ineligible Activities" and Section 14.3 "Ineligible Costs" exclude all the activities and assets as listed in the description of the measure (i, ii, iii) and in the footnotes by stating that they are not supported to ensure adherence to the DNSH principle.

Section 16 "Applicable Horizontal Principles" requires applicants to declare their compliance with this principle and provide relevant project information. The guidelines also include criteria to evaluate administrative admissibility and exclude projects under the EU Emission Trading System.

Additionally, Section 16 specifies that final recipients undergo controls verifying their compliance with the DNSH Technical Guidance, covering six environmental goals and EU and national environmental legislation. For the latter, it specifies that the proposals must be in accordance with the environmental objectives as specified in the EU Taxonomy Regulation, namely aligned with climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protecting and restoring biodiversity and ecosystems. This verification occurred during the evaluation stage post-project to ensure that projects align with climate change mitigation and adaptation, sustainable use of water and marine resources, circular economy, pollution prevention and control, and biodiversity and ecosystem protection.

Furthermore, also the "Technical implementation of the projects" section in the Execution Conditions for Project Implementation by Final Recipients specifies that projects must comply with the DNSH principle throughout and post-implementation. Compliance with the DNSH principle is also a requirement in the grant contract under Article 3.6.10 (template for final recipients provided in application package under Annex 1). Controls at the end of project implementation will assess adherence to the principle, including with respect to EU environmental legislation. The application package (Annex 1) also includes detailed information to assist applicants in complying with the DNSH principle.

In line with the description of the measure, the Ministry of Innovation and Growth shall ensure that an effective management and control system is implemented at administrator level and shall be able to take corrective action whenever necessary, including by performing sample checks at company level, while the administrator shall monitor and report regularly on the progress of the project implementation in accordance with all the respective conditions.

Section 4 of the Internal Rules for the General Directorate for European Funds for Competitiveness (hereinafter referred to as “DG EFC”) (Annex 5) addresses the requirement that the Ministry of Innovation and Growth ensures an effective management and control system at the administrator level. This section outlines in detail the step-by-step procedures for executing, reporting, and

[8] This exclusion does not apply to actions under this measure in existing mechanical biological treatment plants, where the actions under this measure are for the purpose of increasing energy efficiency or retrofitting to recycling operations of separated waste to compost bio-waste and anaerobic digestion of bio-waste, provided such actions under this measure do not result in an increase of the plants’ waste processing capacity or in an extension of the lifetime of the plants; for which evidence is provided at plant level.

controlling the contracts with the final recipients. Those include conducting both preliminary and subsequent control over the selection procedures for contractors, checking advance payment requests on concluded financing contracts with final recipients, and modifying and terminating financing contracts. The control is performed at several levels (e.g. at least two people controlling one case and a third one involved in case of diverging conclusions) and by different controllers (e.g. persons involved in preliminary control are excluded from the subsequent controls). Additionally, Section 4covers presenting financial and technical reports from final recipients, tracking investment implementation, and verifying presented financial and technical reports. A full set of control check lists at the various stages of the selection and execution process is provided. Based on the detailed outlined procedures for execution, reporting, and control, along with mechanisms for both preliminary and subsequent oversight, the management and control system, as described in Section 4 of the Internal Rules, can be considered as effective.

The document also specifies that the DG EFC under the Ministry of Innovation and Growth organizes the coordination of investment documents and is responsible for making funds available from RRF. Its responsibilities include the conclusion of financing contracts, checking financial and technical reports, performing on-the-spot checks, carrying out controls on public procurement, and preparing and introducing summary reports into the information system. Moreover, DG EFC is tasked with making payments to final recipients, entering information into the system, accounting for all operations, and ensuring compliance with environmental goals and EU and national environmental legislation.

In section 1.2. General rules and requirements in the Execution Conditions for Project Implementation by Final Recipients (Annex 1), it is outlined that the monitoring and reporting structure (DG EFC) conducts verifications to ensure the administrative, financial, technical, and physical compliance of project implementation. These checks include both administrative (document verification related to milestones, targets, and eligible costs) and on-the-spot checks to verify project activities and outcomes. Administrative checks by DG EFC are to be performed on all projects. On-the-spot checks, based on a risk assessment, delays, or failure to achieve reported results, are conducted as needed. The final recipients are also required to grant direct access to the audit institutions for on-the-spot checks, both during and after project implementation.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 50	Related Measure: Investment 2.1.e Innovation Pool (Equity Instruments for Innovation) of measure C3.I2: Economic Transformation Programme
Name of the Milestone: Signature of the financing agreement between the European Investment Fund and the Republic of Bulgaria	
Qualitative Indicator: Agreement signed and investment policy adopted	**Time:** Q3 2022

Context:

Milestone 50 is part of sub-investment 2.1.e ‘Innovation Pool’ of Investment 2 (C3.I2) ‘Economic Transformation Programme, which aims at setting up a Fund to implement equity instruments for innovation with the objective to increase the innovation capacity, accelerate their productivity improvements and the transition to knowledge economy’.

Milestone 50 concerns the signature of the financing agreement (hereinafter referred to as "Agreement") between the European Investment Fund (hereinafter referred to as “EIF”) and the Government of Bulgaria, as well as the adoption of the investment policy of the Fund, which shall provide financial instruments (equity) support for SMEs and small mid-caps, including start-ups

and early growth companies.

Milestone 50 is the first step of the implementation of the investment and it will be followed by targets 51 and 52, related to the financing or investment of the operations respectively amounting to 50% and 100% of the total allocated financing approved by the Investment Committee. The investment has a final expected date for implementation on 30 June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Copy of the Funding Agreement between The Republic of Bulgaria represented by the Ministry of Innovation and Growth and European Investment Fund, including the adopted investment policy.

The authorities also provided:

iii. Annex III – Underlying Fund Term Sheet for the Growth Window
iv. The call for expression of interest published by the EIF on 2 October 2023

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities cover all constitutive elements of the milestone.

Signature of the financing agreement between the EIF and the Government of Bulgaria, and adoption of the investment policy of the Fund.
The milestone in the Council Implementation is further specified in the Operational Arrangements, which states that the financing agreement and the funding agreement mentioned in the description of the milestone are one and the same document.

In December 2022, the Government of Bulgaria signed the Agreement with the EIF. It was signed by the Bulgarian Minister of Innovation and Growth on 5 December and by EIF representatives (Head of Division of Mandate Management Equity and Head of Equity Investments) on 4 December. This Agreement included the adopted investment policy of the Fund. The Agreement was ratified through a law passed by the 48th National Assembly on 19 January 2023, and subsequently published in State Gazette No. 8 on 25 January 2023. The Agreement thus became effective from 25 January 2023. The terms 'financing agreement' and 'funding agreement' are used interchangeably and refer to the same entity, in accordance with the detailed specifications outlined in the Operational Arrangements (OAs).

The investment policy shall be adopted by the governing bodies of the financial instrument.

Articles 7.1 to 7.14 of the Agreement detail the establishment of an Investment Committee, which adopted the Investment Strategy (i.e., investment policy). This is in line with the primary functions of this committee, which are spelled out in Article 7.1 of the Agreement, and which include approving, monitoring, and supervising the implementation of the Investment Strategy, as well as endorsing the entry into Commitment Agreements with financial intermediaries. The Funding Agreement and the Investment Strategy, which is specified in Appendix A to the

Agreement, provide further guidance on these processes. The Investment Committee acts as a governing body of the financial instrument. In accordance with articles 7.2 and 7.3 of the Agreement, the Investment Committee is established by the Republic of Bulgaria, which should communicate the details of the Investment Committee members to the EIF, and the members ''shall act at all times in good faith, with professionalism and in the interest of the best implementation of the Recovery Equity Fund of Funds ('REF' i.e., the financial instrument) in accordance with the terms of this agreement''. Article 7.6 further specifies the Investment Committee responsibilities vis-à-vis the Republic of Bulgaria and spells out the tasks in implementing the financial instrument.

Furthermore, in line with the description of the measure, the equity instruments shall be implemented by the EIF as a financial partner (implementing partner) through a direct award to the EIF by a dedicated RRF funding agreement to be signed between the Republic of Bulgaria and the EIF for the management of the RRF supported equity operations.

The terms and conditions of the direct award are specified in the Agreement. Specifically, Articles 2.1 and 2.2 of the Agreement detail the mandate and responsibilities of the EIF in executing the Agreement. Article 2.1 appoints the EIF to manage the funds and resources provided by the Republic of Bulgaria for the Recovery Equity Funds of Funds (hereinafter referred to as "REF") and to perform other related duties as specified in the Agreement. Article 2.2 further clarifies the EIF's mandate, with 2.2.b stating that the Republic of Bulgaria authorizes the EIF to implement the Fund by adhering to the Investment Strategy, while also taking into account the risk policy (outlined in Appendix C to the Agreement).

The investment policy shall be in line with the Commission's Guidance Note of 22 January 2021 (SWD(2021) 12 final) related to financial instruments.

On the basis of GUIDANCE TO MEMBER STATES RECOVERY AND RESILIENCE PLANS (SWD(2021) 12 final) (hereinafter referred to as "guidance note"), Member States who decide to set up financial instruments outside of InvestEU should provide the following information, (which, indeed, features in the Financing Agreement as well as the Investment Strategy, provided as Appendix A to the Agreement:

- the policy objectives of the measure

With regard to the policy objectives of the Fund, these are listed in section 1 of the Investment Strategy, Appendix A of the Agreement, and are the following:

- support Bulgarian undertakings by alleviating the long-lasting economic negative impact of the COVID-19 crisis;
- increase the innovation capacity of companies, accelerate their productivity improvements and the transition to a knowledge economy;
- invest in infrastructure assets contributing to climate neutrality and accelerate the green and digital transition in priority sectors in the country.

These policy objectives reflect the three investments concerning equity instruments included in the Bulgaria's RRP, namely Investment 2.1.b "equity instruments for growth", investment 2.1.e "Innovation Pool (equity instrument for innovation)" and Investment 2.3.a "Equity instruments for climate neutrality and digital transformation investments".

- the state aid dimension of the measure

With regard to the state aid dimension of the measure, Section 13 of the Agreement and Section

6 of the Investment Strategy, Appendix A of the Agreement, cover the state aid framework for the investment. The latter describes the actions to be undertaken by the Bulgarian administration to comply with state aid rules, depending on the state aid regime that applies for each specific investment approved by the Investment Committee. The section outlines the following procedures regarding state Aid compliance in Bulgaria:

- If the De minimis state aid regime or a state aid free regime/market conformity is applicable, the Ministry of Innovation and Growth consults the Bulgarian state aid authority prior to implementation.
- In cases where the General Block Exemption Regulation (GBER) framework is applicable, the Bulgarian state aid authority must approve the terms to ensure compliance with the GBER state aid regime.
- Regardless of the regime, the Ministry of Innovation and Growth is responsible for monitoring and ensuring compliance with the applicable state aid requirements on behalf of the Republic of Bulgaria.

Additionally, financial intermediaries are obliged to provide the EIF and/or the Republic of Bulgaria with any necessary information to fulfill Bulgaria's state aid reporting obligations.

Additionally, state aid regime option(s) and applicable terms of reference are described in detail in Annex II – Term Sheet for the Innovation Window to the Call for expression of interest.

- the target amount of finance and investment to be mobilized

With regard to the target amount of finance and investment to be mobilized, the Innovation Window must have an initial budget of EUR 75 million and is expected to support at least 30 final recipients, as outlined in Section 2 (point 1) of the Investment Strategy, Appendix A of the Agreement.

- the type of support to be deployed (e.g. loans, guarantees, equity)

With regard to the type of support to be deployed, this is included in the Investment Strategy (see below under the analysis of constitutive element the support shall be delivered through venture capital funds and private equity').

- the targeted beneficiaries (e.g. SMEs, mid-caps) and the nature of the investment (e.g. innovation, broadband, infrastructure)

With regard to the targeted beneficiaries and the nature of the investment, this is included in the Investment Strategy, Appendix A of the Agreement, separately for each of the windows of the Fund (see below under the analysis of constitutive element 'the Fund shall provide financial instruments (equity) support for SMEs and small mid-caps, including start-ups and early growth companies').

- a clear milestone linked to the set-up of the instrument

Milestone 50 is linked to the set-up of the financial instrument.

- a timetable for deploying the financial instrument

With regard to the timetable for deploying the financial instrument, this is outlined in Section 5 of the Investment Strategy, Appendix A of the Agreement.

- the name of the implementing partner

The implementing partner is the EIF, as per recital 2.1 of the Agreement.

- a description of the monitoring system to report on the investment mobilized through the financial instrument

Appendix D of the Agreement describes the type of information to be collected by the EIF and the objectives for monitoring, while Appendix E of the Agreement outlines the main elements of the progress report.

- the calculation of the loss distribution

The calculation of loss distribution is covered by Article 9.2 of the Agreement. It states that any costs associated with the application of negative interest to the REF Bank Account, or any other necessary bank accounts for the REF implementation, including those related to Treasury Funds and treasury losses, will be covered in a specific order: firstly, from the current account balance; secondly, by the positive Interest Generated on the REF Account; then, by the Proceeds of Operations available in the REF Account. If these amounts are insufficient (as determined annually by the EIF), the Republic of Bulgaria will cover the remaining losses.

The investment policy shall include selection criteria to ensure compliance with the "Do no significant harm" Technical Guidance (2021/C58/01) of supported transactions under this measure by requiring beneficiaries that derived more than 50% of their direct revenues during the preceding financial year from activities or assets on the following list of activities to adopt and publish green transition plans: (i) activities related to fossil fuels, including downstream use; (ii) activities under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks; and (iii) activities related to waste landfills, incinerators and mechanical biological treatment plants.
This requirement could be implemented, for example, by relying on the EIF's new restricted sectors (non-infra equity Funds – Paris alignment framework), adjusted by certain additional restrictions on ETS sectors and certain transport activities; and by requiring the verification of legal compliance with the relevant EU and national environmental legislation of the beneficiary by the EIF for all transactions, including those exempted from sustainability proofing.

Appendix G of the Agreement concerns the implementation of the 'Do not significant harm' principle ('DNSH'). The text of Appendix G reflects the constitutive elements of the milestone with respect to DNSH. Appendix G lists the eligibility criteria for the underlying financial instruments. These include the exclusion of the following list of activities and assets from eligibility:

- activities and assets related to fossil fuels, including downstream use;
- activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks;
- activities and assets related to waste landfills, incinerators and mechanical biological treatment plants; and
- activities and assets where the long-term disposal of waste may cause harm to the environment.

The Agreement excludes from funding those assets and activities for which, based on the CID Annex, beneficiaries derived more than 50% of their direct revenues during the preceding financial year. For those they would need to adopt and publish green transition plans. The

exclusions are further operationalized in Annex III – Term Sheet for the Growth Window to the Call for expression of Interest.

The Fund shall provide financial instruments (equity) support for SMEs and small mid-caps (companies with up to 499 employees), including start-ups and early growth companies.

The instrument can include a tech transfer/venture build component.

The support shall be delivered through venture capital funds and private equity funds.
Furthermore, in line with the description of the measure, the equity instruments shall include venture capital funds, technology transfer funds, seed and social impact funds.

Section 2 of the Appendix A of the Investment Strategy describes the financial products to be offered and lists the three windows - which correspond to the three investments linked to the equity instruments under the Economic Transformation Programme, namely Investment 2.1.b Equity instruments for growth ('*Growth Window*'), Investment 2.1.e – Equity instrument for innovation ('*Innovation Window*'), and Investment 2.3.a - Equity instruments for climate neutrality and digital transformation investments ('*Infrastructure Window*').

With respect to Investment 2.1.e., associated with milestone 50, the Investment Strategy states that the Innovation Window shall target SMEs, small mid-caps and technology transfer projects, including start-ups and growth companies, through seed-to-growth venture capital funds, technology transfer funds, social impact funds and private equity in line with the requirement of the milestone as well as social impact funds.

The main sectors to be targeted include information and communication technology, industrial automatisation, artificial intelligence, robotics, blockchain, fintech, life sciences, cybersecurity, quantum technologies, Internet of Things, cloud computing, clean and sustainable technologies, social entrepreneurship, and biotechnology and shall aim at supporting investments in human capital, digital and green technology, and in research, development, and technology transfer.

As detailed in point 2.1 of the Investment Strategy, Appendix A of the Agreement, the Innovation Window includes the following main sectors to be targeted: information and communication technology, industrial automatisation, artificial intelligence, robotics, blockchain, fintech, life sciences, cybersecurity, quantum technologies, Internet of Things, cloud computing, clean and sustainable technologies, social entrepreneurship, and biotechnology and shall aim at supporting investments in human capital, digital and green technology, and in research, development, and technology transfer.

The management of the Fund shall be entrusted to the European Investment Fund (EIF).

Article 2.1 of the Agreement specifies the appointment of EIF to implement and manage the funds and resources provided by the Republic of Bulgaria for the REF. It also includes the EIF's responsibility to perform additional functions and duties related to the REF, as outlined in the Agreement. The specific activities that the EIF undertake in managing the Fund are detailed in Article 2.2.

A dedicated RRF funding agreement shall be signed between the EIF and the Government of Bulgaria for the management of the RRF equity supported operations.

The Agreement was signed by both the Republic of Bulgaria and the EIF on 5 December 2022, and ratified by the National Assembly of the Republic of Bulgaria on 19 January 2023. Article 2.1 of the Agreement specifies the appointment of EIF to implement and manage the funds and resources provided by the Republic of Bulgaria for the REF, which is established as a separate block of finance (non-incorporated vehicle) within EIF.

An investment committee shall be responsible for approving operations with intermediaries as proposed by the fund manager (EIF) based on market needs and in an open and market-conform way.

Article 7.1 sets up the Investment Committee with key roles in approving, monitoring, and overseeing the Investment Strategy's implementation.

Article 7.6 outlines the Committee's responsibilities, emphasizing that it should approve operations based on proposals from the EIF. This is detailed in 7.6 (e) and 7.6 (f), which state that the Investment Committee has the responsibility to approve or not object to various proposals by EIF during the duration of the Agreement. This includes approving calls for expressions of interest for the selection of Financial Intermediaries and Underlying Funds and approving or not objecting to the allocation of REF resources to these Underlying Funds, as proposed by the EIF.

Recital 7.10 further specifies that the Investment Committee shall conduct its decision-making based on market needs and in a manner that is open and conforms to market standards.

Finally, Appendix H of the Agreement includes the Rules of Procedures for the Investment Committee. This appendix comprehensively establishes the composition of the Investment Committee, outlining its powers, functioning, decision-making process, and the code of conduct for its members. For instance, it stipulates that the Investment Committee members shall have at least 3 years of relevant experience in the field, act independently and decide based on market needs and in an open and market-conform way regarding the approval of investments.

The total amount of funding shall be EUR 75 million.

Section 2 of Appendix A on Investment Strategy details the three windows, each corresponding to one of the three equity instruments included in the Economic Transformation Programme. For the Innovation Window, Annex A states that it has an initial budget of EUR 75 million.

It is expected that the instrument supports at least 30 beneficiaries.

Section 2 of Appendix A of the Agreement states that the Innovation Window is expected to support at least 30 final beneficiaries.

The structure of the Fund shall leverage private funds.

Section 2 of Appendix A on Investment Strategy states that the Bulgarian REF is financed by the contribution committed, along with the necessary leveraged amount from private investors, in accordance with the applicable state aid regimes. Section 4 of Appendix A of the Investment Strategy discusses the risk distribution between public and private investors, stating that both are expected to share the same risk and reward in a layered financing structure, subject to state aid rules. Financial intermediaries are required to ensure private participation in the Underlying Funds, considering the minimum level required by their strategy and the agreed state aid framework. The leverage effect of the allocated amount depends on the types of Underlying

Funds and Final Recipients, with a possibility that no private investors join in some high-risk investments, subject to the applicable state aid framework.

Any returns to the Fund or financial instruments, including from repayments, as well as profits obtained through the use of RRF funds, less the remuneration of the fund manager and the financial intermediaries, shall be used for the same policy goals, including after 2026.

Article 5 of the Agreement details the management and prioritization of the Proceeds of Operations, which encompass repayments (as defined in section 1 of the Agreement on page 9), along with any gains, interest, or revenues of the REF. Specifically, Article 5.2 sets forth the hierarchy for the use of returns, stating that after accounting for the payment and/or reimbursement of Management Fees that are due but unpaid, unforeseen additional expenses, and potential shortfalls, the subsequent returns shall be allocated to entering into Commitment Agreements with the Underlying Funds according to the investment strategy. Additionally, Section 5, point 5.2 of Appendix A on the investment strategy further clarifies that Commitment Agreements financed by Legacy Funds—a collective designation for any funds still under EIF management during the Legacy Period—may commence within the Legacy Period, which begins on 01 July 2026. Lastly, Article 5.2 stipulates that any remaining returns should be dedicated to investments that are consistent with the policy objectives of the Bulgarian REF, as elaborated in the investment strategy.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 56	Related Measure C3.I2: Guarantee instrument for energy efficiency and renewable energy
Name of the Milestone: Signature of the contribution agreement between the European Commission and the Government of Bulgaria	
Qualitative Indicator: Agreement signed	**Time:** Q3 2022

Context:

Milestone 56 is related to Investment 2.2.b. 'Guarantee instrument for energy efficiency and renewable energy.' The objective of this investment is to address Bulgaria's challenges in providing support for investments in energy efficiency and renewable energy.

Milestone 56 concerns the signature of the Contribution Agreement to InvestEU between the Government of the Republic of Bulgaria and the European Commission (hereinafter referred to as the 'Agreement').

Milestone 56 is the first step in the implementation of the investment and it will be followed by the target58, which require, respectively, 50% and 100% of the total allocated financing to be approved by the InvestEU Investment Committee. The investment has a final expected date for implementation on 30 June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (dated 20 September 2023);
ii. Copy of the Contribution Agreement, signed by the European Commission and the Bulgarian Government (on 07 November 2022);
iii. Amendment to the Contribution Agreement, signed by the European Commission and the

Bulgarian Government (on 28 February 2024).

The authorities also provided:

iv. Market Assessment by the European Investment Fund: RRF Bulgaria market testing outcome involving the main Bulgarian financial intermediaries (dated September 2022).)
v. Use Case Document for the Sustainability Guarantee published by the European Investment Fund (EIF) November 2022.
vi. Second amendment and restatement agreement in respect of EIF MS-C Schedule, no. 3 (Amendment to the Guarantee Agreement), signed between the European Commission and the European Investment Fund (on 28 May 2024).

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities cover all constitutive elements of the milestone.

The contribution agreement between the European Commission and the Government of Bulgaria shall be signed.

The Contribution Agreement to InvestEU between the European Commission and the Government of Bulgaria was signed on 7 November 2022, ratified by the National Assembly of the Republic of Bulgaria on 5 January 2023 and published in the State Gazette No. 4 dated 13 January 2023. On 20 February 2024, and amendment to the Contribution Agreement was signed between the European Commission and the Government of Bulgaria to reflect that on 11 October 2023 the 'Do no significant harm' Technical Guidance (2021/C58/01) was replaced by the 'Do no significant harm' Technical Guidance (C/2023/111).

The contribution agreement shall (a) require the application of the Commission's technical guidance on sustainability proofing for the InvestEU Fund, (b) exclude activities and assets on the exclusion list specified in the description of the measure from eligibility. […] Considering that the proposed instrument shall be implemented following a contribution to InvestEU, the points (a) and (b) above shall be ensured through the application of the InvestEU provisions and the selected Implementing Partner's lending policy and exclusion criteria.

Additional exclusions necessary in order to ensure compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01) - including on waste - shall be specified in the guarantee agreement between the European Commission and the European Investment Fund (EIF). Furthermore, in line with the description of the measure, to ensure that the investment complies with the 'Do no significant harm' Technical Guidance (2021/C58/01), the contribution agreement between the European Commission and the Bulgarian Government shall

- **require the application of the Commission's technical guidance on sustainability proofing for the InvestEU Fund; and**
- **exclude the following list of activities and assets from eligibility:**
  (i) activities and assets related to fossil fuels, including downstream use;
  (ii) activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks.

In line with the CID requirement, the amendment to the Contribution Agreement requires the application of the Commission's technical guidance on sustainability proofing for the InvestEU Fund. In addition, Article 4.6 (II) of the agreement states that the application of that Technical Guidance in combination with the application of the implementing partner's policies related to

the implementation of the InvestEU Fund, notably those of the European Investment Fund (EIF), are sufficient to prove the absence of significant harm as per Article 5(2) of Regulation (EU) 2021/241.

Correspondingly, Article 5 of the amended Guarantee Agreement between the Commission and the EIF, signed on 28 May 2024, reads that ‘’the Commission considers the application of the Sustainability Proofing Guidance in combination with the application of the EIF’s policies related to implementing the InvestEU Fund (i.e. the EIB Group’s ‘Climate Bank Roadmap 2021-2025’) sufficient to prove the absence of significant harm as per Article 5(2) of the Regulation”.

In addition, in order to ensure compliance with the ‘Do no significant harm’ Technical Guidance (2021/C58/01), the Council Implementing Decision required to exclude the following list of activities and assets from eligibility: (i) activities and assets related to fossil fuels, including downstream use;
(ii) activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks. For this reason, Clause 4.6(II) of the Contribution Agreement, before its amendment, stated that the Guarantee Agreement should mandate that the Financing and Investment Operations conform to the 'Do No Significant Harm' Technical Guidance (2021/C58/01).

However, the ‘Do no significant harm’ Technical Guidance of the Commission was replaced by the new 'Do No Significant Harm' Technical Guidance (C/2023/111). The new ‘Do no significant harm’ Technical Guidance (C/2023/111) contains a specific provision for guarantee agreements, which states that the Commission considers the application of the Technical guidance on sustainability proofing for the InvestEU Fund (2021/C 280/01) in combination with the application of the relevant implementing partner’s policies related to implementing the InvestEU Fund sufficient to prove the absence of significant harm as per Article 5(2) of the RRF Regulation.

Accordingly, the Contribution Agreement was amended to specify that the relevant provisions of the Contribution Agreement should be read and interpreted in line with the new 'Do No Significant Harm' Technical Guidance (C/2023/111).

Therefore, Clause 4.6(II) of the amended Contribution Agreement ensures compliance with the ‘Do No Significant Harm’ Technical Guidance (C/2023/111) by stipulating that the Financing and Investment Operations shall comply with the updated ‘Do no significant harm’ Technical Guidance (C/2023/111). and it reads as following: “The Guarantee Agreement shall include provisions stipulating that Financing and Investment Operations shall comply with the ‘Do no significant harm’ Technical Guidance (C/2023/111), through the use of sustainability proofing and the exclusion of certain activities and/or assets in accordance with the Guidance”.

While the Contribution Agreement pertains to the use of sustainability proofing and exclusion of certain activities and assets ,Article 4 of the amended Guarantee Agreement between the Commission and the EIF states that the 'Do no significant harm' Technical Guidance (2021/C58/01) mentioned in the Agreement should be interpreted in in line with the new 'Do no significant harm' Technical Guidance (C/2023/111).

In this respect, the amended Guarantee Agreement does not include an additional exclusion list, given that such a list is not necessary in order to ensure compliance with the new ‘Do no significant harm’ Technical Guidance (C/2023/111).

As of this, this minimal deviation does not change the nature of the measure and does not affect

the progress towards achieving the investment that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

The contribution agreement between the European Commission and the Government of Bulgaria shall […] (c) include criteria to ensure that the financial instrument is in line with Commission's Guidance Note of 22 January 2021 (SWD(2021) 12 final) related to financial instruments

As stated in the Contribution Agreement, on the basis of the guidance note, Member States who decide to set up financial instruments under InvestEU should provide the following information:

a. Policy objectives of the measure: The Financial instrument shall contribute to green and sustainable transformation of the local economy by supporting access to debt financing. The instrument aims to address Bulgaria's challenges in providing support for investments in energy efficiency and renewable energy and will target SMEs, small mid-cap companies and individuals (Clause 10(IV) of the Contribution Agreement, page 15)
b. State aid dimension of the measure: Financial contributions under the Guarantee Agreement are governed by EU State aid rules. They are exempt from notification if compliant with Regulation (EU) No 651/2014 on [the title of the regulation] or similar regulations (Clause 3.4 of the Contribution Agreement, page 7)
c. Target amount of finance and investment to be mobilized: The amount of Contribution Stemming from RRF will be EUR 75 million (Clause 10 (IV) of the Contribution Agreement, page 15)
d. Contribution to the Invest EU provisioning: EUR 150 million shall be provisioned from the Contribution Stemming from RRF for the two guarantee instruments (Clause 5 of the Contribution Agreement, page 9).
e. Type of support to be deployed: Eligible final recipient transactions may include senior financing (such as loans, leasing, revolving credit lines, including overdrafts, and documentary finance like bank guarantees, letters of credit, and bid bonds), Supply Chain finance (including reverse factoring and with recourse factoring), subordinated financing, and quasi-equity financing (Clause 10(IV) of the Contribution Agreement, page 15 and Annex 2(IV) of the Contribution Agreement, Clause 10d, page 43)
f. Targeted beneficiaries and nature of investment: The target beneficiaries include SMEs; small mid-cap companies; individuals/households (Annex 2(IV) of the Contribution Agreement, Clause 7, page 43).
g. A clear milestone linked to the set-up of the instrument: Milestone 56 is linked to the set-up of the guarantee instrument, and its fulfilment results in the set-up of the guarantee instrument.
h. A timetable for deploying the financial instrument: The InvestEU program mandates adherence to a specific timeline. According to the schedule set in the Council Implementing Decision, the Implementing Partner is required to use commercially reasonable efforts to guarantee that a minimum of 50% of the Finance and Investment operations are approved by the InvestEU Investment Committee by the end of 2023. This approval rate is expected to reach 100% by the end of 2024 (Annex2(IV) of the Contribution Agreement, Clause 9, page 43).
i. The name of the InvestEU implementing partner: The Implementing Partners are EIF and the Bulgarian Development Bank for all guarantee instruments covered by the Contribution Agreement (Clause 11, page 16 of the Agreement). For the Guarantee Instrument for Energy Efficiency and Renewable Energy, the Contribution Agreement lists EIF (Annex2(IV) of the Contribution Agreement, Clause 1, page 42).
j. A description of the monitoring system to report on the investment mobilized: The

Guarantee Agreement refers to the monitoring framework established by the Commission to ensure compliance with the objectives of the InvestEU Regulation and the Agreement. The Commission will monitor the Guarantee Agreements' implementation and require reports from Implementing Partners, aligned with EU Compartment terms but also covering Member State Compartment objectives (Clauses 4.2 and 4.3 of the Contribution Agreement, page 8).

The guarantee instrument shall take the form of a portfolio guarantee, implemented by the EIF. Furthermore, in line with the measure description, the guarantee instrument shall be implemented as a contribution to InvestEU with the European Investment Fund (EIF) as an implementing partner.

Annex 2 (III) Clause 1 of the Contribution Agreement states that the instrument constitutes a contribution to InvestEU with the European Investment Fund as an implementing partner. Clause 11.2 of the Contribution Agreement also specifies that in line with Clause 15(1) of the InvestEU Regulation, the European Investment Fund and the Bulgarian Development Bank were identified as the implementing partners covering all four guarantee instruments in the Guarantee Agreement and the European Investment Fund as implementing partner for this specific guarantee instrument (the guarantee instrument for growth) (Annex2(III), Clause 1).
Portfolio guarantees under InvestEU typically encompass a variety of financial products. These include senior financing options such as loans, leasing, and credit lines, as well as documentary finance, including bank guarantees and letters of credit. Additionally, they cover other forms like subordinated and quasi-equity financing.

Annex 2 (IV), under Clause 10d, specifies that eligible final recipient transactions may encompass a variety of forms, including but not limited to senior financing. This can consist of loans, leasing, revolving credit lines (such as overdrafts), documentary finance (which includes bank guarantees, letters of credit, and bid bonds), and supply chain finance (encompassing reverse factoring, also known as confirming, and with recourse factoring). Additionally, it may include subordinated financing and quasi-equity financing. These details are to be formalized in the Guarantee Agreement. The categorization of the Guarantee Instrument for Energy Efficiency and Renewable Energy as a portfolio guarantee is evident from its inclusive range of covered products and the broad eligibility criteria for transactions, as detailed in Annex 2(III). This diversification is consistent with the nature and the purpose of portfolio guarantees, which is to spread risk across various financial products, thereby fostering growth by enabling easier access to finance for a wide array of investments.

The guarantee instrument shall deliver finance and investments in energy efficiency improvements and renewable energy to SMEs, small mid-caps and individuals, through working capital, including revolting credit lines, investment loans, or leasing.

Clause 10.2(IV) specifies that the guarantee instrument for energy efficiency and renewable energy is a capped guarantee debt product. According to the same clause, this guarantee instrument is intended to support policy needs in the areas of green finance, climate action, energy efficiency, and renewable energy. It aims to provide SMEs, small mid-caps, as well as individuals (natural persons) and housing associations with access to finance under preferential terms, thereby benefiting local enterprises.

Annex 2 (IV), under point 10d, enumerates the transactions eligible under the guarantee instrument, which encompasses a range of financial activities. These include, but are not limited to, senior financing options such as loans, leasing, and revolving credit lines (including

overdrafts). Also included are forms of documentary finance, like bank guarantees, letters of credit, and bid bonds, as well as supply chain finance, which covers reverse factoring (confirming) and with recourse factoring. The list extends to subordinated financing and quasi-equity financing. Furthermore, Clause 10.2 (IV) details various financial products, incorporating working capital funds, which cover revolving credit lines, investment loans, and leasing.

The sectors to be supported shall be defined following a detailed market assessment. Furthermore, in line with the description of the measure, the sectors to be supported shall be in line with the Regulation (EU) 2021/241 and the eligibility criteria of InvestEU and will be defined following a detailed market assessment.

EIF has submitted a detailed market test report (assessment), which on page 4, explicitly references the sectors targeted for support. Additionally, the report cites the sustainable guarantee use case document (version 1.1, dated November 2022). This document comprehensively outlines the types of projects that the instrument should finance and the eligible beneficiaries. While the instrument is not sector-specific in nature, it encompasses a broad spectrum of investments, detailed by a list of eligibility criteria that are specific to both the investment and the company. There are also sector-specific elements included, particularly noted in section 4 of the use case document under 'investment related to the transition economy'.

According to clause 10.2 of the Contribution Agreement, the financial product will support economic sectors eligible under the 'Use Case Document' for the Sustainability Guarantee published by EIF, except for those excluded in accordance with the 'Do No Significant Harm' Technical Guidance (2021/C58/01) replaced by the 'Do No Significant Harm' Technical Guidance (C/2023/111). As specified by that clause, these exclusions will be specified in the Guarantee Agreement between the EIF and the Commission. Through the application of the Contribution Agreement and the Guarantee Agreement Bulgaria is to comply with the 'Do No Significant Harm' Technical Guidance (C/2023/111) and thus the support is aligned with the Regulation (EU) 2021/241 and the eligibility criteria of InvestEU.

It is expected that the instrument supports at least 450 beneficiaries.

As indicated in Clause 10.2 (IV) of the Agreement, the financial instrument is indirect financing through financial intermediaries and is expected to support at least 450 final recipients.

The total amount of RRF funding for the instrument shall be EUR 75 million.

According to the Clause 10.2(IV), the financial product will be implemented with the contribution stemming from the RRF. According to the same clause, the amount of contribution stemming from the RRF will be EUR 75 million.

The structure of the instrument shall enable to leverage private funds.

Annex 2(IV), Clause 5a, states that the structure of the instrument shall enable the leveraging of private funds. According to Clause 10.2(III), the indicative minimum leverage of the financial product is four and is further defined in the Guarantee Agreement.

Any returns to the financial instrument, including from repayments, as well as profits obtained through the use of RRF funds, less the remuneration of the fund manager and the financial intermediaries, shall be used for the same policy goals, including after 2026.

As outlined in Clause 12.1 of the Contribution Agreement, the financial activities linked to the Bulgarian compartment in the Common Provisioning Fund, including treasury gains from asset management, remuneration for the EU Guarantee under the Member State Compartment, recoveries, and other payments related to the financing and investment operations under the Guarantee Agreement, will contribute to an increase in the provisioning, as outlined in Clause 5 of the Contribution Agreement. Furthermore, according to Clause 12.5 of the Contribution Agreement, the surplus paid by the Commission to Bulgaria, as defined in Clauses 12.3 and 12.4 of the same Agreement, shall be allocated by the Member State to the originating funds, thus constituting a return, taking into account losses of the underlying operations and their revenues (less renumeration of the fund manager and the financial intermediaries). According to Clause 12.6, any surpluses related to returns on financial instruments arising from the RRF contributions are to be used for the same policy goals, including after the year 2026.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 61	Related Measure C3.I2: Equity Instrument for climate neutrality and digital transformation investment
Name of the Milestone: Signature of the financing agreement between the European Investment Fund and the Republic of Bulgaria	
Qualitative Indicator: Signed agreement and investment policy adopted	**Time:** Q3 2022

Context:

Milestone 61 is part of sub-investment 2.3.a. 'Equity Instrument for climate neutrality and digital transformation investment' of Investment 2 (C3.I2) 'Economic Transformation Programme', whose objective is to alleviate the long-lasting economic negative impact of the COVID-19 crisis on Bulgarian undertakings.

Milestone 61 concerns the signature of the financing agreement (hereinafter referred to as the "Agreement") between the European Investment Fund (hereinafter referred to as the "EIF") and the Government of Bulgaria, as well as the adoption of the investment policy of the Fund, which aims at investing in assets that contribute to climate neutrality and accelerate the green and digital transitions in priority sectors in Bulgaria.

Milestone 61 is the first step of the implementation of the investment and it will be followed by target 62 related to the financing or investment of the operations respectively amounting to 100% of the total allocated financing approved by the Investment Committee. The investment has a final expected date for implementation by 30 June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (dated 20 September 2023).
ii. Copy of the Funding Agreement between The Republic of Bulgaria represented by the Ministry of Innovation and Growth and European Investment Fund, including the adopted investment policy (signed in December 2022).

The authorities also provided:

iii. Annex III – Underlying Fund Term Sheet for the Growth Window
The call for expression of interest published by the EIF on 2 October 2023.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities cover all constitutive elements of the milestone.

Signature of the financing agreement between the European Investment Fund and the Government of Bulgaria, and adoption of the investment policy of the Fund.
The milestone in the Council Implementation is further specified in the Operational Arrangements, which states that the financing agreement and the funding agreement mentioned in the description of the milestone are one and the same document.

In December 2022, the Government of Bulgaria signed the Agreement with the EIF. It was signed by the Bulgarian Minister of Innovation and Growth on 5 December and by EIF representatives (Head of Division of Mandate Management Equity and Head of Equity Investments) on 4 December. This Agreement included the adopted investment policy of the Fund. The Agreement was ratified through a law passed by the 48th National Assembly on 19 January 2023, and subsequently published in State Gazette No. 8 on 25 January 2023. The Agreement thus became effective from 25 January 2023. The terms 'financing agreement' and 'funding agreement' are used interchangeably and refer to the same entity, in accordance with the detailed specifications outlined in the Operational Arrangements.

The investment policy shall be adopted by the governing bodies of the financial instrument.

Articles 7.1 to 7.14 of the Agreement detail the establishment of an Investment Committee, which adopted the Investment Strategy (i.e., investment policy). This is in line with the primary functions of this committee, which are spelled out in Article 7.1 of the Agreement, and which include approving, monitoring, and supervising the implementation of the Investment Strategy, as well as endorsing the entry into Commitment Agreements with financial intermediaries. The Funding Agreement and the Investment Strategy, which is specified in Appendix A to the Agreement, provide further guidance on these processes. The Investment Committee acts as a governing body of the financial instrument. In accordance with articles 7.2 and 7.3 of the Agreement, the Investment Committee is established by the Republic of Bulgaria, which should communicate the details of the Investment Committee members to the EIF, and the members ''shall act at all times in good faith, with professionalism and in the interest of the best implementation of the Recovery Equity Fund of Funds ('REF' i.e., the financial instrument) in accordance with the terms of this agreement''. Article 7.6 further specifies the Investment Committee responsibilities vis-à-vis the Republic of Bulgaria and spells out the tasks in implementing the financial instrument.

Furthermore, in line with the description of the measure, the equity instruments shall be implemented by the EIF as a financial partner (implementing partner) through a direct award to the EIF by a dedicated RRF funding agreement to be signed between the Republic of Bulgaria and the EIF for the management of the RRF supported equity operations.

The terms and conditions of the direct award are specified in the Agreement. Specifically, Articles 2.1 and 2.2 of the Agreement detail the mandate and responsibilities of EIF in executing the Agreement. Article 2.1 appoints the EIF to manage the funds and resources provided by the Republic of Bulgaria for the Recovery Equity Funds of Funds ('REF') and to perform other related duties as specified in the Agreement. Article 2.2 further clarifies the EIF's mandate, with 2.2.b

stating that the Republic of Bulgaria authorizes the EIF to implement the Fund by adhering to the investment strategy, while also taking into account the Risk Policy (outlined in Appendix C).

The investment policy shall be in line with the Commission's Guidance Note of 22 January 2021 (SWD(2021) 12 final) related to financial instruments.

On the basis of the GUIDANCE TO MEMBER STATES RECOVERY AND RESILIENCE PLANS (SWD(2021) 12 final) (hereinafter referred to as "the guidance note"), Member States who decide to set up financial instruments outside of InvestEU should provide the following information, which, indeed, features in the Financing Agreement as well as the Investment Strategy, provided as Appendix A to the Agreement:

- the policy objectives of the measure

With regard to the policy objectives of the Fund, these are listed in section 1 of the Investment Strategy, Appendix A of the Agreement, and are the following:

- support Bulgarian undertakings by alleviating the long-lasting economic negative impact of the COVID-19 crisis;
- increase the innovation capacity of companies, accelerate their productivity improvements and the transition to a knowledge economy;
- invest in infrastructure assets contributing to climate neutrality and accelerate the green and digital transition in priority sectors in the country.

These policy objectives reflect the three investments concerning equity instruments included in the Bulgaria's RRP, namely Investment 2.1.b "equity instruments for growth", investment 2.1.e "Innovation Pool (equity instrument for innovation)" and Investment 2.3.a "Equity instruments for climate neutrality and digital transformation investments".

- the State aid dimension of the measure

With regard to the state aid dimension of the measure, Section 13 of the Agreement and Section 6 of the Investment Strategy, Appendix A of the Agreement, cover the state aid framework for the investment. The latter describes the actions to be undertaken by the Bulgarian administration to comply with state aid rules, depending on the state aid regime that applies for each specific investment approved by the Investment Committee. The section outlines the following procedures regarding state aid compliance in Bulgaria:

- If the De minimis state Aid regime or a state aid free regime/market conformity is applicable, the Ministry of Innovation and Growth consults the Bulgarian state aid authority prior to implementation.
- In cases where the General Block Exemption Regulation (GBER) framework is applicable, the Bulgarian state aid authority must approve the terms to ensure compliance with the GBER state aid regime.
- Regardless of the regime, the Ministry of Innovation and Growth is responsible for monitoring and ensuring compliance with the applicable state aid requirements on behalf of the Republic of Bulgaria.

Additionally, financial intermediaries are obligated to provide EIF and/or the Republic of Bulgaria with any necessary information to fulfill Bulgaria's state aid reporting obligations.

Additionally, state aid regime option(s) and applicable terms of reference are described in detail in the Annex IV – Term Sheet for the Infrastructure Window to the Call for expression of interest.

- the target amount of finance and investment to be mobilized

With regard to the target amount of finance and investment to be mobilized, the Infrastructure Window must have an initial budget of EUR 30 million and is expected to support at least 3 Final Recipients, as outlined in Section 2 (point 2) of Appendix A on investment strategy.

- the type of support to be deployed (e.g. loans, guarantees, equity…)

With regard to the type of support to be deployed, this is included in the Investment Strategy (see below under the analysis of constitutive element 'the support shall be delivered through venture capital funds and private equity').

- the targeted beneficiaries (e.g. SMEs, mid-caps) and the nature of the investment (e.g. innovation, broadband, infrastructure)

With regard to the targeted beneficiaries and the nature of the investment, this is included in the Investment Strategy, Appendix A of the Agreement, separately for each of the windows of the Fund (see below under the analysis of constitutive element 'the Fund shall provide financial instruments (equity) support for SMEs and small mid-caps, including start-ups and early growth companies').

- a clear milestone linked to the set-up of the instrument;

Milestone 61 is linked to the set-up of the instrument.

- a timetable for deploying the financial instrument;

With regard to the timetable for deploying the financial instrument, this is outlined in Section 5 of the Investment Strategy, Appendix A of the Agreement.

- the name of the implementing partner;

With regard to the name of the implementing partner, this is the EIF, as per recital 2.1 of the Agreement.

- a description of the monitoring system to report on the investment mobilized through the financial instrument;

With regard to the description of the monitoring system to report on the investment mobilized through the financial instrument, Appendix D describes the type of information to be collected by the EIF and the objectives for monitoring, while Appendix E outlines the main elements of the progress report.

- the calculation of the loss distribution.

With regard to the calculation of loss distribution, it is covered by Article 9.2 of the Agreement. It states that any costs associated with the application of negative interest to the REF Bank Account, or any other necessary bank accounts for the REF implementation, including those related to Treasury Funds and treasury losses, will be covered in a specific order: firstly, from the current account balance; secondly, by the positive Interest Generated on the REF Account; then, by the Proceeds of Operations available in the REF Account. If these amounts are insufficient (as

determined annually by the EIF), the Republic of Bulgaria will cover the remaining costs.

The investment policy shall include selection criteria to ensure compliance with the "Do no significant harm" Technical Guidance (2021/C58/01) of supported transactions under this measure through the use of sustainability proofing;

Appendix G mandates adherence to the Commission's technical guidance on sustainability proofing within the framework of the InvestEU Fund. This requirement ensures that all activities and investments under the fund are evaluated and managed in a way that supports sustainable development principles. Additionally, the Appendix specifies that the eligibility criteria for projects and investments should be in compliance with the relevant environmental legislation at both EU and national levels, thereby upholding environmental standards and practices.

The investment policy shall include selection criteria to ensure compliance with the "Do no significant harm" Technical Guidance (2021/C58/01) of supported transactions under this measure […] by requiring beneficiaries that derived more than 50% of their direct revenues during the preceding financial year from activities or assets on the following list of activities to adopt and publish green transition plans: (i) activities related to fossil fuels, including downstream use; (ii) activities under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks; (iii) activities related to waste landfills, incinerators and mechanical biological treatment plants.
This requirement could be implemented, for example, by relying on the EIF's new restricted sectors (non-infra equity Funds – Paris alignment framework), adjusted by certain additional restrictions on ETS sectors and certain transport activities; and by requiring the verification of legal compliance with the relevant EU and national environmental legislation of the beneficiary by the EIF for all transactions, including those exempted from sustainability proofing.

Appendix G of the Agreement concerns the implementation of the 'Do not significant harm' principle ('DNSH'). The text of Appendix G reflects the constitutive elements of the milestone with respect to DNSH. Appendix G lists the eligibility criteria for the underlying financial instruments. These include the exclusion of the following list of activities and assets from eligibility:

- activities and assets related to fossil fuels, including downstream use;
- activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks: and
- activities and assets related to waste landfills, incinerators and mechanical biological treatment plants

The Agreement excludes from funding those assets and activities for which, based on the CID Annex, beneficiaries derived more than 50% of their direct revenues during the preceding financial year. For those they would need to adopt and publish green transition plans. The exclusions are further operationalized in the term sheets accompanying the Call for Interest.

The investment policy includes selection criteria to ensure compliance with the "Do no significant harm" Technical Guidance (2021/C58/01) of supported transactions under this measure by requiring the verification of legal compliance with the relevant EU and national environmental legislation of the beneficiary by the EIF for all transactions, including those exempted from sustainability proofing.

Appendix G mandates adherence to the Commission's technical guidance on sustainability

proofing within the framework of the InvestEU Fund. This requirement ensures that all activities and investments under the fund are evaluated and managed in a way that supports sustainable development principles. Additionally, the Appendix specifies that the eligibility criteria for projects and investments should be in compliance with the relevant environmental legislation at both the EU and national levels, thereby upholding environmental standards and practices.

The Fund shall provide financial instruments (equity) for project special purpose vehicles, as well as SMEs and small mid-caps and mid-caps for investment in assets that contribute to climate neutrality and accelerate the green and digital transition in priority sectors in Bulgaria. This is expected to be carried out by supporting the creation of infrastructure assets, green energy production and storage infrastructure, including renewables, biomass, storage, recharging infrastructure for electric vehicles, hydrogen, digital infrastructure (ICT, optical infrastructure, data centres, 5G), urban regeneration, energy efficiency and social infrastructure. The support shall be delivered through venture capital funds and private equity.

According to point 5 of the Call for expression of interest published by the EIF, eligibility is restricted to interested parties, including but not limited to, private equity, venture capital funds, infrastructure funds, co-investment schemes, special purpose vehicles in any form that undertake long term risk capital investments in the form of equity, preferred equity, hybrid debt-equity instruments, other type of mezzanine financing, excluding entities targeting buy-out (or replacement capital) intended for asset stripping. Such parties may qualify to become Financial Intermediaries as further specified in the Annex II, III and IV to the Call for expression of interest.

Furthermore, in line with the description of the measure, this shall be carried out by supporting the creation of infrastructure assets (renewables, biomass, storage, recharging infrastructure for electric vehicles, hydrogen), digital infrastructure (ICT, optical infrastructure, data centres, 5G), urban regeneration, energy efficiency and social infrastructure.

Section 2 of the Appendix A on investment strategy describes the financial products to be offered and lists the three windows - which correspond to the three investments linked to the equity instruments under the Economic Transformation Programme, namely Investment 2.1.b Equity instruments for growth ('*Growth Window*'), Investment 2.1.e – Equity instrument for innovation ('*Innovation Window*'), and Investment 2.3.a - Equity instruments for climate neutrality and digital transformation investments ('*Infrastructure Window*').
With respect to Investment 2.3.a, associated with milestone 61, the investment strategy states that the Infrastructure Window targets project special purpose vehicles, as well as SMEs, small mid-caps and mid-caps for investments in assets that notably contribute to climate neutrality and the green and digital transition of the country. Additionally, it outlines that this window targets primarily the creation of infrastructure assets (renewables, biomass, storage, recharging infrastructure for electric vehicles, hydrogen), digital infrastructure (ICT, optical infrastructure, data centres, 5G), urban regeneration, energy efficiency and social infrastructure, aiming to primarily contribute to climate neutrality and accelerate the green and digital transition in priority sectors in the country.

The management of the Fund shall be entrusted to the EIF.

Article 2.1 of the Agreement specifies the appointment of EIF to implement and manage the funds and resources provided by the Republic of Bulgaria for the REF. It also includes the EIF's responsibility to perform additional functions and duties related to the REF, as outlined in the Agreement. The specific activities that the EIF undertake in managing the Fund are detailed in Article 2.2.

A dedicated RRF funding agreement shall be signed between the EIF and the Government of Bulgaria for the management of the RRF equity supported operations.

The Agreement was signed by both the Republic of Bulgaria and the EIF on 5 December 2022, and ratified by the National Assembly of the Republic of Bulgaria on 19 January 2023. Article 2.1 of the Agreement specifies the appointment of EIF to implement and manage the funds and resources provided by the Republic of Bulgaria for the REF, which is established as a separate block of finance (non-incorporated vehicle) within EIF.

An investment committee shall be responsible for approving operations with intermediaries as proposed by the fund manager (EIF) based on market needs and in an open and market-conform way.

Article 7.1 sets up the Investment Committee with key roles in approving, monitoring, and overseeing the investment strategy's implementation.

Article 7.6 outlines the Committee's responsibilities, emphasizing that it should approve operations based on proposals from the EIF. This is detailed in 7.6 (e) and 7.6 (f), which state that the Investment Committee has the responsibility to approve or not object to various proposals by EIF during the duration of the Agreement. This includes approving calls for expressions of interest for the selection of Financial Intermediaries and Underlying Funds and approving or not objecting to the allocation of REF resources to these Underlying Funds, as proposed by the EIF.

Recital 7.10 further clarifies that the Investment Committee should conduct its decision-making based on market needs and in a manner that is open and conforms to market standards.

Finally, Appendix H of the Agreement includes the Rules of Procedures for the Investment Committee. This appendix comprehensively establishes the composition of the Investment Committee, outlining its powers, functioning, decision-making process, and the code of conduct for its members. For instance, it stipulates that the Investment Committee members must have at least 3 years of relevant experience in the field, act independently and decide based on market needs and in an open and market-conform way regarding the approval of investments.

It is expected that the instrument supports at least 3 beneficiaries. The total amount of RRF funding shall be EUR 30 million.

Section 2 of Appendix A on investment strategy details the three windows, each corresponding to one of the three equity instruments included in the Economic Transformation Programme. The Infrastructure Window has an initial budget of EUR 30 million and is expected to support at least three final recipients.

The structure of the Fund shall leverage private funds.

Section 2 of Appendix A on investment strategy states that the Bulgarian REF is financed by the contribution committed, along with the necessary leveraged amount from private investors, in accordance with the applicable state aid regimes. Section 4 of Appendix A on investment strategy discusses the risk distribution between public and private investors, stating that both are expected to share the same risk and reward in a layered financing structure, subject to state aid rules. Financial intermediaries are required to ensure private participation in the Underlying Funds, considering the minimum level required by their strategy and the agreed state aid

framework. The leverage effect of the allocated amount depends on the types of Underlying Funds and Final Recipients, with a possibility that no private investors join in some high-risk investments, subject to the applicable state aid framework.

Any returns to the Fund or financial instruments, including from repayments, as well as profits obtained through the use of RRF funds, less the remuneration of the fund manager and the financial intermediaries, shall be used for the same policy goals, including after 2026.

Article 5 of the Agreement details the management and prioritization of the Proceeds of Operations, which encompass repayments (as defined in section 1 of the Agreement on page 9), along with any gains, interest, or revenues of the REF. Specifically, Article 5.2 sets forth the hierarchy for the use of returns, stating that after accounting for the payment and/or reimbursement of Management Fees that are due but unpaid, unforeseen additional expenses, and potential shortfalls, the subsequent returns should be allocated to entering into Commitment Agreements with the Underlying Funds according to the investment strategy. Additionally, Section 5, point 5.2 of Appendix A on the investment strategy further clarifies that Commitment Agreements financed by Legacy Funds—a collective designation for any funds still under EIF management during the Legacy Period—may commence within the Legacy Period, which begins on 1 July 2026. Lastly, Article 5.2 stipulates that any remaining returns should be dedicated to investments that are consistent with the policy objectives of the Bulgarian REF, as elaborated in the investment strategy.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 63	Related Measure: C4.R1 Establishment of a National Fund for Decarbonisation
Name of the Milestone: Assessment of the national energy efficiency regulatory framework published by an independent expert panel	
Qualitative Indicator: Publication of the assessment of the national energy efficiency regulatory framework on the website of the Energy Ministry	**Time:** Q3 2022

Context:

The reform requires the establishment of a National Decarbonisation Fund and its sub-funds. It consists of several steps, such as an assessment of the national energy efficiency regulatory framework by an independent expert panel including recommendations for the fund, the entry into force of a law and related secondary legislation establishing the National Decarbonisation Fund and its sub-funds, and the contracting of the Fund.

Milestone 63 requires the publication of an assessment by an independent expert panel of the national energy efficiency regulatory framework.

Milestone 63 is the first step of the implementation of the reform, and it will be followed by milestone 64 related to entry into force of the law and secondary legislation establishing the fund and its sub-fund and by milestone 65 related to the signature of the contractual agreement between the government and the Fund manager. The reform has a final expected date for implementation by 30 September 2024.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. A summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.

ii. A link to the website of the Ministry of Energy where the "Final completion report" from the European Investment Bank, PricewaterhouseCoopers (PwC) and Ecorys, dated from 2023 and financed by the European Commission Technical Support Instrument, is published: https://www.me.government.bg/uploads/manager/source/FINAL%20REPORT_EIB%20BG%20NDF_Deliverable%207%20Final%20Technical_Report_09012023_1.pdf.

iii. A copy of the report.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Publication of the assessment of the national energy efficiency regulatory framework on the website of the Energy Ministry.

The final completion report on the national energy regulatory framework (evidence ii) was published on the website of the Bulgarian Ministry of Energy on 26 January 2023. The overall objective of the report is to support the design and the establishment of an umbrella National Decarbonisation Fund consisting of underlying specific funds supporting differentiated energy efficiency investment types and/or final beneficiaries (page 4 of the report).

An assessment of the national energy efficiency regulatory framework shall be carried out by an independent expert panel.

The final report assessing the Bulgarian energy efficiency regulatory framework (see evidence ii and iii) was prepared by a consortium of independent experts: the European Investment Bank, Ecorys and PwC; and was financed through the Commission Technical Support Instrument managed by the Commission's Directorate-General for Structural Reform Support. The report is the final summary of separate deliverables prepared by the expert panel under the Technical Support Instrument contract. It provides an overview of the key findings and recommendations from the following deliverables: 1) market assessment (notably identifying the barriers to energy efficiency investments (page 6), 2) investment strategy (page 8), 3) design for the fund (page 9), 4) human resources plan (page 12), 5) manual of procedures (page 13) and 6) roadmap (page 15). The report also includes a section reviewing the existing energy efficiency legal and regulatory framework related to the public, commercial and residential market segments and provides recommendations to improve this regulatory framework in section 5 of the report (page 22).

The assessment shall: 1. Identify barriers to energy efficiency investments; 2. provide recommendations for changes to the national regulatory framework; 3. Identify options on the structure of the National Fund for Decarbonisation, in particular, on ownership and governance; 4. Identify potential sources for the capitalisation of the National Fund for Decarbonisation.

The final report provided by Bulgaria (see evidence ii) covers all the points required by the Council Implementing Decision. In particular:

- The barriers to energy efficiency investments are identified in chapter 3, page 6 of the report in the market assessment section. The barriers to energy efficiency investments identified in the report are, *inter alia*, barriers to demand of financing such as the high cost of ESCO contracts due to VAT treatment; and barriers to supply of financing. This section also identifies the annual investment gap in four scenarios;
- Chapter 5 of the report provides an analysis of existing relevant legislation and subsequent recommendations for changes to the national regulatory framework. Among such recommendations are the following: to amend the condominium management act to make

housing associations eligible for bank loans including through the introduction of professional management and to amend the regulatory framework applicable to ESCOs to include the possibility for ESCOs to pay projects' VAT in instalments; • Chapter 3 of the report includes recommendations on the structure and ownership of the National Fund for Decarbonisation by providing three options to the government in the fund design section on page 9. The options provided for the ownership of the Fund are to design the Fund as a new entity, to transform a unit of an existing fund such as the Bulgarian Energy Efficiency and Renewable Sources Fund or to set the Fund as a unit at government level. The governance of the National Fund for Decarbonisation is considered on page 12 in the Human Resources Plan and on page 13 in the manual of procedures section, which constitutes a high-level general guide to the Fund's governance and processes and has the aim to achieve a stronger coordination of public policies and funding streams for energy efficiency investment in buildings in Bulgaria. In particular, the report recommends three levels for the fund: an Umbrella Fund/coordination unit, a holding fund and financial intermediaries/sub-fund(s); • Potential sources for the capitalisation of the fund are outlined in chapter 3, page 8 under the investment strategy section. The main source of funding identified is the Modernisation Fund, with a potential role for the Social Climate Fund in the longer term.
Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 66	Related Measure: C4.R3: Definition of "energy poverty" and of criteria for identifying households in energy poverty and vulnerable consumers
Name of the Milestone: Entry into force of the amendments to the Energy Act and secondary legislation concerning "energy poverty"	
Qualitative Indicator: Provision in the Energy Act indicating the entry into force of the amendments to the Energy Act and of the secondary legislation	**Time:** Q4 2022

Context:

The objective of this reform is to contribute to tackling energy poverty and protecting vulnerable consumers by regulating the definition of "energy poverty" and defining criteria for their identification.

Milestone 66 requires amendments to the Energy Act and to the subsequent secondary legislation introducing a definition of "energy poverty" and define criteria for identifying households in energy poverty and vulnerable consumers. The relevant secondary legislation related to this milestone is the Ordinance on "the criteria, conditions and procedures for determining the status of households in energy poverty and the status of vulnerable customers". The amendments shall take into account the criteria listed in the Directive 2019/944: i) low income; ii) high energy costs as a share of available income; and iii) low energy efficiency.

Milestone 66 is the only milestone of this reform.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. A summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of Decree No. 199, Law on Amendment and Supplement to the Energy Act, adopted by the National Assembly on 5 October 2023, re-adopted on 10 November 2023, and published in the State Gazette No. 96 of 17 November 2023 *https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=201222*
iii. Copy of the Council of Ministers Decree No. 267 of 7 December 2023 on the adoption of the Regulation on criteria, conditions and procedures for determining the status of households in a situation of energy poverty and vulnerable customer status for electricity supply, published in the State Gazette No. 103 of 12 December 2023 *https://dv.parliament.bg/DVWeb/showMaterialDV.jsp;jsessionid=3CAF7379714B1E8944CFFC4CAB8B3B40?idMat=201780*

The authorities also provided:

iv. A consolidated version of the Energy Act

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Entry into force of the amendments to the Energy Act and secondary legislation concerning "energy poverty".

According to paragraph 66 of the Decree No. 199 adopted on 10 November 2023, related to the amendments to the Energy Act (*hereinafter referred to as "Decree No. 199*", see *evidence ii*), the provisions concerning energy poverty entered into force on 17 November 2023, the day of its promulgation in the State Gazette.
Article 38e(2) of *Decree No. 199* states that the determination of the status of a household in energy poverty and of a vulnerable electricity customer, including the assessment of the number of households in energy poverty, is made under the conditions and procedures laid down in an ordinance adopted by the Council of Ministers. The ordinance referred to in Article 38e(2) is the one on "*criteria, conditions and procedures for determining the status of the households in situation of energy poverty and vulnerable customers for electricity supply*", adopted under Decree No. 267 of 7 December 2023 and published in the State Gazette No. 103 of 10 December 2023 (*hereinafter referred to as "Ordinance", see evidence iii*). The Ordinance constitutes the secondary legislation required in the description of the milestone. The final provision of the Decree stipulates that it enters into force from the day of its promulgation in the State Gazette.

The amendments to the Energy Act and the subsequent secondary legislation shall regulate the definition of "energy poverty".

A definition of "energy poverty" now figures in amendment 49 of *Decree No. 199*, to determine households in a situation of energy poverty through the introduction of point 13d of the Additional Provisions of the Energy Act, whereby an '*energy poverty household means a household which, at the prices in force on energy carriers, has an average monthly income per member of the household in the previous year lower than or equal to the official poverty line, after being reduced by its cost of the reference energy consumption determined by reference to the energy performance of the dwelling, and which therefore does not have access to essential energy services for adequate heating, cooling, lighting and energy supply for household appliances*'.

The definition of the terms and conditions for determining the status of households in a situation of energy poverty and vulnerable customers, including their number, is established through the Ordinance, as defined in amendment 17 of *Decree No. 199,* introducing Article 38e(2) of the Energy Act. The detailed procedure for determining the status of households in energy poverty and vulnerable customers is set out in Chapter 3 of the Ordinance.

Amendment 17 of *Decree No. 199* also establishes the competent bodies for implementing measures to address energy poverty, namely the Ministry of Energy, Ministry of Regional Development and Public Works, Ministry of Labour and Social Policy, as well as any other body determined by an act of the Council of Ministers (Article 38e(3) of the Energy Act). These bodies are also responsible for certifying that a particular household fulfills the criteria for energy poverty.

Finally, amendment 17 of *Decree No. 199* introduces Articles 38e(5) and 38e(6) in the Energy Act, establishing that the responsible institution designated for the development of the National Social Climate Plan (under Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund) or another body designated by an act of the Council of

Ministers will set up and manage an information system and database to identify households in energy poverty and vulnerable customers for the supply of electricity. The procedure and mechanism for the operation of the information system is laid down in Chapter 4 (Articles 11 to 15) of the Ordinance.

Therefore, through the amendments to the Energy Act and the rules and procedures set out in the Ordinance, support programmes for energy poverty are implemented by different ministries, agencies and other actors (e.g. municipalities), while the information system acts as the centralized storing tool for relevant data, aiming at facilitating the identification and verification of eligible applicants through links with existing public electronic registers (as set out in Article 38e(6) of the Energy Act and Article 11(2) of the Ordinance).

(…) and define criteria for identifying households in energy poverty and vulnerable consumers. The amendments shall take into account the criteria listed in the Directive 2019/944: low income, high-energy costs as a share of available income and low energy efficiency.

Article 29 of Directive 2019/944 stipulates that when assessing the number of households in energy poverty, Member States shall establish and publish a set of criteria such as low income, high expenditure of disposable income on energy and poor energy efficiency.

The criteria for identifying households in energy poverty and vulnerable consumers are laid down in the Energy Act (new point 13d of the Additional Provisions) whereby energy poverty is determined by disposable income and energy expenditure, as follows: "*A household in energy poverty is a household which, with the currently applicable energy prices, has a disposable average monthly income per head of the household equal to or less than the official poverty line once it has been reduced by the energy expenses for the typical level of energy efficiency given the energy characteristics of the household, and which, as a result, has no access to basic energy services for adequate heating, cooling, lighting and energy for household appliances*".

Chapter 2 of the Ordinance, in Article 3(1), further specifies that a household in energy poverty shall be defined on the basis of: i) *disposable average monthly income of household members; ii) consumption of the type of energy consumption; iii) energy performance of the dwelling*.

Regarding vulnerable consumers, the Additional Provisions of the Energy Act define as criteria for the identification of vulnerable consumers the dependency on electrical equipment due to age or health and receipt of social assistance. Article 3(2) of the Ordinance further specifies that a vulnerable customer is a household where at least one member is critically dependent on electrical equipment due to one of the following circumstances: i) a person aged over 65 living alone or with other person(s) above the age of 65, with disposable income after a reduction in energy consumption lower than or equal to the poverty line; ii) a person with a disability of at least 50% with disposable income after reduction in energy consumption less than or equal to the poverty line; iii) a person who need aid for independent living and/or support devices that depend on a source of electrical energy; iv) a person who received monthly social benefits and/or targeted heating aid under the Social Assistance Act for the previous heating season.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 67	Related Measure: C4.R2: Facilitating investments in energy efficiency renovations in residential buildings
Name of the Milestone: Entry into force of the amendments to the Condominium Ownership Management Act	
Qualitative Indicator: Provision in the Condominium Ownership Management Act indicating the entry into force of the amendments	**Time:** Q3 2022

Context:

The objective of the reform is to tackle barriers to energy efficiency investments in multi-apartment buildings by amending the Condominium Ownership Management Act. More specifically, the amendments aim to facilitate the decision-making by owners of multi-apartment buildings; regulate the professional management of condominium property; and facilitate the application for collective loans to different financial institutions.

Milestone 67 is the only milestone of this reform and it aims at facilitating energy efficiency renovations in multi-apartment buildings.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. A Summary document duly justifying how the milestone was satisfactorily fulfilled in line with the requirements set out in the Council Implementing Decision Annex;
ii. A copy of the Condominium Ownership Management Act, published in the State Gazette No. 82 of 29 September 2023, amending and supplementing the Act. https://dv.parliament.bg/DVWeb/showMaterialDV.jsp;jsessionid=3ACA645FCD5928445FF8EDECF0C0C716?idMat=199767

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Entry into force of the amendments to the Condominium Ownership Management Act

According to the "Final Provisions" of the Condominium Ownership Management Act (therein referred to as "*Condominium Act",* see evidence ii), amended and supplemented in State Gazette No. 82 from 29 September 2023, the Act entered into force on the day of its promulgation in the State Gazette.

The amendments of the Condominium Ownership Management Act shall:
1. facilitate decision-making by owners of individual sites in multi-apartment buildings by reducing the threshold required to support renovation of buildings

The Condominium Act governs the public relations related to the management of common parts of buildings in co-ownership, as well as the rights and obligations of owners, users and occupants of independent premises, as defined in Article 1. To support the renovation of a building, the Condominium Act stipulates in Article 11 that a General Assembly meeting is needed, for which a quorum is required.

The quorum requirements for the renovation of buildings are defined in Article 15, particularly in the amended Article 15(1), which requires that a "*general meeting shall be held if the owners of at least 51 percent of the ideal parts of the common parts of the condominium are present in person or through representatives*". Amendment to Article 15(2) reduces the percentage of quorum required for a resit in the absence of a quorum referred in paragraph 1 from 33% to 26%. Furthermore, the amended Art. 16(1) establishes the legal possibility for the General Assembly to be held in a hybrid form - in person and online via videoconference.

The threshold required to support renovation of buildings is reduced from 67% to 51%. The amended Article 17(2), point 5, states that *'for major renovations, for carrying out major repairs and for the use of funds from the European Union funds and/or from the state or municipal budget, grants and subsidies and/or own funds or other sources of financing, the General Assembly of Owners shall adopt decisions with a majority of not less than 51 percent of the ideal parts of the common parts'*.

2. regulate the professional management by creating the conditions for improving its quality

The quality of the professional management is improved through the establishment of the registry of professional condominium managers-traders (the "Registry"), for which Articles 47b, 47c and 47d of the Condominium Act are created.
The Registry is established and maintained by the Ministry of Regional Development and Public Works and includes the professional managers-traders who intend to carry out condominium activities on a professional basis in Bulgaria (Article 47b(1 of Condominium Act)). In order to be part of the Registry, a list of statutory requirements defined in Article 47b(3) of Condominium Act must be met, namely:

- not have been convicted of an intentional crime of a general nature, or been rehabilitated;
- insolvency requirements - during the three years before the starting date of the insolvency or over-indebtedness determined by the court, not have been members of the management of a company subject to insolvency proceedings;

- not be disqualified from holding a position of material responsibility;
- not included in the list referred to in Article 5(1) of the Law on Measures against Terrorist Financing;
- have no public debts, with the exception of debts arising from acts which have not entered into force;
- have an administrative capacity of at least one person employed under a contract of employment;
- have paid the fee referred to in Article 47b(2).

Prior to the introduction of these requirements, there were no specific preconditions to ensure the professional management of condominiums. Therefore, through the introduction of Article 47b(3), the improvement of the professional management is ensured. Paragraphs 4 to 8 of Article 47b of the Condominium Act further define the documents that are provided by the applicants as evidence that the requirements are met, as well as the procedures in case further information is needed to decide regarding the acceptance or refusal of the application to the Registry.

If an application is accepted to be part of the Registry, Article 47c defines that the Ministry of Regional Development and Public Works issues a registration certificate, which is valid for up to five years (Articles 47c(1) and (2)). Paragraph 4 of the same article further establishes that an insurance contract for "Professional Liability" is then concluded.

Finally, Article 47d describes the procedures that must be followed when traders are removed from the Registry, as well as the circumstances leading to such decision, including: i) a request made by a registered trader for the termination of the condominium management activity; ii) the systematic violations under this Law; the opening of bankruptcy or liquidation proceedings against a registered trader (Article 47b(1)).

3. facilitate the application for collective credits by the condominium through the setting up of a joint bank account in the name of the condominium

The new Article 25(8) indicates that the *"homeowners association shall open a bank account for the collection of the management and maintenance costs and for the use of the funding referred to in paragraphs 1 and 2*."

Furthermore, the new Article 51(8) states that the "*funds for the management and maintenance of the common parts of the condominium may be collected in an individual special purpose checking account in the name of the condominium. The disposition of the funds shall be made by the chairman of the board of managers (the manager) on the basis of a resolution for their use adopted by the general assembly*."

Furthermore, the introduction of the amendments in the Condominium Act addressing the three objectives described above, contribute to the purpose of the reform, which is to tackle barriers to energy efficiency investments and contribute to the efficiency of energy efficiency investments in building renovation, as per the milestone description in the Council Implementing Decision. Additionally, as also required by the milestone description, the amendments were coordinated with related changes to other pieces of primary and secondary legislation. As examples of the coordination with other legislation, a new paragraph 5 was introduced in Article 92a of the Energy Act and the new Article 58(2) of the Condominium Act refers to the Administrative Violations and Penalties Act.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 68	Related Measure: C4I1 Support for the renovation of the building stock
Name of the Milestone: Establishing a national support scheme for energy efficiency renovation for residential and non-residential buildings	
Qualitative Indicator: Publication of the Ministerial order establishing the scheme	**Time:** Q3 2022

Context:

The objective of this investment is to support energy efficiency renovation of the building stock through building renovation investments for i) energy efficiency renovation of residential buildings, ii) energy efficiency renovation of non-residential buildings, including public buildings, and iii) energy efficiency renovation of non-residential buildings in manufacturing, trade and services, as well as in the tourism sector.

Milestone 68 requires the establishment of a national support scheme for energy efficiency renovation for residential and non-residential buildings through Ministerial order. The scheme is to cover three sub-measures:

i) Energy renovation of at least 2.15 million m² total gross floor area of residential buildings,
ii) Energy renovation of at least 354 non-residential public buildings; and
iii) Energy renovation of 524 non-residential buildings.

Milestone 68 is the first step of the implementation of the investment, and it will be followed by milestone 69, related to the publication of call specifications for a call for proposals for the energy efficiency renovation for residential buildings, milestone 70, related the signature of contracts for the energy efficiency renovation for multi-family residential buildings, milestone 71, related to completed energy efficiency renovation of multifamily residential buildings – renovated housing infrastructure, milestone 72 concerning the publication of calls for proposals for the energy efficiency renovation for non-residential buildings, and target 75, related to the number of completed energy efficiency renovation of non-residential buildings. The investment has a final expected date for implementation in Q2 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. **Summary document** duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.

Sub-measure 1: calls for residential buildings

Stage I - 100% grant

ii. **Ministerial order No-RD 02-14-246** of the Ministry for Regional Development and Public Works "Support for sustainable energy renovation of the residential building fund - stage I" of 20 December 2022, and link to website where it is published: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/dbc86350-cccd-414a-a175-a1d440952525.

Stage II - 80% grant

iii. **Ministerial order No-RD- 02-14-603** of the Minister for Regional Development and Public Works "Support for sustainable energy renovation of the residential building fund - stage II" of 1 June 2023, and link to website where it is published: https://eumis2020.government.bg/en/s/800c457d-e8be-4421-8ed9-

9e78d0a75c39/Procedure/Info/fbf34c6a-8f67-4d16-9019-3bd43c71b70f.

Sub-measure 2: calls for non-residential public buildings
Administrative services, culture, and sports

iv. **Ministerial order No-RD 02-36-1174** of the Ministry for Regional Development and Public Works "Support for sustainable energy renovation of public building fund for administrative service, culture and sport" of 19 December 2022, and link to website where it is published: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/7656ebb9-a693-4b93-9175-6318308782a5.

Bulgarian Academy of Sciences

v. **Ministerial Order No-RD 02-36-890** of the Ministry for Regional Development and Public Works "Increasing the energy efficiency in public buildings of the Bulgarian Academy of Sciences" of 3 October 2022, and link to website where it is published: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/d3959649-881a-46fa-b8a8-62f44b65f698.

Sub-measure 3: call for buildings in manufacturing, trade and services, including the tourism sector

vi. **Ministerial order No RD 02-36-106,** "Support for sustainable energy renovation of buildings in the sphere of manufacturing, trade and services, including the tourism sector" of 30 January 2023, and link to website where it is published: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/7037c9e4-0e51-4268-b8d5-3bc1660dccb4.

The authorities also provided:

Calls for residential buildings

vii. **Approved application guidelines "Support for sustainable energy renovation of the residential building fund - stage I"**, of 20 December 2022.
viii. **Approved application guidelines "Support for sustainable energy renovation of the residential building fund - stage II"**, of 1 June 2023.

Calls for non-residential buildings

ix. **Approved application guidelines "Support for sustainable energy renovation of public building fund for administrative service, culture and sport"**, of 19 December 2022.
x. **Approved application guidelines** "Increasing the energy efficiency in public buildings of the Bulgarian Academy of Sciences", of 3 October 2022.
xi. **Approved application guidelines** "Support for sustainable energy renovation of buildings in the sphere of production, trade and services, including the tourism sector ", of 30 January 2023.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities cover all constitutive elements of the milestone.

Establishing a national support scheme for energy efficiency renovation for residential and non-residential buildings

Publication of the ministerial order establishing the scheme

Furthermore, in line with the description of the measure, **the measure consists of building**

renovation investments split into three sub-measures: i) energy efficiency renovation of residential buildings; ii) energy efficiency renovation of non-residential buildings, including public buildings and iii) energy efficiency renovation of non-residential buildings in manufacturing, trade and services, as well as buildings in the tourism sector.

The Council Implementing Decision required that the scheme shall be established through the publication of a Ministerial order. Instead, five separate Ministerial orders were signed and published on the website of the Ministry of Regional Development and Public Works and on the website of the Information System for the Management and Monitoring of EU Funds in Bulgaria (hereinafter referred to as "EUMIS 2020"). Each of the orders (a) approves the launch of each respective call for proposals under the three sub-measures as of the application guidelines and their annexes, b) orders the publication of the application documents and therefore launch of calls, and c) instructs the monitoring of the implementation of the orders by the relevant Directorate in the Ministry of Regional Development and Public Works. Furthermore, each order provides for legal contestation in the Administrative Court of Sofia within a period of one month of its respective publication. The five Ministerial orders are as follows:

Concerning sub-measure 1 (energy efficiency renovation of residential buildings):

- Ministerial order No-RD 02-14-246 of the Ministry for Regional Development and Public Works "Support for sustainable energy renovation of the residential building fund - stage I" of 20 December 2022 (evidence ii).
- Ministerial order No-RD- 02-14-603 of the Minister for Regional Development and Public Works "Support for sustainable energy renovation of the residential building fund - stage II" of 1 June 2023 (evidence iii).

Concerning sub-measure 2 (energy efficiency renovation of non-residential buildings, including public buildings):

- Ministerial order No-RD 02-36-1174 of the Ministry for Regional Development and Public Works "Support for sustainable energy renovation of public building fund for administrative service, culture and sport" of 19 December 2022 (evidence iv).
- Ministerial Order No-RD 02-36-890 of the Ministry for Regional Development and Public Works "Increasing the energy efficiency in public buildings of the Bulgarian Academy of Sciences" of 3 October 2022 (evidence v).

Concerning sub-measure 3 (energy efficiency renovation of non-residential buildings in manufacturing, trade and services, as well as buildings in the tourism sector):

- **Ministerial order No RD 02-36-106,** "Support for sustainable energy renovation of buildings in the sphere of manufacturing, trade and services, including the tourism sector" of 30 January 2023 (evidence vi).

Whilst this constitutes a minimal substantive deviation from the requirement of the Council Implementing Decision, the publication of five separate orders for each of the calls does not impact the substantive scope of the scheme nor change the nature of the measure and therefore does not affect the progress towards achieving the establishment of the scheme. In fact, the three sub-measures are different in terms of substance – one is for residential buildings (100% grant), a second is for residential buildings (80% grant), a third is for non-residential, thus the division was necessary to distinguish between the three sub-measures. As of this, this minimal deviation does not change the nature of the measure and does not affect the progress towards achieving the investment that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

As regards the scope of the scheme, all of the application guidelines for the respective sub-measures state that it is of a national one, covering the territory of Bulgaria (see evidence vi – xi).

Furthermore, in line with the description of the measure and sub-measure 1 (Renovation of residential buildings) in particular, **these types of buildings are managed in co-ownership mode in accordance with the Condominium Ownership Management Act tackled by Reform 2 in this component (C4R2)**.

The approved application guidelines clearly state that apartment buildings operated under the Condominium Management Act are the ones eligible for the scheme (see evidence vii and viii).

Furthermore, in line with the description of the measure, **the sub-measures under this investment are expected to be implemented in complementarity with cohesion policy investments. The demarcation shall be made at project level and a monitoring mechanism shall be in place to avoid double-funding, notably with Programme Development of Regions 2021-2027 and Programme Environment 2021-2027.**

The approved application guidelines for all calls state as an eligibility condition that no activities that receive funding under another project, programme or any other financial scheme from the national or EU budget can receive support. To this end, the guidelines establish dedicated checks on double funding (see evidence vii - xi) through all available methods, including, but not limited to, by checking the information in the EUMIS 2020 information system used for projects funded under the Recovery and Resilience Facility, Programme Development of Regions 2021-2027 and Programme Environment 2021-2027, inquiries to other financing institutions, and reviewing the technical documentation submitted by the applicant (implemented technical/working investment project).

The scheme shall include three sub-measures:

a. **sub-measure 1: Energy renovation of at least 2.15 million m² total gross floor area of residential buildings;**
b. **sub-measure 2: Energy renovation of at least 354 non-residential public buildings; and**
c. **sub-measure 2 and 3 combined: Energy renovation of 524 non-residential buildings.**

As outlined above, the three sub-measures were established through ministerial orders, and subsequently published on the website of the information system for EU funds in Bulgaria.

For sub-measure 1, the expected outcome of the stage I and stage II calls is 2 150 000 m2 of improved floor area in multi-family residential buildings, as evidenced by the approved application guidelines for "Support for sustainable energy renovation of the residential building fund - stage I" (p. 13) and the approved application guidelines for "Support for sustainable energy renovation of the residential building fund - stage II" (p. 13).

As for sub-measure 2 the expected outcome for the two calls is a total of 354 public buildings renovated as evident from the approved application guidelines "Support for sustainable energy renovation of public building fund for administrative service, culture and sport" (p. 9) and from the approved application guidelines "Increasing the energy efficiency in public buildings of the Bulgarian Academy of Sciences", of February 2023 (p. 11).

As for sub-measure 3, the expected outcome of the call is 170 renovated non-residential buildings, as evident from approved application guidelines "Support for sustainable energy renovation of buildings in the areas of production, trade and services, including the tourism sector ", of January

2023 (p. 10).

As for sub-measure 2 and 3 combined, the expected outcome is 524 non-residential buildings renovated .

The scheme shall ensure a minimum of 30 % of primary energy demand savings compared to pre-renovation state

The application guidelines across all three sub measures include the eligibility criteria of a minimum of 30% of primary energy demand savings compared to pre-renovation state as a specific objective and expected outcome, as specified in the application guidelines "support for sustainable energy renovation of the residential building fund - stage I" section 8 on the eligible activities (p. 20), "support for sustainable energy renovation of the residential building fund - stage II" section 8 on the eligible activities (p. 20), "support for sustainable energy renovation of public building fund for administrative service, culture and sport" section 10 on the eligible activities (p. 18), "increasing the energy efficiency in public buildings of the Bulgarian Academy of Sciences" section 8 on the eligible activities (p. 13), and "support for sustainable energy renovation of buildings in the sphere of production, trade and services, including the tourism sector " section 10 on the eligible activities (p. 21).

… and compliance with the "do no significant harm" Technical Guidance (2021/C58/01).

The compliance with the "do no significant harm" Technical Guidance (DNSH) is included in the application guidelines as an eligibility condition across all calls with the obligation for applicants to submit a self-assessment. The application guidelines for the three sub-measures mandate compliance with the DNSH principle in accordance with the 'Do No Significant Harm' Technical Guidance (2021/C58/01), as evident from the application guidelines for "support for sustainable energy renovation of the residential building fund - stage I" section 15 on compliance with the DNSH principle (pp. 34-36), "support for sustainable energy renovation of the residential building fund - stage II" section 15 on compliance with the DNSH principle (pp. 34-36), "support for sustainable energy renovation of public building fund for administrative service, culture and sport" section 14 on compliance with the DNSH principle (pp. 37-39), "increasing the energy efficiency in public buildings of the Bulgarian Academy of Sciences" section 12 on compliance with the DNSH principle (pp. 27-30), and "support for sustainable energy renovation of buildings in the sphere of production, trade and services, including the tourism sector" section 14 on compliance with the DNSH principle (pp. 31-34).

The milestone is further specified in the Operational Arrangements, **which requires the eligibility criteria contained in the terms of reference for upcoming calls for sub-measure 3 shall exclude the financing of installations covered by the European Union Emissions Trading System (EU ETS).**

The application guidelines for sub-measure 3 exclude the financing of installations covered by the European Union Trading System (EU ETS), as specified in section 8.1 on the eligibility conditions, under point 3: "Ineligible for support under this procedure are undertakings operating within the scope of Annex I of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC Text with EEA relevance. In this respect, buildings (including administrative buildings) used by undertakings with activities covered by Annex I of Directive 2003/87/EC are not eligible for funding under the procedure." (p. 18).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 69	Related Measure: C4.I1: Support for the renovation of the building stock, Sub-measure 1: Renovation of residential buildings
Name of the Milestone: Call for proposals for the energy efficiency renovation for residential buildings	
Qualitative Indicator: Publication of call specifications	**Time:** Q3 2022

Context:

The objective of this investment is to support energy efficiency renovation of the building stock through building renovation investments for i) energy efficiency renovation of residential buildings, ii) energy efficiency renovation of non-residential buildings, including public buildings, and iii) energy efficiency renovation of non-residential buildings in manufacturing, trade and services, as well as in the tourism sector.

Milestone 69 concerns the publication of a call for proposals for energy efficiency renovation of residential buildings, following two stages of application:

I) Stage 1 – open for applications with 100% grants financing;
II) Stage 2 – open for applications with 80% grants financing and 20% own financing by homeowners.

Milestone 69 is the second milestone of the investment, and it follows the completion of milestone 68, related to establishing a national support scheme for energy efficiency renovation for residential and non-residential buildings. It will be followed by milestone 70, related to the number of signature of contracts for the energy efficiency renovation for multi-family residential buildings, milestone 71, related to completed energy efficiency renovation of multifamily residential buildings – renovated housing infrastructure, milestone 72 concerning the publication of calls for proposals for the energy efficiency renovation for non-residential buildings, and target 75, related to the number of completed energy efficiency renovation of non-residential buildings. The investment has a final expected date for implementation in Q2 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. **Summary document** duly justifying how the milestones (including all the constitutive elements) was satisfactorily fulfilled.
ii. **Approved application guidelines "Support for sustainable energy renovation of the residential building fund - stage I"**, of 20 December 2022 and **link to website** where the publication of the call for proposals is published: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/dbc86350-cccd-414a-a175-a1d440952525
iii. **Approved application guidelines "Support for sustainable energy renovation of the residential building fund - stage II"**, of 1 June 2023 and **link to website** where the publication of the call for proposals is published: https://eumis2020.government.bg/en/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/Info/fbf34c6a-8f67-4d16-9019-3bd43c71b70f.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The call for proposals shall be published by the Ministry of Regional Development and Public Works, which is the responsible authority for the energy efficiency renovation of residential buildings.

The evidence provided proves that the two calls for proposals have been published in line with what was established through Ministerial order No-RD 02-14-246 of 20 December 2022, of the Ministry for Regional Development and Public Works (see milestone 68). The online publication of the call's specifications for the first stage with 100% grants financing ('Approved application guidelines "Support for sustainable energy renovation of the residential building fund - stage I", see evidence ii.') took place on the same day as the adoption of the Ministerial order.

The call specifications for the second stage with 80% grants financing, as established through Ministerial order No-RD 02-14-603 of 1 June 2023 of the Minister for Regional Development and Public Works were published on the following day, 2 June 2023 ('Approved application guidelines "Support for sustainable energy renovation of the residential building fund - stage II", see evidence iii.')

The publication occurred both in the Information System for the Management and Monitoring of EU Funds in Bulgaria (EUMIS 2020) and on the website of the Ministry for Regional Development and Public Works.

The call shall include the following two stages of application: 1. stage 1 – open for applications with 100% grants financing; 2. stage 2 – open for applications with 80% grants financing and 20% own financing by home owners. The two stages of application shall run consecutively and not in parallel.

The first stage open for applications with 100% grants financing was published 20 December 2022 with the deadline of 1 June 2023, as specified in the application guidelines section 2 on the procedure (p. 11).

The second stage open for applications with 80% grants financing and 20% own financing by homeowners was published consecutively on 2 June 2023 with the deadline of 16 January 2024, as specified in the application guidelines section 2 on the procedure (p. 11).

Considering that the first stage ran between the period 20 December 2022 - 1 June 2023, and that the second stage ran between 2 June 2023 – 16 January 2024, it is concluded that the two stages of application have run consecutively, and not in parallel.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 72	Related measure: C4.I1: Support for the renovation of the building stock Sub-measure 2: Renovation of non-residential buildings, including public buildings and Sub-measure 3: Renovation of non-residential buildings in manufacturing, trade and services, as well as buildings from the tourism sector
Name of the Milestone: Calls for proposals for the energy efficiency renovation for non-residential buildings	
Qualitative Indicator: Publication of calls specifications for call 1 (public buildings) and call 2 (buildings in manufacturing, trade and services)	**Time:** Q3 2022
Context: The objective of this investment is to support energy efficiency renovation of the building stock	

through building renovation investments for i) energy efficiency renovation of residential buildings, ii) energy efficiency renovation of non-residential buildings, including public buildings, and iii) energy efficiency renovation of non-residential buildings in manufacturing, trade and services, as well as in the tourism sector.

Milestone 72 concerns the publication of two calls for proposals for the energy efficiency renovation of non-residential buildings: call 1, regarding public buildings, and call 2, for buildings in manufacturing, trade, and services. These relates to sub-measure 2 of this broader investment.

Milestone 72 is the fifth milestone of the investment, and it follows the completion of milestone 68, related to establishing a national support scheme for energy efficiency renovation for residential and non-residential buildings, milestone 69, related to the publication of call specifications for a call for proposals for the energy efficiency renovation for residential buildings. It will be followed by milestone 70, related to the signature of contracts for the energy efficiency renovation for multi-family residential buildings, milestone 71, related to completed energy efficiency renovation of multifamily residential buildings – renovated housing infrastructure, and target 75, related to the number of completed energy efficiency renovation of non-residential buildings. The investment has a final expected date for implementation in Q2 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. **Summary document** duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled

Publication of 2 calls for proposals for public buildings

ii. **Approved application guidelines "Support for sustainable energy renovation of public building fund for administrative service, culture and sport"**, of 19 December 2022, and **link to website** where the publication of the call for proposals is published: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/7656ebb9-a693-4b93-9175-6318308782a5.
iii. **Approved application guidelines** "Increasing the energy efficiency in public buildings of the Bulgarian Academy of Sciences", of 3 October 2022, and **link to website** where the publication of the call for proposals is published: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/d3959649-881a-46fa-b8a8-62f44b65f698.

Publication of call for proposals for buildings in manufacturing, trade and services, including the tourism sector:

iv. **Approved application guidelines** "Support for sustainable energy renovation of buildings in the sphere of production, trade and services, including the tourism sector ", of 30 January 2023, and **link to website** where the publication of the call for proposals is published: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/7037c9e4-0e51-4268-b8d5-3bc1660dccb4.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The following two calls for proposals shall be published by the Ministry of Regional Development and Public Works for the energy efficiency renovation of non-residential buildings: 1. call for

public buildings;

The Council Implementing Decision states that the following two calls for proposals shall be published by the Ministry of Regional Development and Public Works for the energy efficiency renovation of non-residential buildings: 1. call for public buildings; 2. call for buildings in manufacturing, trade and services, including the tourism sector. Instead of publishing one call for public buildings, the ministry of Regional Development and Public Works published two sub-calls for public buildings: one for buildings in administrative services, culture and sports, and one for buildings owned by the Bulgarian Academy of Sciences. The publication of separate Ministerial orders for each of the sub-calls does not impact the substantive scope of the scheme nor change the nature of the measure and therefore does not affect the progress towards achieving the establishment of the scheme and thereby the fulfilment of the milestone. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.
The call specifications for the first sub-call "Support for sustainable energy renovation of public building fund for administrative service, culture and sport", approved with Ministerial order No-RD 02-36-1174 of 19 December 2022 of the Ministry for Regional Development and Public Works (see Milestone 68) were published on 19 December 2022 and can be accessed under the following link: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/7656ebb9-a693-4b93-9175-6318308782a5.

The call specifications for the second sub-call "Increasing the energy efficiency in public buildings of the Bulgarian Academy of Sciences", approved by with Ministerial order No-RD 02-36-890 of 3 October 2022, of the Ministry for Regional Development and Public Works, were published on 27 February 2022 and can be accessed under the following link: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/d3959649-881a-46fa-b8a8-62f44b65f698.

… 2. call for buildings in manufacturing, trade and services.

The call specifications related to the call for buildings in manufacturing, trade and services, including the tourism sector, approved by Ministerial order No RD 02-36-106 of 30 January 2023, of the Ministry for Regional Development and Public Works, were published on the same day and can be accessed under the following link: https://eumis2020.government.bg/bg/s/800c457d-e8be-4421-8ed9-9e78d0a75c39/Procedure/InfoEnded/7037c9e4-0e51-4268-b8d5-3bc1660dccb4.

The milestone is further specified in the Operational Arrangements, which requires that **the eligibility criteria contained in the terms of reference for upcoming calls for sub-measure 3 shall exclude the financing of installations covered by the European Union Emissions Trading System (EU ETS).**

The call specifications (‘application guidelines’) for sub measure 3 exclude the financing of installations covered by the European Union Trading System (EU ETS), as specified in the application guidelines section 8.1 on the eligibility conditions, under point 3: "Ineligible for support under this procedure are undertakings operating within the scope of Annex I of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC Text with EEA relevance. In this respect, buildings (including administrative buildings) used by undertakings with activities covered by Annex I of Directive 2003/87/EC are not eligible for funding under the procedure" (p. 18).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 76	Related Measure: C4.I2: Support for renewable energy for households
Name of the Milestone: Establishing a national renewable energy support scheme for households	
Qualitative Indicator: Publication of the Ministerial order establishing the scheme	**Time:** Q4 2022

Context:

The objective of the investment is to increase the use of renewable energy in final energy consumption in the household sector by financing at least 10 000 households to replace inefficient solid fuel heat sources with 'best in class' solar domestic hot water (DHW) or photovoltaic systems.

Milestone 76 concerns the establishment of a national renewable energy support scheme for households.

Milestone 76 is the first milestone of the measure and is followed by Target 78 on the number of assisted households benefiting from RES. The investment has a final expected date for implementation by 31 December 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled, including compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01) (Cover Note).
ii. Copy of the publication and a link to the relevant website where the Ministerial Order № Е-РД-16-235 from 05.05.2023 is published: https://www.me.government.bg/uploads/manager/source/VOP/Fotovoltaici/Zapoved_za_utvurjdavane.pdf

The authorities also provided:

iii. Copy of the published Guidelines for applicants, including annexes, and a link:
    a. Press-statement on Ministry of Energy's website with full documentation package: https://www.me.government.bg/themes/startira-kandidatstvaneto-na-domakinstvata-za-finansirane-na-fotovoltaichni-sistemi-2454-1639.html
    b. Official webpage of the scheme on the government Information System for the Management and Monitoring of EU Funds in Bulgaria (EUMIS 2020): https://eumis2020.government.bg/bg/s/Procedure/InfoEnded/d5358ff6-70f3-49ba-96f1-ce8790300fb2

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Publication of the Ministerial order establishing the scheme.

The scheme was launched on 9 May 2023, as indicated on the official government Information System for the Management and Monitoring of EU Funds in Bulgaria (EUMIS 2020), following the publication of the order of the Minister of Energy № Е-РД-16-235 from 5 May 2023 on the approval of the Guidelines for applicants on the website of the Ministry of Energy. According to point 1 of the

Ministerial Order, the national scheme for renewable energy for households provides for funding support for the purchase of solar domestic hot water (DHW) or photovoltaic systems up to 10kWp, ensuring compliance with the "do no significant harm" Technical Guidance (2021/C58/01).

The scheme shall finance the purchase 'best in class' solar domestic hot water (DHW) or photovoltaic systems up to 10kWp and ensure compliance with the "do no significant harm" Technical Guidance (2021/C58/01).

The text in the Guidelines for applicants states in Section 5 "Aim of the non-repayable financial support under the procedure" that the aim of the investment is to increase the renewable energy in final energy consumption in the household sector through the purchase of solar domestic hot water (DHW) or photovoltaic systems up to 10 kWp, including electricity storage system. The text in the section further states that the investment will be implemented with purchase of 'best in class' solar domestic hot water (DHW) and photovoltaic systems up to 10kWp and in line with the "do no significant harm" Technical Guidance (2021/C58/01). Similarly, Section 13.1 "Eligible Activities" of the Guidelines for applicants states as eligible activities the purchase of solar domestic hot water (DHW) or photovoltaic systems up to 10 kWp, including electricity storage system.

Point 8 of the criteria for applicants in Section 9 "Eligible Applicants" of the Guidelines for applicants requires eligible applicants to live in a dwelling that uses an inefficient source of heat (stove, boiler, fireplace, etc.) using solid fuel (wood, coal, etc.). The applicants are required to fill out a self-declaration form, part of the Annex G in the Guidelines of applicants, confirming the use of inefficient source of heat using solid fuel.

Section 12 "Eligible Applications" lays down the eligibility requirements for the evaluation of applications, including requiring compliance with the DNSH Technical Guidance (2021/C58/01). The applicants are required to fill out a self-declaration form, part of the Annex G in the Guidelines of applicants, confirming that the successful applicant is to comply with the 'Do no significant harm' principle and Technical Guidance (2021/C58/01) when implementing the project. In addition, Annex K in the Guidelines for applicants provides more detailed information to applicant on ensuring alignment of the 'Do no significant harm' principle and Technical Guidance (2021/C58/01). Furthermore, Annex C in the Guidelines for applicants details the requirements for implementation of the investments, including that projects must be implemented in compliance with the 'Do no significant harm' principle and Technical Guidance (2021/C58/01), and states that: "Final recipients should note that they are subject to controls to verify compliance with the requirements".

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 79	Related Measure: C4.I3: Support for energy-efficient street lighting systems
Name of the Milestone: Signature of grant contracts for renovation of public lightning systems (call 1)	
Qualitative Indicator: Signed contracts by Ministry of Energy with the successful applicants	**Time:** Q3 2022

Context:

Milestone 79 is part of investment C4.I3, which aims at increasing energy efficiency, reducing energy costs for outdoor artificial lighting and improving living conditions for the population in Bulgaria through technological renewal and modernisation of outdoor artificial lighting system. The measure consists of the reconstruction and modernisation of municipal outdoor artificial lighting systems. The investment aims at achieving on average at least a 30% primary energy demand reduction when comparing before and after implementation of the measure. The investment is being implemented via two calls for projects (call 1 and call 2).

Milestone 79 concerns the signature of grant contracts for call 1 by the Ministry of Energy with the successful applicants. The signed grant contracts to renovate public lighting systems should specify that a reduction in primary energy consumption of at least 30 % is achieved.

Milestone 79 is the first step of the implementation of the investment, and it will be followed by target 81, related to the achieved reduction of energy consumption after the renovation of the public lighting systems. The investment has a final expected date for implementation on 30 June 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. A summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Copies of the signed contracts, including official references to the signed contracts (64 grant contracts).

The authorities also provided:

iii. An excerpt from the registry of the Ministry of Energy containing the main information for each contract, including its register number, the date of signature, contract duration and the foreseen funding.
iv. A link to the official government Information System for the Management and Monitoring of EU Funds in Bulgaria (EUMIS 2020), where official references to the signed contracts can be found: https://2020.eufunds.bg/bg/8010686/0/Project/Search?showRes=True

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Signed contracts by Ministry of Energy with the successful applicants (call 1).

The Bulgarian authorities provided copies of the 64 signed grant contracts between the Ministry of Energy and successful applicants (i.e. municipalities) to finance energy efficiency renovation of public lighting systems. All the contracts were signed electronically by both parties in August 2023, and registered in the Information System for the Management and Monitoring of EU Funds in Bulgaria (EUMIS) (see evidence provided under point ii. and point iv. above).

The grant contracts to renovate public lighting systems shall specify that a reduction in primary energy consumption of at least 30 % to be achieved.

The Ministry of Energy organised a restricted call 'BG-RRP-4.025 - Support for energy efficiency in street lighting systems' (call 1) for projects open for applications between 30 December 2022 and 30 January 2023. Under call 1, municipalities on a reserve list, who were approved but were not financed in a previous call (relating to procedure BGENERGY-2.001 'Rehabilitation and modernisation of municipal infrastructure – outdoor artificial lighting systems of municipalities' under the Programme 'Renewables, Energy Efficiency and Energy Security' funded by the Financial Mechanism of the European Economic Area 2014-2021), were invited to provide revised project proposals, adapting them to the new financing source and rules. Out of 74 eligible applicants for the

restricted call, 64 project proposals were approved for financing. As a result, the Ministry of Energy signed 64 contracts for financing, explicitly providing for the requirement that the final recipient undertakes to achieve no less than 30% primary energy savings in the external artificial lighting system(s) subject to the investment, stipulated in Art. 25, par. 1 of all signed grant contracts. To prove the fulfilment of this obligation, Art. 25 also stipulates that the final recipient must submit a report from a certified energy auditor on the assessment of the results of implemented energy efficiency measures, prepared according to a specific template, annexed to the contract. This report should be submitted in addition to the final technical and financial report, which according to Art. 13, must be submitted 1 month after the expiry of the deadline for implementation period of 31 March 2025 at the latest, as specified in the contract under Art. 10.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 82	Related Measure: C4.R4 Boosting energy efficiency and renewable energy projects through the energy bills
Name of the Milestone: Entry into force of legal acts regarding energy efficiency improvements under Energy Service Companies (ESCO) model.	
Qualitative Indicator: Provisions indicating the entry into force of the legal acts	**Time:** Q4 2022

Context:

Milestone 82 is part of Reform 4 on energy efficiency and renewable energy projects through the energy bills. The objective of this reform is to broaden the scope for implementing measures and projects to improve energy efficiency and the use of renewable energy in a context of limited financial resources.

Milestone 82 concerns amendments to the Energy Act and secondary legislation to enable the use of Energy Service Companies (ESCO) models for covering the financing for energy efficiency renovations and renewable energy installations through the energy bills.

Milestone 82 is the only milestone from the measure. The reform has a final expected date for implementation by 31 December 2022.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Copy of Act amending and supplementing the Energy from Renewable Sources Act published in the State Gazette of the Republic of Bulgaria No 86 of 13 October 2023 with entry into force from the same day, established by its § 90, and whereby the transitional and final amendments of the said Act amend the Energy Efficiency Act (EEA).
iii. Copy of Ordinance No E-RD-04-1 of 5 January 2024 on the terms and conditions for determining the amount and disbursement of funds under guaranteed contracts (Energy Service Companies (ESCO) contracts) leading to energy savings in buildings – state and/or municipal property published in the State Gazette of the Republic of Bulgaria No 5 of 16 January 2024 with entry into force from the same day, established by its § 4.

Additional evidence provided:

iv. Copy of Energy Efficiency Act (EEA) published in the State Gazette of the Republic of

Bulgaria No 35 of 15 May 2015 with entry into force from the same day, established by its § 90.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Legal acts shall enable a method of financing energy efficiency improvements using the utility bill as the repayment vehicle.

Bulgaria's energy efficiency policy is governed by the Energy Efficiency Act (EEA), which regulates public relations associated with the implementation of the state policy aimed at enhancing energy efficiency in final energy consumption (as per its Article 1). It also promotes the development of the market for energy-efficient services and encourages the provision of such services. The definition of energy efficiency services is specifically outlined in Chapter Three, Section VI of the EEA. Article 66 (2) of the EEA defines energy efficiency services as those that include the implementation of one or more energy efficiency improvement activities and measures, further specified in a dedicated ordinance. Chapter Four of the EEA, titled "Energy Efficiency Promotion Schemes," contains detailed provisions regarding performance-guaranteed contracts with Energy Service Companies (ESCO).

The amendments to the Energy Efficiency Act were done in § 77 of the transitional and final provisions of the Act amending and supplementing the Energy from Renewable Sources Act.[9] § 90 of the transitional and final provisions of the Act amending and supplementing the Energy from Renewable Sources Act stipulate the entry into force of the amendments on the same day as their publication in the State Gazette of the Republic of Bulgaria, which took place on 13.10.2023 in State Gazette Issue No 86.

In § 77, point 3, of the Act amending and supplementing the Energy from Renewable Sources Act:

- The new Article 67 (7) in the EEA introduces the option for energy suppliers who in addition to energy also provide energy efficiency services to agree with final consumers of energy to defer payments for the supplied energy efficiency services through the utility bills for the delivered energy, thereby using the bills as a repayment vehicle.
- The new Article 67 (8) in the EEA introduces the option for suppliers of energy efficiency services, other than suppliers of energy mentioned in Article 67 (7), to agree with final consumers of energy to defer payments for the supplied energy efficiency services through the utility bills for the delivered energy, thereby using the bills as a repayment vehicle.
- The new Article 67 (9) in the EEA introduces the legal basis for a conclusion of a contract between final consumers of energy and entities providing energy efficiency services referred to in Article 67 (8) to collect and remit the value of the provided energy efficiency services to the customers through the energy supplier and hence the utility bills.
- The new Article 67 (10) in the EEA introduces the option for financial institutions, such as banks, to be contracting parties in contracts for energy efficiency services, thereby enabling an additional method of financing of energy efficiency improvements within the scope of energy efficiency services.

In addition to the amendments to the Energy Efficiency Act, the Bulgarian authorities also enacted amendments to relevant secondary legislation. Ordinance No E-RD-04-1 of 05.01.2024 on the terms

[9] Bulgaria's legal system allows for amendments of other acts through amendment in the transitional and final provisions of an act different than the one that is being amended.

and conditions for determining the amount and disbursement of funds under guaranteed savings contracts (ESCO contracts) leading to energy savings in buildings of state and/or municipal property was adopted on 16.01.2024. The Ordinance entered into force on the same day of its publication in the State Gazette of the Republic of Bulgaria No 5 of 16.01.2024, which is established by the Ordinance's § 4. The Ordinance defines the conditions and the procedure for determining the amount of funds planned in the budgets of the budget authorising officers for the performance of services under contracts with guaranteed result (ESCO contracts) in buildings of state and/or municipal property (Chapter two) and the conditions (Chapter three) and the procedure for the payment of the remuneration (Chapter four) under ESCO contracts. The Ordinance details the rules for the use of state funds for energy efficiency services in state and/or municipal property, including on contracting energy efficiency services (Chapter three, section II), and structuring payments under ESCO contracts (Chapter two, section III), thereby enabling the financing of energy efficiency improvements using the utility bill as the repayment vehicle.

The mechanism shall not allow financing of gas boilers as an option for replacement of oil heating systems.

According to § 77, point 3, of the Act amending and supplementing the Energy from Renewable Sources Act:

- The new Article 67 (11) in the EEA explicitly excludes from the scope of the energy efficiency services referred to in Article 67 (7), (8), and (10) the installation of heating installations using natural gas when replacing installations using petroleum liquid fuels, thereby also oil.

In Ordinance No E-RD-04-1 of 05.01.2024 on the terms and conditions for determining the amount and disbursement of funds under guaranteed contracts (ESCO contracts) leading to energy savings in buildings of state and/or municipal property:

- Article 25 (2) explicitly excludes from the scope of contracts for energy efficiency services referred to in the previous paragraph the installation of heating installations using natural gas when replacing installations using petroleum liquid fuels, thereby also oil.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 83	Related Measure: C4.R5: One Stop Shop for renovations
Name of the Milestone: Establishment of pilot one-stop shops for energy renovation	
Qualitative Indicator: One-stop-shop operational	**Time:** Q4 2022

Context:

The objective of the reform is to assist citizens and businesses with information, technical assistance and advice related to their energy efficiency improvement projects through the deployment of one stop shops in all NUTS3 regions of the country. The one stop shops will provide information and services needed for energy renovation.

Milestone 83 requires that six pilot one stop shops are operational.

Milestone 83 is the first step of the implementation of the reform, and it will be followed by target 84 related to the deployment of the reform across all NUTS3 regions. The reform has a final expected date for implementation in Q4 2023.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. A summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. A list of the established one-stop-shops, their location, the number of staff trained and of full-time equivalents (FTEs) employed by the one stop shops, including a link to the information portal of the European Structural and Investment Funds containing the same information (Annex 3);
iii. Training certificates for the staff of the pilot one stop shops, issued by the Ministry of Regional Development and Public Works, Directorate of Housing Policy, and signed by the Director Dobromir Vasilev;

The authorities also provided:

iv. A copy of the Decision of the Council of Ministers No. 623 of 14 September 2023 designating the information points that provide information on EU Funds as one stop shops for energy renovation and the link to the decision: https://pris.government.bg/document/a161013f9712a7b2334d8b7ccae0c328 (Annex 1);
v. A copy of The European Funds under Shared Management Act (EFMA) /the Financial Resources Management of the European Structural and Investment Funds Act, published in the State Gazette No 102 of 23 December 2022 (Annex 2);
vi. A explanatory note from the Ministry of Regional Development and Public Works with the list of services provided by the newly established one stop shops (Annex 4);
vii. Training programme and materials (Annex 5);
viii. The link to the updated manual of procedure for the Regional Information Centres, published in the Single Information Portal of the European Structural and Investment Funds, which were updated to include the function of the one stop shops: https://www.eufunds.bg/bg/opgg/node/680

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Six physical pilot one-stop shops shall be operational on a regional basis to provide advice and reduce the administrative burden for both, households and businesses.

Bulgaria submitted a copy of the Decision of the Council of Ministers No. 623 of 14 September 2023 (see evidence iv) which stipulates in its paragraph 1 that the existing Regional Information Centres – established through article 20(1) of of the Financial Resources Management of the European Structural and Investment Funds Act, provided under evidence v) - shall take on the function of one-stop shops to provide advice and information to interested parties, including households and businesses, on all issues related to the renovation process for energy efficiency improvement measures, therefore reducing the administrative burden for households and businesses when undertaking energy efficiency renovations. While the Regional Information Centres are financed under Cohesion Policy programmes, the establishment of the one stop shops with enlarged responsibilities constitutes a reform under the Bulgarian Recovery and Resilience Plan. With the Decision of the Council of Ministers No 623 of 14 September 2023 (evidence iv), particularly its paragraph five ordering the Central Coordination Unit Directorate of the Ministry of Finance to update the Manual of Procedures in accordance with the additional functions listed under

paragraph three of the same decision, existing structures of Regional Information Centers will act as one stop shop to provide additional services, not covered by the Regional Information Centres. As such, the reform is complementary and creates synergies with the Cohesion Policy programmes.

The authorities also provided the list and links of the six pilot one stop shops in the NUTS3 regions of Blagoevgrad, Burgas, Haskovo, Montana, Ruse and Varna as well as the detail of the location, services offered and number of staff for each pilot one stop shop (evidence ii).

The authorities demonstrated that the six pilots are operational by providing a copy of the updated manual of procedure for the operation of the network of information centres including the services to be provided by the one stop shop function (evidence viii), published on the Bulgarian portal for EU funds. They also provided the links to the webpages of the pilot one stop shops on Facebook, which includes pinned information on their functions on energy efficiency.

They also provided training certificates by the Ministry of Regional Development and Public Works for each member of staff of the one stop shop for each pilot one stop shop (evidence iii), as further confirmation that the pilots are operational.

The one-stop-shop shall integrate all the necessary information and services needed for energy renovation, including on the available EU sources of financial support.

Point 3 of the Decision of the Council of Ministers No. 623 of 14 September 2023 (evidence iv) states the functions of the one stop shops, namely:

- Providing information and services for the implementation of possible energy efficiency measures, applying for open procedures and funding programmes, and other sources of funding, including financial instruments, providing information on information days on programmes and campaigns under programmes and instruments for financing energy efficiency measures, as well as information and technical assistance on the procedure for registering owners' associations under the Condominium Property Management Act. When performing the one-stop-shop functions for energy efficiency projects, information should be provided on all possible sources of funding, not only from the funds under shared management.
- Provision of information and assistance for the preparation of an energy performance audit and a valid energy performance certificate for a building in operation drawn up in accordance with Article 48 of the Energy Efficiency Act, an audit to establish the technical characteristics related to meeting the requirements of Article 169 (1) and (3) of the Spatial Planning Act, and a technical passport in accordance with the requirements laid down in Chapter Three of Regulation No 5 of 2006 on technical passports for construction works (SG No 7/2007) of buildings in connection with the implementation of possible energy efficiency measures, as well as information on the actions needed to prepare an investment project in accordance with the procedure laid down in the Spatial Planning Act.
- Provide assistance and coordination with municipal and district administrations when problems arise in the process of applying for or implementing energy efficiency projects.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 85	Related Measure: C4.I4: Digital transformation of the electricity transmission grid
Name of the Milestone: Signed contracts or the commencement of works for the upgrade, modernization and digitalization of the national transmission systems	
Qualitative Indicator: Signed contract(s) by ESO EAD or the commencement of works	**Time:** Q3 2022
Context:	

The objective of this investment is to increase the penetration of renewable energy sources, by modernising the electricity grid and increasing cross-border transmission capacity with Romania and Greece. The investment includes a comprehensive programme for the overall digital transformation of systems and processes of the electricity Transmission System Operator (ESO EAD) including, in particular, the automated management of substations. By this, the investment is expected to provide for the technical feasibility of the electricity transmission system to integrate a cumulative new 4 500 MW of production capacity from renewable sources into the electricity system by 31 March 2026 as well as a cumulative 1 200 MW of additional net interconnection capacity with Romania and Greece compared to 2020 levels.

Milestone 85 concerns the signature of contracts or the commencement of works for the upgrade of the national transmission systems through the deployment of Substation Automation Systems (SAS) in 171 substations at 110 kV voltage level.

Milestone 85 is the first step of the implementation of the investment and it will be followed by targets 86 and 89, related to the fulfilment of conditions and requirements for the technical feasibility of the electricity transmission system to integrate a cumulative 4 500 MW of new production capacity from renewable sources into the electricity system as compared to 2020 levels. Moreover, consecutive target 88 require the commissioning of at least 1200 MW of additional net interconnection capacity with Romania and Greece compared to 2020 levels. As part of the final target 89, Bulgaria will need to demonstrate completion of all relevant activities mentioned in the measure description, including upgrade of the supervisory control and data acquisition system (SCADA) with the introduction of remote back-up and the extension and upgrade of telecommunication network.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone including all the constitutive elements was satisfactorily fulfilled
ii. For substations where SAS is deployed by an external contractor: copies of the signed contracts for SAS construction and deployment activities
iii. For substations where SAS is deployed using ESO EAD's own forces: copies of signed site openings documenting the commencement of SAS deployment
iv. For substations where SAS is deployed using ESO EAD's own forces and works have been already implemented: acceptance reports of works conducted, function tests, and orders to put updated substations in operation
v. For each substation for which contracts were signed, extracts of and explicit references to the relevant parts of the specifications of the contracts proving the deployment of SAS

The authorities also provided:

vi. Framework contracts covering the procurement of materials, equipment and facilities required for the deployment of SAS
vii. Invoices documenting the delivery of supplies and devices covered under the framework contracts
viii. Business programme for 2021 for SAS deployment by ESO Engineering EOOD
ix. Framework contract signed on 4 June 2021 by ESO EAD and ESO Engineering EOOD for the

implementation of SAS activities in specific substations in accordance with the business programme for 2021.

x. For Substations where works are deployed using own forces, technical explanations of the works' contribution to the deployment of SAS

xi. Signed contracts for the design, supply and construction of video surveillance, fire alarm, signalling and security systems, perimeter CCTV, and/or substation fence rehabilitation

xii. Report for the activities using own forces from 22 May 2020 as sent by the director of the Electricity Transfer Directorate of ESO EAD to the executive director of ESO EAD

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Signed contracts or the commencement of works for the upgrade of the national transmission systems

Signed contract(s) by ESO EAD or the commencement of works.

Signature of contracts or commencement of works for the upgrade of the national transmission systems related to the deployment of Substation Automation Systems (SAS) in 171 substations at 110 kV voltage level.

For 8 out of a total of 171 substations, the implementing body, i.e. the national transmission system operator ESO EAD, launched competitive tenders for works related to the completion of Substation Automation Systems (SAS). Following these tenders, contracts were awarded and signed with successful tenderers. These contracts were provided as evidence of fulfilment (see point ii, above). For 109 out of a total of 171 substations included under the investment, ESO EAD directly awarded contracts related to the deployment of SAS to ESO Engineering EOOD, a subsidiary of ESO EAD. Signed contracts with ESO Engineering EOOD were also submitted as evidence for the fulfilment of the requirement to sign contracts (see point ii above). For 54 out of 171 substations, ESO EAD provided signed and substation-specific evidence, including copies of signed site openings, documenting the commencement of SAS deployment (see point iii above), and depending on the individual state of implementation of works per substation also acceptance reports of works conducted, function tests, and orders to put updated substations in operations, all conducted under the remit of ESO EAD (see point iv above). For the deployment of SAS, ESO EAD used equipment and materials procured on the basis of existing framework contracts, dating from 18 June 2018 to 29 June 2022 (see point vi above). The invoices for the delivery of supplies in relation to the framework contract (see point vii above) as well as the site openings reports provided by Bulgarian authorities are all dated from after February 2020, ensuring that the payment, the delivery of materials, and the commencement of works took place in the eligibility period to receive funding under the Recovery and Resilience Facility in accordance with Regulation (EU) 2021/241 of the European Parliament and of the Council of 2 February 2021.

Following the selection of a random sample of 60 units, Bulgaria submitted a) signed contracts between ESO EAD and its subsidiary ESO Engineering EOOD or successful tenderers and b) in cases where SAS is deployed using own forces a statement of findings documenting the commencement of works for SAS deployment.

The evidence provided for a sample of 60 out of the total of 171 substations confirmed that documents covering works related to the deployment of SAS at 110 kV voltage level have been signed by the relevant authorities and/or contractors. By this, the requirements of the milestone

can be considered met:

- For 40 of the sampled substations, the object of the contracts concluded with external contractors contains an explicit reference to the deployment of SAS in the relevant substation.
- For 16 of the sampled substations, works were carried out at least partially by ESO EAD with own forces, using supplies under existing framework contracts. In these cases, the site openings documenting the commencement of SAS deployment provided as main piece of evidence also explicitly refer to the deployment of SAS in the relevant substation.

The Council Implementing Decision required signature of contracts or commencement of works for the upgrade of the national transmission systems related to the deployment of Substation Automation Systems (SAS) in 171 substations at 110 kV voltage level. For 4 out of the 60 sampled substations, i.e., substations No. 14 'TPP Republika', No. 35 'Valchedrum', No. 47 'Melta', and No. 60 'Lukovit', the Bulgarian authorities provided contracts that do not explicitly refer to SAS deployment in their subject, but instead cover specific technical interventions qualifying as the deployment of SAS, for instance the reconstruction of 110 kV switchyards, or the construction of secondary switches necessary to achieve functional connectivity. The interventions included in the contracts for these 4 substations take into account the heterogenous technical precondition of the respective substations. In some cases, the scope of the works needed is more targeted, referring to, for instance, installation of specific technical gear, or broader, referring to, for instance, when the retrofitting of the command building was required for the deployment of SAS. Whilst this constitutes a minimal substantive deviation from the requirement of the Council Implementing Decision, the heterogenous technical precondition of the respective substations justify that the provisions in the contracts provided for these 4 substations do not explicitly reference SAS deployment in their subject but still require the contractor to perform activities equally relevant for SAS deployment. As of this, this minimal deviation does not change the nature of the measure and does not affect the progress towards achieving the investment that this milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 91	Related Measure: C4.R8 Liberalisation of the electricity market
Name of the Milestone: Entry into force of legal acts	
Qualitative Indicator: Provision in the legal acts indicating the entry into force	**Time:** Q3 2022

Context:

The objective of this reform is to complete the liberalisation of the wholesale electricity market and improve the electricity balancing market.

Milestone 91 provides for the entry into force of legal acts to liberalize the wholesale electricity market by 1 July 2025 and to reform the electricity balancing market by 31 December 2024.

Milestone 91 is the first step of the implementation of the reform and it will be followed by milestone 92, related to electricity market integration.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following

evidence was provided:

iii. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
iv. Copy of amendments to the Energy Act (official journal 96/2023), published on 14 November 2023 and entered into force on the same day, accompanied by a link where the publication can be accessed: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=201222.
v. Copy of amendments to the Energy Act (official journal 54/2012), published on 10 July 2012 and entered into force on the same day, accompanied by a link where the publication can be accessed: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=66287
vi. Copy of amendments to the Energy Act (official journal 39/2024), published on 30 April 2024 and entered into force on the same day, accompanied by a link where the publication can be accessed: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=214321
vii. Copy of Ordinance No. 1 of 14 March 2017 on Regulation of Electricity Prices, published on 14 March 2017 and entered into force on 1 July 2025, accompanied by a link where the publication can be accessed: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=112874
viii. Copy of Ordinance on Amendment and Supplementation of Ordinance No. 1 of 14.03.2017 on Regulation of Electricity Prices, published on 10 May 2024 and entered into force on 1 July 2025, accompanied by a link where the publication can be accessed: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=214900
ix. Copy of amendments to the Energy Act (official journal 44/30.05.2025), published on 27 May 2025 and entered into force on 1 July 2025, accompanied by a link where the publication can be accessed: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=235130
x. Copy of Bilingual consolidated version of the Energy Act, published on 30 May 2025
xi. Excerpt from the web-page of the State Gazette – Market Rules amendments, published in SG, issue 40/05.05.2020, 76/23.09.2022, 36/21.04.2023, Chapter 9 "Balancing market" and 46/06.06.2025 proving alignment with the description of the milestone, accompanied by links to the respective issues: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=147658 (published on 5 May 2020, entry into force on the day of publication), https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=178060, (published on 23 September 2022, entry into force on the day of publication), https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=190880 (published on 21 April 2023, entry into force on the day of publication), https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=235227 (published on 6 June 2025, entry into force on the day of publication)
xii. Excerpt from the web-page of the National System Operator (ESO) – Estimated prices of balancing energy, for each 15 minutes ISP, available under https://www.eso.bg/doc?imbalance-prices
xiii. Excerpt from the web-page of the ESO – Current system balance, preliminary data, represented as difference between PPS schedules and real generation, available under https://www.eso.bg/doc?imbalance-prices
xiv. Excerpt from the web-page of ESO – Marginal prices of activated balancing energy, up and down, preliminary data for each 15 minutes ISP, available under https://www.eso.bg/doc?imbalance-prices
xv. Copy of Methodology for determining balancing electricity prices (official journal 37/2024), published on 26 April 2024 and entered into force on 1 May 2024, accompanied by a link where the publication can be accessed: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=213720

Copy of Ordinance No.3 of 21 March 2013 on the licensing of energy activities, published on 21 March 2013, accompanied by a link where the publication can be accessed: naredba-3-jun2025.pdf

xvi. Copy of Ordinance on Amendment and Supplementation of Ordinance No.3 of 21 March

2013 on the licensing of energy activities, published on 27 June 2025 and entered into force on 1 July 2025, accompanied by a link where the publication can be accessed: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=235647

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Entry into force of legal acts

The legal acts shall:

1. **liberalise the electricity wholesale market at the latest by 1 July 2025**

Furthermore, in line with the description of the measure, this reform shall consist of the following elements: - The liberalisation of the wholesale electricity market through entry into force of legal acts, which shall […] abolish the quotas for the regulated market.

The Law on Amendment and Supplement to the Energy Act, published in the State Gazette 96/2023 of 17 November 2023, which amends the Energy Law (promulgated in the State Gazette No. 107/2003), paragraph 6, point 7, repeal former article 21 of the Energy Law, according to which the Energy and Water Regulatory Commission (hereinafter referred to as "EWRC") had the mandate to set-up quota obligations for the regulated market. Such quota obligations were obligations imposed on specific producers of electricity to provide regulated volumes at regulated prices to the public supplier, so it can serve final suppliers who provide electricity to final consumers. The amendments to the Energy Law repeal Article 21, Paragraph 13, point 21 which "*determined the availability for production of electricity of each producer, as well as the amount of electricity of the public supplier, in accordance with which the producers and/or the public supplier are obliged to conclude transactions with the final suppliers in order to fulfil the principles under Art. 24, para. 1"*. Paragraph 66 of the amendments to the Energy Law 96/2023 indicates that the provision on the abolition of the quota obligations for the regulated market should have entered into force on 1 July 2024.

The Law on Amendment and Supplement to the Energy Act, published in the State Gazette 39/2024, which amends the Energy Law (promulgated in the State Gazette No. 107/2003), postponed the entry into force of the abolition of the quota obligations to 1 July 2025, as indicated in paragraph 9, point 5a. As a result of these amendments, the EWRC does not have a legal basis to determine for the regulated market.

Furthermore, Article 2 of Ordinance No. 1 of 14 March 2017 on Regulation of Electricity Prices, required the EWRC to set prices of quota obligations. The Law on Amendment and Supplement to the Energy Act, published in the State Gazette 96/2023 of 17 November 2023, which amends the Energy Law (promulgated in the State Gazette No. 107/2003), paragraph 6, point 7, repeal former article 21 of the Energy Law, according to which the Energy and Water Regulatory Commission (hereinafter referred to as "EWRC") had the mandate to set-up quota obligations for the regulated market. Such quota obligations were obligations imposed on specific producers of electricity to provide regulated volumes at regulated prices to the public supplier, so it can serve final suppliers who provide electricity to final consumers. The amendments to the Energy Law repeal Article 21, Paragraph 13, point 21 which "*determined the availability for production of electricity of each producer, as well as the amount of electricity of the public supplier, in accordance with which the producers and/or the public supplier are obliged to conclude transactions with the final suppliers in order to fulfil the principles under Art. 24, para. 1"*. Paragraph 66 of the amendments to the Energy

Law 96/2023 indicates that the provision on the abolition of the quota obligations for the regulated market should have entered into force on 1 July 2024.

The Law on Amendment and Supplement to the Energy Act, published in the State Gazette 39/2024, which amends the Energy Law (promulgated in the State Gazette No. 107/2003), postponed the entry into force of the abolition of the quota obligations to 1 July 2025, as indicated in Paragraph 9, point 5a. As a result of these amendments, the EWRC does not have a legal basis to determine for the regulated market.

Furthermore, Article 2 of Ordinance No. 1 of 14 March 2017 on Regulation of Electricity Prices, required the EWRC to set prices of quota obligations; prices for the purchase by the public supplier (NEK) from electricity producers (point 1), and prices for the sale by the public supplier to final suppliers (point 3). Ordinance 1 has been amended by the Ordinance on Amendment and Supplementation of Ordinance No. 1 of 14.03.2017 on Regulation of Electricity Prices published in the State Gazette 41/2024 on 10 May 2024, which repeal these provisions according to article 2(1). The Ordinance on Amendment and Supplementation of Ordinance No. 1 of 14.03.2017 on Regulation of Electricity Prices entered into force on 1 July 2025, as specified in paragraph 53 of the Ordinance on Amendment and Supplementation of Ordinance No. 1 of 14.03.2017 on Regulation of Electricity Prices. As a result, these amendments abolish the quota obligations.

Furthermore, in line with the description of the measure, this reform shall consist of the following elements: - The liberalisation of the wholesale electricity market through entry into force of legal acts, which shall terminate the public supplier role for the Natsionalna Elektricheska Kompania EAD (NEK) […].

The Law on Amendment and Supplement to the Energy Act, published in the State Gazette 96/2023 of 17 November 2023, which amends the Energy Law (promulgated in the State Gazette No. 107/2003), paragraph 52, terminate NEK's license for public supply from 1 July 2024. Paragraph 66 of the Law on Amendment and Supplement to the Energy Act, published in the State Gazette 96/2023, indicates that the provision on the termination of the role of NEK as public supplier should have entered into force on 1 July 2024. The Law on Amendment and Supplement to the Energy Act, published in the State Gazette 39/2024, which amends the Energy Law (promulgated in the State Gazette No/ 107/2003), postponed the entry into force of the termination of the role of NEK as public supplier to 1 July 2025, as indicated in Paragraph 9, point 5a.

Furthermore, secondary legislation has been amended to reflect the termination of the role of NEK as public supplier.

Article 9(1), point 12, of Ordinance No.3 of 21 March 2013 on the Licensing Activities in Energy gave the power to the EWRC to issue a licence for the activity of public supplier. Articles 9(2), 12(1) cross-referenced this point. Article 32(2) listed conditions proposed by the public supplier. Article 52(3), item 1 required the public supplier to provide information to the EWRC. Article 106 (1) mentioned public supply in relation to certification procedures of independent transmission operators. Article 123(4) made reference to consumer rights protection for the public supplier. These mentions have been removed by Paragraph 23 of the Ordinance on Amendment and Supplementation of Ordinance No.3 of 21 March 2013, published in the State Gazette 52/2025 of 27 June 2025, which entered into force on 1 July 2025, as specified in Paragraph 28 of these amendments.

Articles 10(2) and 19(1) of Ordinance No. 1 of 14 March 2017 on Regulation of Electricity Prices specified the regulated remuneration of the public supplier as well as the rule for determining the price of electricity sold to the public supplier. The Ordinance on Amendment and Supplementation

of Ordinance No. 1 of 14.03.2017 on Regulation of Electricity Prices, published in the State Gazette 41/2024 of 10 May 2024, repeal these provisions according to paragraphs 7(2) and 15. They entered into force on 1 July 2025, as specified in paragraph 53 of these amendments.

Articles 56(a), 58(1), 69(1), 70(2), 71(5), 89(12) and 94(6) of Market Rules, which included mentions of public supplier, have now been amended and all mentions to public supplier have been removed, as published in the State Gazette.

Furthermore, in line with the description of the measure, it shall also forbid long-term contracts, including power purchase agreements, or any similar measures having the same or equivalent object or effect with the exception of those for electricity from renewable sources or concluded on the power exchange. The long-term electricity purchase contracts for Maritsa East 1 and Maritsa East 3 which expire in 2024 and 2026, respectively shall not be extended and/or benefit of any new State aid support.

Paragraph 30 of The Law on Amendment and Supplement to the Energy Act, published in the State Gazette 96/2023 of 17 November 2023, which amends Article 93a of the Energy Law (promulgated in the State Gazette No. 107/2003), explicitly prohibits long-term contracts or other similar agreements having the same or equivalent object or effect (paragraph 30(2) of the amendments, amending paragraph 2 of article 93a of the Energy Law) except those concluded on organised exchange markets (paragraph 30(4) of the amendments, amending paragraph 5 of article 93a of the Energy Law) and for renewable energy sources (paragraph 30(2) of the amendments, paragraph 3 of article 93a of the Energy Law). Paragraph 30(2) of The Law on Amendment and Supplement to the Energy Act, amending paragraph 2 of article 93a of the Energy Law, explicitly prohibits electricity producers from coal, which is hard coal or lignite and includes Maritsa East 1 and 3, that have benefitted from long-term contracts to receive new State aid support. Paragraph 66 of the amendments to the Energy Law 96/2023 indicates that the provision on the prohibition of long-term electricity purchase contracts for Maritsa East 1 and Maritsa East 3 shall not be extended and/or benefit of any new State aid support and should have entered Supplement to the Energy Act, published in the State Gazette 39/2024, which amends the Energy Law (promulgated in the State Gazette 107/2003), postponed the entry into force of these amendments to 1 July 2025, as indicated in Paragraph 9, point 5a.

Secondary legislation did not need to be amended to include this prohibition, as it did not contain provisions on long-term contracts.

2. reform the electricity balancing market at the latest by 31 December 2024 by ensuring that:

Furthermore, in line with the description of the measure, **the reform of the electricity balancing market through entry into force of legal acts, which ensure that: (i) the balancing capacity shall be purchased on market terms;**

The Law on Amendment and Supplement to the Electricity Trading Rules, published in the State Gazette 76/2022 of 23 September 2022, which amends the Electricity Trading Rules (promulgated in the State Gazette No. 66/2013), introduced in Paragraph 26 a new section on balancing markets. Article 105, points 2, 6 and 7; and Article 115, points 1 and 3, require the independent transmission operator to organise auctions for the procurement of balancing services for automatic secondary regulation of frequency and exchange capacities, therefore being market-based due to the use of auctions by the independent transmission operator to select balancing capacities. As specified in Paragraph 50 of the Law on Amendment which amends the Electricity Trading Rules (promulgated in the State Gazette No. 66/2013), introduced in Paragraph 26 a new section on balancing markets.

Article 105, points 2, 6 and 7; and Article 115, points 1 and 3, require the independent transmission operator to organise auctions for the procurement of balancing services for automatic secondary regulation of frequency and exchange capacities, therefore being market-based due to the use of auctions by the independent transmission operator to select balancing capacities. As specified in Paragraph 50 of the Law on Amendment and Supplement to the Electricity Trading Rules, these provisions entered into force on 1 October 2022.

Furthermore, in line with the description of the measure, the reform of the electricity balancing market through entry into force of legal acts, which ensure that: […] (ii) the price of balancing energy suppliers shall be published within 30 minutes after intraday market closure;

Paragraph 96 of the Law on Amendment and Supplement to the Electricity Trading Rules, published in the State Gazette 40/2020 of 5 May 2020, which amends the Electricity Trading Rules (promulgated in the State Gazette No. 66/2013), introduces Article 194a which requires that the price of balancing energy shall be published within 30 minutes after intraday market closure. Per paragraph 113, Article 194a of the Law on Amendment and Supplement of the Electricity Trading Rules entered into force on the day of their promulgation in the State Gazette, which is 5 May 2020.

Furthermore, in line with the description of the measure, the reform of the electricity balancing market through entry into force of legal acts, which ensure that: […] (iii) a single balancing price shall be introduced for periods without balancing energy activation;

Section II (Price Mechanism), Article 4 of the Methodology for determining balancing electricity prices promulgated in the State Gazette No 37 of 26 April 2024, in force as of 1 May 2024, sets out a single balancing price for periods without balancing energy activation either downwards or upwards. As specified in Paragraph 50 of the Law on Amendment and Supplement of the Electricity Trading Rules, these provisions entered into force on 1 October 2022.

Furthermore, in line with the description of the measure, **the reform of the electricity balancing market through entry into force of legal acts, which ensure that: […] (iv) a 15-minute imbalance settlement period shall be introduced;**

Paragraph 26 of The Law on Amendment and Supplement to the Electricity Trading Rules, published in the State Gazette 76/2022 of 23 September 2022, which amends the Electricity Trading Rules (promulgated in the State Gazette No. 66/2013), introduces a new chapter on balancing markets. Article 145 of this new chapter provides the conditions of offers to settle imbalances, i.e. the deviation from the levels of the production/consumption schedules, as explained in article 145. Article 146 of this new chapter requires a 15-minute imbalance settlement period. As specified in Paragraph 50 of the Law on Amendment and Supplement of the Electricity Trading Rules, these provisions entered into force on 1 October 2022.

Furthermore, in line with the description of the measure, the reform of the electricity balancing market through entry into force of legal acts, which ensure that: […] and (v) no price caps for balancing electricity shall be set.

In the Methodology for determining balancing electricity prices promulgated in the State Gazette No 37 of 26 April 2024, in force as of 1 May 2024, Section II. Price Mechanism, Articles 6, 7, 8 and to 9 determine how prices are computed, and no reference is made to the application of price caps.

The assessment of the transposition of Electricity Directive - Directive (EU) 2019/944 for the purposes of payments from the Recovery and Resilience Facility does not prejudge the evaluation

by the Commission of the transposition of the directive by Bulgaria in any other legal proceedings, in particular in the proceedings launched on the basis of Article 258 TFEU.
Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 92	Related Measure: C4.R8 Liberalisation of the electricity market
Name of the Milestone: Electricity market integration	
Qualitative Indicator: Completion of the day-ahead and intraday electricity market coupling with Romania and Greece	**Time:** Q4 2022

Context:

Milestone 92 is part of reform C4.R8, which aims to liberalise and integrate the electricity markets in Bulgaria with the neighbouring EU Member States.

Milestone 92 concerns the coupling of the day-ahead and intraday electricity markets with Romania and Greece.

Milestone 92 is the second and last milestone of the liberalisation of electricity markets reform, and it follows the completion of milestone 91 related to amendments to the Energy Act enacting the reform of electricity markets (wholesale, balancing and retail).

The reform has a final expected date for implementation by 31 December 2022.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the Day Ahead Market (DAM) coupling trading results (i.e., volumes and prices of electricity traded) between Bulgaria and Romania for the first day of operation/delivery, i.e., 1 January 2022;
iii. Copy of the Intraday market (IDM) coupling trading results (i.e., volumes and price of electricity traded) between Bulgaria and Greece for the first day of operation/delivery, i.e., 1 January 2023;
iv. Copy of the contract between the Nominated Electricity Market Operators (IBEX and OPCOM) and the Transmission System Operators (Electricity System Operator - ESO and Transelectrica) for the coupling of the DAM between Bulgaria and Romania signed on 21 October 2021;
v. Copy of the contract between the Nominated Electricity Market Operators (IBEX and ENEX) and the Transmission System Operators (Electricity System Operator - ESO and IPTO– Independent Power Transmission Operator - ADMIE) for the coupling of the IDM between Bulgaria and Greece signed on 21 November 2022.

The authorities also provided:

vi. Official press release of 27 October 2021 issued by Nominated Electricity Market Operators Committee about the successful go-live of the electricity day ahead market coupling between Bulgaria and Romania;
vii. Official press release of 30 November 2022 issued by Nominated Electricity Market Operators Committee about the successful go-live of the electricity intraday market coupling between Bulgaria and Greece.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities duly justify the fulfilment of all the constitutive elements of the milestone.

The day-ahead electricity market coupling with Romania has been completed and become operational by 31 December 2021.

For the electricity day ahead market coupling between Bulgaria and Romania, the Bulgarian authorities provided the agreements concluded between the nominated electricity market operators (IBEX and OPCOM) and the transmission system operators (ESO and Transelectrica) to connect the Romanian and Bulgarian border in the European Single Day-Ahead Market Coupling allowing cross boarder trading of electricity and implicit allocation of the cross-border transmission capacity. In addition, the trading results for the Bulgaria/Romania market coupling 'Day ahead' for delivery day 1 January 2022 were provided. Therefore, the day-ahead electricity market coupling has been completed and became operational by 31 December 2021. In addition, the Bulgarian authorities provided the official public announcement about the successful launch of the market coupling project between Bulgaria and Romania on 27 October 2021.

The intraday electricity market coupling with Greece has been completed and become operational by 31 December 2022.

Similarly, for the electricity intraday market coupling between Bulgaria and Greece, the Bulgarian authorities provided the agreements between the nominated electricity market operators (IBEX and ENEX) and the transmission system operators (ESO and ADMIE) to connect the Greek and Bulgarian border in the European Single Intraday Market Coupling allowing cross boarder trading of electricity and implicit allocation of the cross-border transmission capacity. In addition, the trading results for the Bulgaria/Greece market coupling "Intraday" for delivery day 1 January 2023 were provided. Therefore, the intraday electricity market coupling has been completed and became operational by 31 December 2022. In addition, the Bulgarian authorities provided the official public announcement about the successful launch of the market coupling project between Bulgaria and Greece on 29 November 2022.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 95	Related Measure: C4.R6 Boosting electricity generation from renewable sources
Name of the Milestone: Entry into force of legal acts	
Qualitative Indicator: Provisions indicating the entry into force of the legal acts	**Time:** Q4 2022

Context:

Milestone 95 is part of Reform 6 on boosting electricity generation from renewable energy sources. The objective of this reform is to reduce the administrative burden for investments in electricity generation from renewable energy sources concerning installation, connection and operation of installations.

Milestone 95 concerns the entry into force of legal acts to simplify permitting procedures for RES.

Milestone 95 is the first milestone from the measure and is followed by Milestone 96 related to amendments to the national legislative framework to support deployment of offshore wind installations, as well as to facilitate the development of renewable self-consumption and renewable energy communities, and Target 104 related to the overall new production capacity of

electricity from renewable sources (wind and solar power) commissioned. The reform has a final expected date for implementation by 30 June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Copy of Act supplementing the Energy from Renewable Sources Act published in the State Gazette of the Republic of Bulgaria No 42 of 07.06.2022 with entry into force from the same day, established by its § 4 except for § 3, which entered into force on 01.01.2023.
iii. Copy of Act amending and supplementing the Energy from Renewable Sources Act published in the State Gazette of the Republic of Bulgaria No 86 of 13.10.2023 with entry into force from the same day, established by its § 90.
iv. Copy of Act on Amendment and Supplement to the Act on Excise Taxes and Tax Warehouses published in the State Gazette of the Republic of Bulgaria No 102 of 23.12.2022. According to § 34 of transitional and final provisions, the Act comes into force on 01.01.2023 except for:
    - Paragraphs 1, 9, 17 – 23 and 25 that entered into force on 13.02.2023;
    - Paragraphs 6, 16 and 29 that entered into force on 01.04.2023;
    - Paragraph 33 that entered into force on 13.12.2023.
v. Copy of Ordinance No. 6 of 28 March 2024 for connection of sites to electricity networks, published in the State Gazette of the Republic of Bulgaria No 28 of 02.04.2024 with entry into force on the same day, established by its § 8

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Provisions indicating the entry into force of the legal acts.

Bulgaria adopted the following legal acts which entered into force at the dates mentioned below according to the corresponding provisions:

- Act supplementing the Energy from Renewable Sources Act published in the State Gazette of the Republic of Bulgaria No 42 of 07 June 2022 with entry into force from the same day, established by its § 4 except for § 3, which entered into force on 01 January 2023.
- Act amending and supplementing the Energy from Renewable Sources Act published in the State Gazette of the Republic of Bulgaria No 86 of 13 October.2023 with entry into force from the same day, established by its § 90.
- Act on Amendment and Supplement to the Act on Excise Taxes and Tax Warehouses published in the State Gazette of the Republic of Bulgaria No 102 of 23 December 2022. According to § 34 of transitional and final provisions, the Act comes into force on 01 January2023 except for:
    - Paragraphs 1, 9, 17 – 23 and 25 that entered into force on 13 February 2023;
    - Paragraphs 6, 16 and 29 that entered into force on 01 April 2023;
    - Paragraph 33 that entered into force on 13 December2023.
- Ordinance No. 6 of 28 March 2024 for connection of sites to electricity networks, published in the State Gazette of the Republic of Bulgaria No 28 of 02 April 2024 with entry into force on the same day, established by its § 8.

Legal acts shall:

1. simplify the permitting procedures for renewable energy installations generating

electricity by:

a. introducing deadlines for issuance of permits in order to ensure the grid connection procedure does not exceed 6 months.

Furthermore, in line with the description of the measure, **the entry into force of legal acts shall: (i) simplify permitting procedures for renewable energy installations;**

In the Act supplementing the Energy from Renewable Sources Act (evidence ii), new provisions have been included to simplify and shorten permitting procedures, setting out deadlines by the administrative authorities and the grid operators in view of ensuring that the grid connection procedure does not exceed 6 months:

- the new Article 26, paragraph 16, introduces a deadline of 6 months for the grid connection of renewable energy installations generating electricity from the date of an application to the signature of a grid connection contract. This deadline relates to the administrative process and therefore excludes the duration of design and construction works of connection facilities and reconstruction and modernization works of the grid required for the construction of the concerned renewable energy installation. At the request of the applicant or producer, the deadline can be extended within the validity periods of the issued opinion and the concluded preliminary contract. The extension of the deadline is an opportunity that is granted only to the applicant or producer and can be used by them in the event that they fail to submit a request for the conclusion of a preliminary connection agreement or a connection agreement within the specified period of validity of the opinion or preliminary agreement.
- the new Article 26 (4) prescribes mandatory deadlines ranging from 15 to 40 days for the issuance of grid connection decisions by the distribution network operator for renewable energy installations generating electricity with installed capacity of up to 1 MW placed on rooftops or facades of buildings with existing grid connection and on associated properties located in urbanized territories. More specifically, a grid connection opinion shall be issued within 20 days for installations with installed capacity of up to 30 kW and within 40 days for installations with installed capacity from 30 kW to 1 MW.
- the new Article 17 (5) introduces a mandatory deadline of one month for the issuance of a construction permit for self-supply solar PV installations with installed capacity between 20 kW and 50 kW placed on buildings with existing connection to the grid and on associated properties located in urbanized territories. If a response on the request for construction permit is not issued within one month, the project receives a 'tacit agreement' by the chief architect.
- The new Article 17 (7) introduces a mandatory deadline of up to one year for the issuance of permits related to the construction, reconstruction, and commissioning of renewable energy installations, including solar and wind, which are built in artificial and built-up areas, for example roofs of buildings, areas with existing transport infrastructure, parking areas, waste sites, industrial zones, industrial parks, quarries, urbanized territories, populated places and settlements, and waste landfills.
- The new Article 26a, removes the requirement for investors to go through the grid connection procedure in case an existing renewable energy installation generating electricity, including solar PV and wind, is modernised and the total installed capacity remains the same (Art. 26a(1)); in such cases, the investor has to only notify the grid operator on the change of the technical characteristics of the installation. In case an existing renewable energy installation is modernised and the total installed capacity is increased by up to 50%, the grid operators are obliged to consider with a priority their grid connection request, issue an opinion within one month, and conclude a final contract for connection of the modernised installation within 14 days of the request by the investor without first concluding a preliminary connection contract (Art. 26a (2)).

- The new Article 26a (3) removes the requirements for environmental-related procedures under the Environmental Protection Act and the Biodiversity Act in case of modernisation of an existing installation for production of electricity from solar energy that does not lead to the use of additional land property and is in accordance with the applicable measures for protection the environment and the biodiversity introduced for the existing energy objects.
- The new Article 26a (4) limits the scope of the environmental impact assessment procedure, if considered necessary in the first place, to the potential significant impacts resulting from the change or expansion of existing wind power installations that are being modernised.

In addition to the amendments to the Act amending and supplementing the Energy from Renewable Sources Act, the Bulgarian authorities also enacted amendments to relevant secondary legislation. An entirely new Ordinance No. 6 for connection of sites to electricity networks was adopted on 28 April 2024 (evidence v). The Ordinance regulates various aspects of the connection of installations to the electricity grid. Chapter One, titled 'General provisions', delineates the scope and general rules applicable to all types of installations seeking connection to the network, providing a framework for challenging the actions or inactions of grid operators concerning the application of the grid connection rules. Chapters Two to Five lay down in detail the terms and conditions for the connection of electricity production and storage installations at the various stages of the grid connection process, including application, contractual agreements, design, construction, and general technical requirements.

b. introducing accountability procedures in case of delays in the issuance of grid connection permits by distribution and transmission system operators.

In the Act supplementing the Energy from Renewable Sources Act (evidence ii), new and amended provisions have been included to implement accountability procedures for unnecessary delays by distribution and transmission system operators:

- The amended Article 6, paragraph 4, introduces an obligation to the mandate of the independent Energy and Water Regulatory Commission (hereinafter referred to as "the EWRC") to oversee the adherence with the prescribed deadlines for connection to the grid of renewable energy installations.
- The new Article 60a introduces financial penalties for distribution and transmission system operators in case of non-adherence to the prescribed deadlines for connection of installations.
- The new Article 28 (5) introduces an obligation for distribution and transmission system operators to create and maintain digital public registers of submitted requests for connection to the respective network. Amendment 72 of the Act on Supplement to the Energy from Renewable Sources Act prescribes a deadline of 6 months following the entry into force of the amendments to the Energy from Renewable Sources Act for the development of the public registers.

2. enable the designation of priority zones for onshore wind parks.

Furthermore, in line with the description of the measure, **the entry into force of legal acts shall: [...] (ii) enable the designation of priority zones for onshore wind installations;**

In the Act amending and supplementing the Energy from Renewable Sources Act (evidence iii):

- The new Article 5, paragraphs 2-10, lays down the requirements for the identification and designation of 'priority zones' for wind installations, both onshore and offshore. More

specifically, Article 5 (2) sets an obligation for relevant ministers to develop a Plan to identify priority zones for the development of wind installations (hereinafter referred to as " the Plan"). Article 5 (3) defines key requirements for development of the Plan, including to take into account the national renewable energy targets, wind installation potential, and electricity demand. Furthermore, Article 5 (4) lists areas that should be considered as a priority for the Plan, including artificially built-up areas, parking lots, and artificial water bodies. Article 5(8) sets a deadline of one year for all necessary administrative permits related to the construction, reconstruction and commissioning of the renewable energy production facilities, as well as for the construction, extension and reconstruction of the facilities for their connection to the electricity transmission or distribution system. Article 5 (9) further clarifies that the deadline of year also includes the time for conducting an environmental impact assessment of investment proposals.

- The amendments ensure compliance with environmental legislation by setting a requirement in Article 5 (6) for the Plan to include effective mitigation measures in order to avoid or, where this is not possible, significantly reduce negative environmental impacts. Mitigation measures must prevent, to the greatest extent possible, the killing or disturbance of specimens of protected species listed in the national Biodiversity Act, and the measures must be tested and monitored for their effectiveness, including through the implementation of pilot projects to test their effectiveness and impact, and the necessary action must be taken immediately where mitigation measures are found to be ineffective, even where they have been subject to a prior test. Furthermore, Article 5 (7) requires the Plan to undergo environmental impact assessment in accordance with the national Environmental Protection Act and a compatibility assessment in accordance with the national Biodiversity Act.
- The Plan must be developed within 6 months of the entry into force of the act (§ 67 Transitional and final provisions to the Act amending and supplementing the Energy from Renewable Sources Act).

3. simplify the permitting procedure for renewable energy installations for own use up to 1 MW by:

a. introducing a notification regime for grid connection without requiring the issuance of an opinion by the distribution system operator.

Furthermore, in line with the description of the measure, **the entry into force of legal acts shall: [...] (iii) simplify the procedure for renewable energy installations for own use up to 1 MW.**

- In the Act amending and supplementing the Energy from Renewable Sources Act (evidence iii), the new Article 25a lifts the requirement for obtaining an opinion on connection by the distribution network operator for RES installations placed on buildings with existing connection to the grid and on associated properties located in urbanized territories. The electricity generated from these facilities must be used for own use (without feeding electricity back into the grid). The combined installed capacity of these energy facilities can be up to twice that of the power supplied to the building but not exceeding 5 MW. In line with Article 25a (1) and (2), the end customer is required to submit a simple notification[10]

[10] This entails the submission by the end customer to the distribution system operator a notification indicating general information about the existing customer and the site for the production of electrical energy, including personal data about the customer, the renewable source from which the electrical energy will be produced, technical data about the energy site and terms/conditions for putting the energy site into operation. In some cases, the distribution system operators may require additional documents following the simple notification, such as a notarial deed of ownership or another document certifying the real right on the property, or a notarized lease agreement and an up-to-date sketch of the site.

to the respective distribution network operator and within a 14-day period, the distribution operator provides an amendment to the existing electricity supply and connection contract.

b. phasing out the obligations to declare excise duty for self-generation and to register a tax warehouse.

In the Act on Amendment and Supplement to the Act on Excise Taxes and Tax Warehouses (evidence iv), with an amendment to Article 57a (1), item 3b, the obligation to register a tax warehouse and declare excise duty applies to person who consume their own electricity produced from energy from renewable sources for their own needs from an installation with a total installed capacity of more than 1 MW to 5 MW, with the exception of persons who consume their own electricity for household needs. Furthermore, the new § 31 of the transitional and final provisions of the same Act provides a deadline by 31 January 2023 for directors of territorial administrative units of the customs agency to terminate ex officio any existing tax warehouse registration of persons who consume their own electricity produced from energy from renewable sources for their own needs from a installation. with a total installed capacity of up to 1 MW.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 97	Related Measure: C4.I8 National infrastructure for storage of electricity from RES (RESTORE)
Name of the Milestone: Amendment of the national legislative framework to support fast deployment of electricity storage	
Qualitative Indicator: Provision in the law indicating the entry into force of the amendments	**Time:** Q4 2022

Context:

The measure aims to increase the share of renewable energy in Bulgaria's energy mix and ensure the stability of the electricity system. To do so, the investment consists of support to install and commission a national infrastructure of grid-scale electricity storage facilities with 3000 MWh of usable energy capacity, awarded through open and competitive bidding processes. By this, it should also contribute to the implementation of smart grids and help manage the integration of electricity generated from renewable energy sources.

Milestone 97 requires the entry into force of amendments to the national legislative framework to support the fast deployment of electricity storage. The amendments should cover the elimination of barriers, introduce a specific regulatory and support framework for the construction, connection and operation of electricity storage facilities.

Milestone 97 is the first step of the implementation of the investment and it will be followed by milestone 122 requiring the signature of contracts for the development of grid-scale battery storage systems of at least 3000 MWh of energy capacity following a competitive bidding process and target 125, related to the commissioning of usable energy capacity of the electricity storage systems. The investment has a final expected date for implementation by 30 June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Copy of the Law on Amendments and Supplements to the Energy Act, adopted by the National Assembly on 12 January 2023, re-adopted on 27 January 2023, and promulgated in State Gazette No. 11 of 2 February 2023 https://dv.parliament.bg/DVWeb/showMaterialDV.jsp;jsessionid=5BD74B1A70E267F2060573E67155206A?idMat=185400
ii. Copy of the Rules for amendment and supplement to the Rules for electricity trading, adopted by the Energy and Water Regulatory Commission under Protocol No. 120 of 11 April 2023 and promulgated in State Gazette No. 36 of 21 April 2023 https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=190880
iii. Copy of Ordinance No. 6 for the connection of sites to electricity networks, adopted by the Energy and Water Regulatory Commission under Protocol No. 87 of 28 March 2024 and promulgated in State Gazette No. 28 of 2 April 2024 https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=211280

The authorities also provided:

iv. Table of as provided on 4 April 2024, prepared by the Ministry of Energy, with the identified regulatory barriers and explanations how they are overcome
v. Consolidated version of the Energy Act, incorporating the Amendments and Supplements to the Energy Act, as adopted by the National Assembly on 12 January 2023, re-adopted on 27 January 2023, and promulgated in State Gazette No. 11 of 2 February 2023

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Amendments to the relevant primary or secondary legislation shall eliminate barriers, introduce a specific regulatory, and support framework for the construction, connection and operation of electricity storage facilities.

The Ministry of Energy provided a table with identified barriers and how they have been overcome by the introduction of a specific regulatory and support framework by means of the amendments to primary or secondary legislation (see evidence iv.). The amendments introduced by Bulgarian authorities cover the relevant primary and secondary legislation regulating the electricity markets and its participants.

Regarding the construction of electricity storage facilities, barriers included the lack of adequate regulation to provide for a formal legal definition of electricity storage facilities and recognising the possibility to construct and own such assets. Bulgarian authorities removed barriers in that regard by introducing amendments to the Energy Act through the Law on Amendments and Supplements to the Energy Act, adopted by the National Assembly on 12 January 2023, re-adopted on 27 January 2023, and published in the State Gazette No. 11 of 2 February 2023 (see evidence i.). According to Art. 5(5) of the Constitution of the Republic of Bulgaria, laws enter into force three days after their publication in the State Gazette. Consequently, the Law on Amendments and Supplements to the Energy Act (hereinafter: the Energy Act) entered into force on 6 February 2023. In this regard, Art. 62a. of the Energy Act provides for a formal definition of electricity storage and introduces in Art. 90a. the option to construct electricity storage facilities next to electricity generation facilities (co-location), at customer sites, and as a stand-alone facilities. Moreover, Art. 61c. of the Energy Act defines electrochemical facilities for the storage of electricity as movable objects within the meaning of the Spatial Development Act. By this, electrochemical facilities like electricity batteries benefit

from a simplified placement regime, providing an exemption from the requirement of obtaining a construction permit, which is otherwise applicable for non-movable objects. Art. 87a. and 90(2) of the Energy Act further clarify that the electricity transmission as well as the electricity distribution network operators do not have the right to develop electricity storage facilities, thus defining the eligible market participants to own storage facilities.

Regarding the connection of electricity storage facilities and the access to the electricity grid, a general lack of regulation was recorded. Bulgarian authorities therefore introduced amendments to the Energy Act through the Law on Amendments and Supplements to the Energy Act, as the relevant piece of primary legislation. Moreover, Ordinance No. 6 for the connection of sites to electricity networks as adopted by the Energy and Water Regulatory Commission under Protocol No. 87 of 28 March 2024 and promulgated in State Gazette No. 28 of 2 April 2024 (see evidence iii.), which entered into force on 2 April with the Promulgation in the State Gazette in accordance with Paragraph 8 of the Transitional and Final Provisions to Ordinance No. 6, was amended. The amendments to the Energy Act provide in Art. 90b.(1) for equal access of electricity storage facilities to the electricity grid and introduce in Art. 116(3) an obligation for the electricity network operator to expand the network in order to connect electricity storage facilities to the grid. Electricity storage facilities now also benefit from a simplified connection regime with electricity storage facilities constructed at an energy facility producing electricity and/or heat requiring only a notification and annex to the existing grid access agreement to be connected to the grid as provided under Art. 116 (11) and Art. 117 (12) of the Energy Act. Ordinance No. 6 on the detailed rules for connection of sites to electricity networks was amended to also introduce a dedicated chapter (Chapter IV) on the rules for connection of electricity storage facilities.

With respect to the operation of electricity storage facilities, barriers concerned a lack of regulation for storage facilities to participate in the transaction of electricity in electricity markets. This barrier was overcome through legislative amendments to the Energy Act, as introduced through the Law on Amendments and Supplements to the Energy Act. In this regard Art. 92(6b) of the Energy Act introduces the possibility for electricity storage facilities to participate in electricity transactions. This is also reflected in the Rules for amendment and supplement to the Electricity Trading Rules (see evidence ii.), which entered into force on 1 May 2023 in accordance with Paragraph 71 of the Final Provisions of the Rules for amendment and supplement to the Electricity Trading Rules (hereinafter: Electricity Trading Rules). Art. 6 of the Electricity Trading Rules now provides for the possibility of electricity storage facilities to conclude transactions with the transmission operator for the purchase and/or sale of electricity and further specifies the rules for electricity storage facilities to participate in electricity transactions. In this regard, the Energy Act under Art. 90b(3), in combination with the Electricity Trading Rules under Art. 27 (2), introduce new regulations, which prevent the application of double grid tariff by specifying that the respective storage facility operator is obliged to pay network charges only for the difference between the purchased electricity and the amount fed back into the grid, and hence charges for electricity storage operators only apply for the net amount of electricity consumed. In addition, according to newly introduced provisions under Art. 39(4)7 of the Energy Act, no additional administrative burden of obtaining a licensing for storage is introduced, and only the issuance of a license for storage facilities participating in electricity trading is required. Bulgarian authorities moreover established in Art. 90c. of the Energy Act the obligation for electricity storage facility operators to comply with standards of quality and reliability, thus legally defining safety standards for the operation of storage facilities.

The legislative amendments introduced in the Energy Act and in Ordinance No. 6 and in the Electricity Trading Rules eliminated barriers concerning construction (see Art. 62a, Art. 90a, Art 61c, Art 87a, and Art 90(2). Of the Energy Act), connection (see Art. 90b (1), Art 116(3), Art. 116 (11), Art. 117(12) of the Energy Act and Chapter IV of Ordinance No. 6) and operation (see Art. 39(4)7,

Art. 90c, Art. 90b(3), Art. 92(6b) of the Energy Act, Art. 27(2) of the Electricity Trading Rules) and thereby introduce the elements of support of enabling and facilitating the integration of electricity storage into the Bulgarian electricity network that, when taken together, constitute a 'support framework',
Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 105	Related Measure: C4.I7: Boosting the use of renewable energy from geothermal sources
Name of the Milestone: Entry into force of legal acts regarding the use of renewable energy from geothermal sources	
Qualitative Indicator: Provision indicating the entry into force of legal acts	**Time:** Q4 2022

Context:

The investment aims to promote the production of renewable energy from geothermal sources by amending the regulatory framework for geothermal energy and launching an online geothermal tool.

Milestone 105 concerns the entry into force of legal acts to remove key regulatory impediments, provide that there is no pollution of groundwater and water surfaces, and regulate the use of geothermal energy as a resource.

Milestone 105 is the first step of the implementation of the investment. It will be followed by milestone 106 related to the launch of a geothermal online tool. The investment has a final expected date for implementation on 30 June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. A summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. A copy of Decree No 185 of 11 October 2023 establishing the Act amending and supplementing the Energy from Renewable Sources Act, published in the State Gazette No 86 of 13 October 2023 and a link: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=200211;
iii. A copy of the consolidated version of the Energy from Renewable Sources Act, as amended through the Act amending and supplementing the Energy from Renewable Sources Act published in the State Gazette No 86 of 13 October 2023;
iv. Consolidated version of the Water Act, as amended through the final provisions of the Act amending and supplementing the Energy from Renewable Sources Act published in the State Gazette No 86 of 13 October 2023 and a link: https://lex.bg/laws/ldoc/2134673412;
v. A copy of the consolidated version of the Underground Resources Act, as amended through the final provisions of the Act amending and supplementing the Energy from Renewable Sources Act published in the State Gazette No 86 of 13 October 2023 and link: https://lex.bg/laws/ldoc/2134650880;
vi. A copy of the consolidated version of the Spatial Development Act, as supplemented through the final provisions of the Act amending and supplementing the Energy from Renewable Sources Act published in the State Gazette No 86 of 13 October 2023 and link: https://lex.bg/laws/ldoc/213516390; and

The authorities also provided:

vii. The report "Legal, Regulatory and Institutional Review of Bulgaria's Geothermal Sector" produced by the World Bank and dated May 2023.
viii. A table mapping the recommendations from the World Bank report (evidence vii) and the amendments made to the relevant provisions of the legislative acts listed as evidence ii to vi above, prepared by the Ministry of Energy.
ix. A copy of Decree No. 883 of 24 April 1974 on the implementation of the Law on Regulatory Acts.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Entry into force of legal acts regarding the use of renewable energy from geothermal sources

Provision indicating the entry into force of legal acts

Bulgaria adopted the Act amending and supplementing the Energy from Renewable Sources Act published in the State Gazette No 86 of 13 October 2023 with entry into force from the same day, established by its § 90 (evidence ii). The transitional and final provisions of this amending Act also amend the Water Act, the Underground Resources Act and the Spatial Development Act (evidence iv – vi).

The legal acts shall: 1. remove key impediments identified in the roadmap for the development of geothermal energy as a renewable energy source; 2. provide that there is no pollution of groundwater and water surfaces, both in geothermal energy studies and during operation of the installation; 3. regulate the use of geothermal energy as a resource. Furthermore, in line with the description of the measure, **the measure includes entry into force of legal acts that shall remove key impediments identified in the roadmap for the development of geothermal energy as a renewable energy source, and regulate the use of geothermal energy.**

The Act amending and supplementing the Energy from Renewable Sources Act addresses all the requirements listed in the milestone description as follows:

- Remove key impediments identified in the roadmap for the development of geothermal energy as a renewable energy source: 'part IV: Roadmap and action plan' of the report from the World Bank (evidence vii, page 98) identifies key impediments for the development of geothermal energy as a renewable energy source and provides recommendations for changes to the legal and regulatory framework in Bulgaria (evidence vii, section 3.2, page 82). In this section, a general recommendation is that "*a new legislation or amendments to the existing legislation should be introduced in order to create a system for regulating relations in the geothermal sector*" (point a). More specific recommendations are covered under point b relating to the legal definition of geothermal energy resources, point c relating to the ownership of geothermal energy resources, and point d relating to the permitting system. Section 4.2 lists the recommendations in a roadmap, together with proposed actions for the authorities. These recommendations are: 1. Legally define the geothermal energy resources, 2. Define the ownership of geothermal energy resources and 3. Provide for clear permitting framework and procedures related to the exploration and utilisation of Geothermal energy resources. Bulgaria provided a mapping of these recommendations from the roadmap and of the relevant legal articles of the Act amending and supplementing the

Act on Energy from Renewable Sources Act, which also amends and supplements, through its final provisions, the Water Act, the Underground Resources Act and the Spatial Development Act (evidence viii). The mapping identifies the legal articles address each of the three recommendations. The analysis of the evidence has confirmed that the mapping covers all key impediments and that the legislative amendments address the three recommendations as follows:

Recommendation from the roadmap	Relevant provision(s) of the Act amending and supplementing the Act on Energy from Renewable Sources Act (evidence ii)
1. Legally define the Geothermal Energy Resources	§ 65 additional provisions, paragraph 1, introduces definitions of geothermal [energy] resources including hydro-geothermal with a cross-reference to the Water Act in the additional provisions of the Energy from Renewable Sources Act. *(evidence ii, page 25)* § 84 additional provisions, paragraphs 1 and 2, introduce "shallow geothermal resources" and "deep geothermal resource" under article 2 of the Underground Resources Act. *(evidence ii, page 34)* §84 additional provisions, paragraph 15, adds a definition of deposit of underground resources, mining waste and underground resources – which all include geothermal resources – in the additional provisions of the Underground Resources Act (*evidence ii, page 35)*.
2. Define the ownership of Geothermal Energy Resources	§ 84 additional provisions, paragraphs 1 and 2, introduce "shallow geothermal resources" and "deep geothermal [energy] resource" as underground resources under article 2 of the Underground Resources Act. *(evidence ii, page 34).* Article 3 of the Underground Resources Act stipulates that deep underground resources are exclusively owned by the State (*evidence v, page 2).* § 84 additional provisions, paragraph 9, modifies article 29 of the Underground Resources Act and specifies concession ownership of geothermal areas. *(evidence ii, page 34)*
3. Provide for clear permitting framework and procedures relating to the exploration and utilization of Geothermal Energy Resources	The introduction of definitions and distinctions between the different types of geothermal resources allows clarity on the legal framework that applies for permitting procedures. The following amendments also contribute to creating a clear permitting framework and procedures, notably by introducing a framework for the prospection, exploration and extraction of deep geothermal resources. § 22, paragraph 2, modifies article 17 of the Energy from Renewable Resources Act and sets out deadlines for the issuance of a building permit for heat pumps and geothermal heat pumps. *(evidence ii, page 8)* § 23, paragraph 3, modifies article 18(3) of the Energy from Renewable Resources Act to prioritise connection of facilities for the production of heat from geothermal energy to the heat transmission network (*evidence ii, page 9)* § 58 modifies article 53 of the Energy from Renewable Resources Act to specify reporting requirements for shallow geothermal energy producers (*evidence ii, page 22*) § 84 additional provisions, paragraphs 10 and 11, modify articles 31 and 32 of the Underground Resources Act which set out rules for permission for prospection and exploration or exploration of deep geothermal resources. *(evidence ii, page 34)* § 84 additional provisions, paragraph 14, modifies article 54 of the Underground Resources Act and cross-references the Water Act for

	information and documents required for concessions for deep hydro geothermal resources. *(evidence ii, page 35)* § 81 additional provisions, paragraphs 3 and 4 modify article 147 and article 151 of the Spatial Development Act to simplify some of the building permits procedures for shallow geothermal resources (*evidence ii, page 33)*. § 85 additional provisions, paragraph 1 to paragraph 7, modifies articles 44, 46, 47, 48 and 49 under Chapter III use of water and water bodies of the Water Act. These articles specify rules applicable for use and extraction of water, including for geothermal resources. In the same chapter, a new article 46b cross references to the requirements for deep geothermal resources under the Underground Resources Act (*evidence ii, page 36).* § 85 additional provisions, paragraphs 8 to 12, modify articles 50, 56, 57, 62(a) and 68 under Chapter IV Authorisation scheme of the Water Act. These articles set out rules for permitting, including for hydro-geothermal resources. (*evidence ii, page 37*) § 85 additional provisions, paragraphs 13 to 15 modify articles 116, 118a and 118d under Chapter VIII Protection of water and water bodies of the Water Act. These articles stipulate the rules for the environmental protection of all waters, including during the exploration and extraction of hydro-geothermal resources. Article 116 requires that all waters and water bodies shall be protected including the achievement of a sustainable status of the geothermal potential of the water. (*evidence ii, page 37)*

- Provide that there is no pollution of groundwater and water surfaces both in geothermal energy studies and during operation of the installation: the amended articles 116, 118(a) and 118(d) of the revised Water Act (evidence iv) cover the protection of water and body of water including for geothermal use including on sustainability, conditions for injection and reinjection of water, and recording of geothermal systems for the exploitation of hydro geothermal resources. Article 116 in particular states that "*All waters and water bodies shall be protected from depletion, pollution and damage in order to maintain the required quantity and quality of water and a healthy environment, preserve ecosystems, preserve the landscape and prevent economic damage […]*" which confirms that both groundwater and water surfaces are covered by the Water Act. This article also states that this includes achieving a sustainable status of the geothermal potential of the water. Article 46b states that the relevant provisions of water use under the Water Act will apply to the relevant permit for prospection and exploration or exploration, or a concession for extraction, of deep geothermal resources issued under the Underground Natural Resources Act, therefore covering both shallow and deep geothermal resources. The Water Act does not distinguish between type of use and therefore applies to both energy studies as well as operation of geothermal installations.
- Regulate the use of geothermal energy as a resource: this includes the following Articles: 17, 18(3), 53 and the supplementary provisions of the amended Energy from Renewable Resources Act (evidence iii) which introduce a more detailed definition of geothermal resources, the prioritisation of connection of facilities for the production of heat from geothermal energy to the heat transmission network, some reporting requirements for shallow geothermal energy producers and conditions for permits for geothermal heat pumps; Articles 2, 15(a), and 29 of the amended Underground Resources Act (evidence v)

allow the introduction of deep geothermal resources under the remit of the Act, which lays down the conditions for prospection, exploration and extraction of underground resources and clarify conditions for concessions; Articles 44, 46 to 50, 56, a 62(a), 68, 116, 118(a) and 118(d) of the amended Water Act (evidence iv) clarifies rights for abstraction and exploration of deep geothermal resources, rules for permits and concessions, and rules to ensure that there is no pollution of groundwater and water surfaces.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 114	Related Measure: C4R9 Roadmap to Climate Neutrality
Name of the Milestone: Adoption by the Council of Ministers of a Decision on a Roadmap to Climate Neutrality	
Qualitative Indicator: Council of Ministers Decision adopted	**Time:** Q3 2022

The measure aims to provide an updated strategic framework for the decarbonisation of the economy. The reform covers the establishment of an Energy Transition Commission to prepare scenarios and recommendations, and the adoption of a Council of Ministers' decision on a roadmap to Climate Neutrality.

Milestone 114 requires the adoption by the Council of Ministers of a Decision on a Roadmap to Climate Neutrality. The Roadmap shall set the final date for the coal/lignite phase out at the latest by 2038, as identified in one of the scenarios developed by the Energy Transition Commission in its Report with scenarios and recommendations.

Milestone 114 is the second and last milestone of the reform and it follows milestone 113 related to the establishment of the Green Energy Transition Commission.

Evidence provided:

The Bulgarian authorities provided the following evidence:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of Decision of the Council of Ministers No 618 of 13 September 2023 concerning the adoption of the Report on scenarios and recommendations for decarbonisation of the energy sector and a Roadmap to climate neutrality;
iii. Copy of Decision of the Council of Ministers No 702 of 5 October 2023 updating the Climate Neutrality Roadmap proposed to the National Assembly by Decision of the Council of Ministers No 618 of 2023;
iv. Copy of Decision of the Council of Ministers No 59 of 26 January 2024 updating the Climate Neutrality Roadmap proposed to the National Assembly by Decision of the Council of Ministers No 618 of 2023 and updated by Decision of the Council of Ministers No 702 of 2023;
v. Copy of Decision of the Council of Ministers No 482 of 4 July 2024 proposing to the National Assembly an updated Climate Neutrality Roadmap proposed to the National Assembly by Council of Ministers Decision No 618 of 2023 and updated by Council of Ministers Decisions No 702 of 2023 and No 59 of 2024;
vi. Copy of the published report of the Energy Transition Commission to the European Green Deal Advisory Council of the Council of Ministers on scenarios for the decarbonisation of the energy sector (2023);
vii. Copy of the Roadmap to Climate Neutrality annexed to the Council of Ministers' Decision No 482 of 4 July 2024.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The Council of Ministers shall adopt a Decision on a Roadmap to Climate Neutrality.

The Council of Ministers adopted with Decision No 618 of 13 September 2023 the Report with scenarios and recommendations on the decarbonisation of the energy sector.

On 4 July 2024, the Council of Ministers adopted Decision No 482 on a Roadmap to Climate Neutrality. The Roadmap to Climate Neutrality is annexed to Decision of the Council of Ministers No 482 and constitutes an update of the version of the Roadmap to Climate Neutrality annexed to the Council of Ministers' Decisions No 618 of 2023, No 702 of 2023 and No 59 of 2024.

The Bulgarian legal framework does not require the publication on the State Gazette of decisions of the Council of Ministers (see Article 4(1), point 8 of the Law on the State Gazette). Council of Ministers' decisions – including Decision No 618 of 13 September 2023 and Decision No 482 of 4 July 2024 – produce their effects as of their adoption.

The Roadmap shall set the final date for the coal/lignite phase out at the latest by 2038, as identified in one of the scenarios developed by the Energy Transition Commission in its Report with scenarios and recommendations.

The roadmap presents key milestones up until 2045 for a transition to a climate-neutral economy and stipulates that, "*Based on the conclusions of the Commission's Energy Transition Report, the end date for the phase-out of coal is 31.12.2038"* (page 13, Roadmap to Climate Neutrality). This is in line with the "BES-ETC" scenario in the Energy Transition Commission report which models a final coal phase out date of 2038 (page 19, Scenario report and recommendations developed by the Energy Transition Commission).

Furthermore, in line with the measure description, **the Commission shall assess different scenarios for the coal/lignite phase out, including for an accelerated phase-out.**

The Commission considers that there is a clerical error in the text of the Council Implementing Decision as regards the description of reform C4R9 and has undertaken the assessment on a revised basis. In such description, it is stated that the 'Commission shall assess different scenarios for the coal/lignite phase out, including for an accelerated phase-out'. However, other parts of the description refer to the 'Energy Transition Commission' and its mandate includes the assessment of the different scenarios and models available for decarbonisation of Bulgaria's economy and accompanying scenarios considering coal phase-out by 2038 at the latest (Article 6(2)(3) of Decree No. 86 of the Council of Ministers of 2020 on the establishment of the Advisory Council for the European Green Deal). As explained further below, Bulgaria has submitted substantiating evidence demonstrating that the Energy Transition Commission's report provides an assessment of different scenarios for the coal/lignite phase out. Therefore, the description should be read as referring to the 'Energy Transition Commission'. Against this background, the justification and substantiating evidence provided by the Bulgarian authorities cover all constitutive elements of the milestone.

The report from the Energy Transition Commission provides an assessment of four different scenarios for a phase out of coal/lignite: a coal phase out by 2038 (hereinafter referred to as the "BES-ETC scenario") with two variations, namely with or without natural gas as an intermediary

step, and an accelerated phase out of coal/lignite by 2030 (hereinafter referred to as the "ETC-L30 scenario") with two variations, namely with or without natural gas as an intermediary step.

The BES-ETC scenario with natural gas as intermediary step foresees a gradual reduction in carbon emissions by 2040, with lignite production being gradually replaced by gas capacity in the transitional period until 2035 and from 2035 to 2040 by nuclear capacity. In the variation without natural gas as an intermediary step, it is assumed that additional 700 MW of lignite capacity remains operational in the transitional period. The ETC-L30 scenario assumes that the accelerated coal power plants phase out takes place by 2030 at the latest. For both scenarios, the report includes variations providing for a temporary increase in natural gas-based electricity production.

Furthermore, in line with the description of the measure, **the scenario report and the recommendations shall be made public.**

As recalled in the positive preliminary assessment of the satisfactory fulfilment of milestones and targets related to the first payment request submitted by Bulgaria on 31 August 2022, transmitted to the Economic and Financial Committee by the European Commission, according to Article 6(2)(3) of the Government Decision establishing the Energy Transition Commission, the scenarios and the recommendations that the Energy Transition Commission was mandated to produce were to be addressed to the Government and made publicly available.

The Energy Transition Commission's report was published on the website of the Council of Ministers, section Legal Information System of the Council of Ministers and is publicly accessible through the link:
https://pris.government.bg/document/0215f00d56ab3cbf53e3cf256f0d4c59

Furthermore, in line with the description of the measure, **the scenarios and recommendations developed shall include steps for completing the phase out of coal/lignite at the latest by 2038.**

The report from the Energy Transition Commission includes scenarios and modelling for the decarbonisation of the Bulgarian energy sector using two models: Compass Lexecon's pan-European wholesale electricity market model and the ClimAct Pathway Explorer (page 9, Scenario report and recommendations developed by the Energy Transition Commission). The report details the underlying assumptions used by both models and defines four scenarios for a phase out of coal/lignite, as specified above. The modelling is informed, *inter alia,* by policies and measures described in the Bulgarian National Energy and Climate Plan and in the Bulgarian Recovery and Resilience Plan. The recommendations from the report set out high level steps towards decarbonisation and the coal phase out, including the need for: harmonisation of strategic documents in the energy sector; focused investments in new renewable energy generation, transmission and storage capacities, energy efficiency and low-emission technologies across all sectors of the economy; updates or development of decarbonisation strategies in the sectors of industry, transport, buildings, agriculture and land use; and drawing up and implementing a mining programme for the coal mine Mini Maritsa Iztok, with a view to phasing out thermal power plants no later than 2038. Furthermore, the Roadmap to climate neutrality developed on the basis of the report and adopted by the Council of Ministers includes more detailed steps by 2024, 2030, 2035, 2040 and 2045 (pages 9-15, Roadmap to Climate Neutrality). These include steps for completing the phase out of coal by 2038, stipulating the instruments and measures to be put in place – supported by national policies/funding and EU funds (such as the Recovery and Resilience Facility and the Just Transition Fund) – as well as the gradual decrease of coal capacity by 2024, 2030 and 2035.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 126	Related Measure: C5.R1: Establishment of the governance structure of Natura 2000 Network
Name of the Milestone: Amendments to the Biodiversity Act	
Qualitative Indicator: Entry into force	**Time:** Q3 2022

Context:

The measure aims to set up the management structures for the Natura 2000 network at national and regional level and to introduce requirements for developing network management plans. The reform will also introduce a requirement for all protected areas to be managed on the basis of planning documents defining site-specific conservation objectives and measures.

Milestone 126 requires the entry into force of the amendments to the Biodiversity Act.

Milestone 126 is the only milestone of this reform. The reform has a final expected date for implementation in Q3 2022.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. A summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy and link to the publication in the State Gazette No 88 of 20 October 2023 of the legislative amendments to the Biodiversity Act, which entered into force on 24 October 2023 and can be accessed at the following link: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=200364

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The amendments to the Biodiversity Act shall introduce the requirement to create structures for the management of the Natura 2000 network at national and regional level and to develop network management plans.

The Bulgarian authorities provided a copy and a link to the State Gazette No 88 of 20 October 2023 (see evidence ii) amending the Biodiversity Act. The amendments include the following provisions:

- New article 115a setting out the responsible structure for the management of the Natura 2000 network at national level and their responsibilities, including the approval of management plans for protected areas. In particular, this new article establishes that the Minister for Environment and Water is the responsible body for the management of the network at national level. Its responsibilities include, *inter alia*, the development and validation of methodological guides and guidelines to ensure a consistent approach for the planning and management of the network; the collection, validation and analysis of scientific data; and the approval of management plans;
- New article 117a setting out the responsible structures for the management of the Natura 2000 network at regional level and their responsibilities, including the development of territorial management plans. In particular, this new article establishes that the responsible

regional management body for protected areas will be the director of the respective Regional Environmental and Water Inspectorate for activities in the responsibility of the Regional Environmental and Water Inspectorate. For protected zones in the areas of national parks under the Protected Areas Act, the authority for the management of protected zones is the director of the relevant National Park Directorate. For protected zones and parts of protected areas falling within the marine spaces, the Director of the Black Sea Region Directorate will be responsible. The article sets out the responsibilities of these bodies which include, *inter alia,* preparing the management plans, implementing and coordinating measures from the management plans, chairing the stakeholder committee as well as defining the role of a territorial stakeholder committee to be set up by the regional structure to support the development, update and amendment of the management plans;;

- Article 27 is amended to require the establishment of territorial management plans for all protected areas.
- Article 28 and article 29 are amended to set out the requirements for the development of the territorial management plans;
- Article 116 is amended to extend the composition of the National Biodiversity Council to include a broader range of stakeholders including NGOs and regional and local representatives when discussing the Natura 2000 network management.

The amendments shall also introduce the requirement that all protected areas are managed on the basis of planning documents, which shall define site-specific conservation objectives and measures.

All constitutive elements of this requirement are covered in the revised Biodiversity Act provided by the Bulgarian authorities (see evidence ii). The act in effect provides for two types of planning documents:

- New article 12a of the amended Biodiversity Act sets out the requirement to develop site-specific conservation objectives for all protected areas. It establishes the Minister for Environment and Water as the responsible entity for their development and sets out how the proposals for the objectives are to be developed, as well as their approval process and conditions for amendments.
- Amendments to article 27, article 28 and article 29 set out the requirements for the development of the territorial management plans for all protected areas. These requirements include the scope of the management plans depending on the territory they relate to (protected areas under the remit of Regional Inspectorates for Environment and Water, national parks, marine areas). Further, the amendments stipulate that all protected areas within Bulgaria's territory and maritime areas should be covered and introduce a 6-month deadline for the update of the relevant Territorial management plans after the designation of new protected areas; the timeline for reviews and updates of the plans; and the types of measures the plan should include;

Amended article 29(1) of the Biodiversity Act requires that the management plans referred to under article 27 of the Act provide measures to achieve the conservation objectives of the protected areas.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 138	Related Measure: C7.R2: Efficient use of the radio frequency spectrum
Name of the Milestone: Notification of assignment of the rights of use to operators in the 26 GHz band	
Qualitative Indicator: Notification of assignment	**Time:** Q2 2025

Context:

The objective of the reform is to address the challenges of 5G readiness and promote the accelerated deployment of 5G networks. This includes in particular the accelerated spectrum assignment process in several spectrum bands such as the 26 GHz band.

Milestone 138 requires the notification of assignment rights of use to operators in the 26 GHz band.

Milestone 138 is the second milestone of the reform, and it follows the completion of milestone 137, related to the entry into force of the decree on the reduction of radio spectrum fees. It will be followed by milestone 139, related to completion of assignment of the available spectrum in the 700 MHz and 800 MHz bands. The reform has a final expected date for implementation in Q2 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Decision No 337/ 13.10.2022 for adopting the results from the conducted public consultation (Annex 2).
iii. Letters with ref. numbers 08-01-640-1/25.11.2022, 08-01-641-1/25.11.2022, 08-01-643-1/25.11.2022 and 19-00-201-1/28.11.2022, informing the telecoms operators that the authorizations to use spectrum in the 26 GHz band have been issued (Annex 6).
iv. Copy of the permissions for the assignment rights in the 26 GHz spectrum band, specifying the requirements and obligations (Annexes 7-10).

The authorities also provided:

v. Decision No 296/25.08.2022 of the National Regulatory Authority opening a public consultation procedure (Annex 1).
vi. Decision No 338/13.10.2022 to announce a secret bidding tender for issuance of one authorization to use block M (radiofrequency band 26700-26900 MHz) (Annex 3).
vii. Decision No 354 of 27.10.2022 for adopting the documentation for the tender (Annex 4).
viii. Copy of tender documentation (Annex 5).

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Notification of assignment of rights of use to operators in the 26 GHz spectrum band.

The assignment of the rights of use in the 26 GHz spectrum band was preceded by a public consultation in accordance with the Law on Electronic Communications. With decision No 296.25.08.2022 (Annex 1), the Communications Regulation Commission ("CRC") opened a public consultation on the intention to limit the number of authorisations in the frequency band 26 GHz to 10 in total, each for 200 MHz. Pursuant to Article 90, paragraph 2 in conjunction with Article 89,

paragraph 1 of the Law on Electronic Communications, the number of authorisations for which each telecom operator could declare an 'intention' was three (maximum of 600 MHz). In establishing this limit, the CRC took into account the regulatory policy for the management of radiofrequency spectrum for civil needs and the available resources in the 26 GHz spectrum band. The objective was to create conditions to promote competition in electronic communication networks and services as well as to promote the efficient and effective use of the radiofrequency spectrum.

The results of the public consultation were adopted by Decision No 337/13.10.2022 (Annex 2). Based on the results of the public consultation, there were no overlapping 'intentions' in nine out of the announced ten spectrum blocks[11]. Therefore, the intentions for specific frequency blocks, expressed by operators, was equal to the number of authorisations, which can be issued for them. In line with Article 90, paragraph 4 of Law on Electronic Communications, in case the number of submitted applications is equal to the number of the authorisations which can be issued, the CRC can undertake actions to issue the authorisations directly (i.e. without carrying out a further auction which would simply replicate the results of the public consultation). Decision No 337/13.10.2022, made public on the website of the CRC, announced that the CRC would take the following actions, pursuant to Art. 90, para. 4, item 2 of the Law on Electronic Communications:

- take actions to issue permits for those blocks for which there were no overlapping intentions by operators;
- adopt a decision to announce a tender for frequency block M (frequency band - 26700 – 26900 MHz).

The CRC thus proceeded on the basis of Article 90, paragraph 4 of the Law on Electronic Communication with the issuance of the authorisations for which the telecom operators expressed interest during the public consultation. The authorisations were issued on 17.11.2022 and the CRC sent letters informing the operators about the issued authorisations on 28.11.2022.

For one of the ten spectrum blocks to be assigned (block M), two telecom operators initially declared an 'intention' during the public consultation (A1 and Vivacom) (Annex 2). As a result, the CRC adopted a decision to announce an auction (Decision No 338/ 13.10.2022, Annex 3). The announced auction was planned to be carried out by means of secret bidding and the CRC adopted the required documentation to launch the auction (Decision No 354/27.10.2022, Annex 4). However, only one application was submitted for participating in the auction (by the telecom operator Vivacom) and holding an auction was thus no longer justified. The CRC therefore proceeded with issuing an authorisation to Vivacom on 24.11.2022, which was communicated via a letter on 28.11.2022.

As a result of the above procedures, the CRC issued permissions for the assignment of rights (Annexes 7-10) to three telecoms operators.

[11] "Networkrs Bulgaria" had also expressed intentions for three of the blocks which overlapped with those of other operators. However, the company did not meet the eligibility requirements and was therefore excluded from further participation in the procedure. In its decision, the Communications Regulation Commission provided detailed justification explaining that, in line with the Regulatory policy for the management of the radio frequency spectrum for civil needs, the frequency resource in the 26 GHz range is to be provided to enterprises with already secured radio frequency spectrum with other authorizations and enterprises that have the technical and financial capabilities to achieving good coverage and quality of the provided service by upgrading and developing the existing networks.

In line with the description, the measure, foresees accelerated spectrum assignment process in the 700 MHz, 2.6 GHz, 3.6 GHz and 26 GHz bands.

Bulgaria has been lagging behind with the spectrum assignment, which has been reflected in all Digital Economy and Society Reports issued by the Commission between 2018 and 2022. The inclusion of reform C7.R2 in the plan has accelerated the process, which has been stagnating for many years. The assignment ensures the efficient use of the spectrum for the development of 5G networks in Bulgaria.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 162	Related Measure: C8.R1: Strategic transport framework
Name of the Milestone: Strengthening the capacity to manage and implement TEN-T railways projects	
Qualitative Indicator: Independent audit completed	**Time:** Q4 2022

Context:

Milestone 162 is part of Reform C8.R1, which aims at enhancing the sustainability of transport, through the update of Bulgaria's national strategic framework. In the context of this reform, two sub-measures are included, namely i) the development of the National Plan for the Development of Combined Transport in Bulgaria by 2030, and ii) implementation of rail transport priorities established under the National Development Programme Bulgaria 2030. As to the latter, the reform shall result in a higher technical capacity to prepare and implement projects on the Trans-European Transport Network (TEN-T) railways network.

The milestone concerns the completion of independent capacity audits of the responsible bodies for transport investments, particularly the National Railway Infrastructure Company (NRIC), the Road Infrastructure Agency (RIA) and the Ministry of Transport and Communication.

Milestone 162 is the second milestone or target of the reform, and it follows the completion of milestone 161, related to the entry into force of the National Plan for the Development of Combined Transport in Bulgaria by 2030. It will be followed by milestone 163 linked to the implementation of capacity building measures in the bodies responsible for the investments in the transport sector, which have to be in line with the conclusions of the audits. This reform also includes milestones 164 and 165, related to the conclusion of a new Public Service contract (PSC) for public rail transport services. The reform has a final expected date for implementation in Q4 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

ix. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
x. A copy of the audit report of 26 April 2023 issued by Grant Thornton assessing the organisation, administrative and technical capacity of the Ministry of Transport and Communications (MTC) and the National Railway Infrastructure Company (NRIC) to prepare and implement TEN-T railways projects in line with EU objectives included in TEN-T Regulation and RRP targets.
xi. A copy of the audit report of April 2023 issued by Proxima Consult EOOD assessing the organisation, administrative and technical capacity of the Road Infrastructure Agency (RIA)

to prepare and implement TEN-T road projects in line with EU objectives included in TEN-T Regulation and RRP targets.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities cover all constitutive elements of the milestone.

The responsible bodies for transport investments, such as the National Railway Infrastructure Company (NRIC), Road Infrastructure Agency, together with the Ministry of Transport and Communication, shall be subject to an independent audit of their organisation, administrative and technical capacity to carry out the management and coordination, tendering procedures, financial management, monitoring, and internal quality control and reporting.
Two separate audits were conducted, one on the NRIC and the Ministry of Transport and Communications (MTC) and another on the Road Infrastructure Agency (RIA).

For the first audit, concerning the NRIC and the MTC, the auditor was selected following the procedure No. 00042-2022-0015, published on 16 December 2022, with the subject "Conducting an independent audit of the capacity of the Ministry of Transport and Communications and the National Railway Infrastructure Company for management and coordination of activities in connection with the preparation and implementation of railway projects for the development of the Trans-European Transport Network" (*Извършване на независим одит на капацитета на Министерството на транспорта и съобщенията и Национална компания „Железопътна инфраструктура" за управление и координация на дейности, във връзка с подготовка и изпълнение на железопътни проекти за развитие на Трансевропейската транспортна мрежа*). The contractor was the Ministry of Transport and Communications, which launched a tender for the public procurement under the Public Procurement Act on 16 December 2022. Two offers were received and the decision to award it to Grant Thornton LTD was taken on 27 February 2023. The procedure was concluded on 18 May. The tender procedure ensures that the company is conducting the audit in an independent manner.

The audit report, completed by the independent auditor, was provided as evidence (see point ii above).

For the second audit, concerning the RIA, the auditor was selected by […] following procedure No. 00044-2023-0025, published on 27 February 2023, with the subject "Conducting an independent audit of the capacity of the Road Infrastructure Agency" (*Извършване на независим одит на капацитета на Агенция „Пътна инфраструктура*). The contractor was the Ministry of Transport and Communications, which launched a tender for the public procurement under the Public Procurement Act on 27 February 2023. An offer was received and the decision to award it to Proxima Consult EOOD was taken on 17 May 2023. The tender procedure ensures that the company conducted the audit in an independent manner.

The audit report, completed by the independent auditor, was provided as evidence (see point iii above).

The responsible bodies for transport investments, such as the National Railway Infrastructure Company (NRIC), Road Infrastructure Agency, together with the Ministry of Transport and Communication, shall be subject to an independent audit **of their organisation, administrative and technical capacity to carry out the management and coordination, tendering procedures, financial management, monitoring, and internal quality control and reporting**.

For the audit on MTC and NRIC (report listed in *point ii* of the list of evidence above): in point 2 of the Introduction (page 7), the report provides a brief description of the subject of the audit, specifying that "*under the terms of the Technical Specifications for the public procurement procedure (…), the subject of the audit was the organisation, administrative and technical capacity of the Ministry of Transport and Communications and the State Enterprise National Railway Infrastructure Company to carry out their functions of management and coordination, public procurement, financial management, monitoring and internal quality control and reporting on rail projects on the TEN-T network, irrespective of their financing, with a view to achieving the objective of establishing the core TEN-T rail network in the Republic of Bulgaria by 2030.*"

Chapter I of the audit report concerning the NRIC and the MTC analyses the points mentioned above for both entities, divided in different sections:

- Section 1 provides a *general description of the key responsible rail investment institutions in terms of their capacity to build the core TEN-T network* in Bulgaria (page 8).
- Section 2 describes the *existing organisation, administrative and technical capacity to* ***manage and coordinate*** *activities.* This section covers the MTC and NRIC. For both entities the auditors describe their legal framework, internal rules and procedures, organisation of work, administrative capacity and technical capacity (including, for example, the identification of the administrative units that support the Minister of Transport and Communications in the implementation of policies and an analysis on whether the European funding is sufficiently used) (pages 9 to 20).
- Section 3 describes the *existing organisation, administrative and technical capacity to* ***organise and conduct public procurement procedures****.* Sub-section 3.1 focuses on MTC and 3.2 on NRIC and for both entities the report analyses the organisation of work, the administrative capacity and the technical capacity (on pages 20 to 22). For MTC, it focuses on ex-post controls for contracts awarded by the NRIC, but does not engage in prior control or coordination of public procurement procedures. In addition, the Public Procurement Control Unit is crucial for the administrative capacity concerning the control of public contracts awarded by NRIC. For NRIC, there is a risk that its capacity may not be sufficient to handle the expected increase in workload related to the core railway TEN-T network and other projects by 2030.
- Section 4 describes the *existing organisation, administrative and technical capacity for the* ***financial management*** *of activities.* Sub-section 4.1 focuses on MTC and 4.2 on NRIC and for both entities the report analyses the organisation of work, the administrative capacity and the technical capacity (pages 22 to 26). For the MTC, the Financial Management Department is responsible for monitoring expenditure from the national budget and the financial management of European Union funds allocated to projects, including maintaining the system of financial reporting of funds by the European Commission and the National Fund Directorate of the Ministry of Finance. The MTC performs financial control functions for projects, but does not engage in prior control or coordination of public procurement procedures. For NRIC, the Financial Planning, Control and Payments Unit is responsible for the financial management and control functions of projects co-financed by the ESIF in the NRIC. It demonstrates a high degree of efficiency in its work, but there is a risk that its capacity may not be sufficient to handle the expected increase in workload related to the core railway TEN-T network and other projects by 2030.

Section 5 describes the *existing organisation, administrative and technical capacity for* ***monitoring, internal quality control and reporting*** *of activities.* Sub-section 5.1 focuses on MTC and 5.2 on NRIC and for both entities the report analyses the organisation of work, the administrative capacity and the technical capacity (pages 26 to 33). One of the conclusions from this section is that the MTC and NRIC lack a clear long-term vision and overall readiness to start the construction of all routes included in the TEN-T core network, making it difficult to carry out an analysis of the potential

workload of staff and formulate clear performance indicators. In addition, the relatively high vacancy rate in Project Preparation, Management and Implementation Units of NRIC, along with the uncompetitive remuneration levels, contribute to a lack of staff with necessary qualifications and professional experience, leading to difficulties in efficiently implementing planned activities and achieving objectives related to the TEN-T core network projects.

For the audit on RIA (report listed in *point iii* of the list of evidence above): section II sets out the objectives and scope of the audit, stating that it "*covers all the parts of the RIA with management and coordination responsibilities, public procurement, financial management, monitoring and internal quality control and reporting for TEN-T projects, regardless of the funding of the latter"*. It further adds that *the subject of the audit was the organisation, administrative and technical capacity to carry out these functions with a view to achieving the objectives for TEN-T projects on the core network in the Republic of Bulgaria by 2030"* (page 5).

- Pages 6 to 8 focus on the **management and coordination** of RIA.
- Pages 49 to 53 review the **tendering procedures**.
- Pages 13 to 38 and 54 to 55 audit the **financial management** of the activities related to the construction of the main TEN-T railway network.
- Pages 8 to 9 and 26 to 33 focus on the **monitoring activities** of RIA.
- Pages 56 to 64 review the **internal quality control and reporting**.

The audit concluded, among other points, that the administrative and technical capacity of the Road Infrastructure Agency to manage and coordinate, public procurement procedures, financial management, monitoring, and internal quality control and reporting on the Trans-European Transport Network (TEN-T) is at a very good level; the availability of qualified experts is sufficient to ensure the technical implementation of TEN-T projects, and the required number of experts in the responsible directorates is sufficient to cover the workload; the coordination, financial management, monitoring, and financial control processes are supported by procedures, mechanisms, and arrangements that guarantee the lawful performance of tasks; the ongoing training courses are being carried out to improve the qualifications of employees, and legislative changes are also being made to clean up procurement processes.

The audit shall include the definition of the organisation, coordination, split of responsibilities and resources (quantity and profile of staff, other technical resources) needed to prepare and implement TEN-T projects in view of the objective of completing the TEN-T core network by 2030

For the audit on MTC and NRIC: chapter II of the report provides an *analysis of the strategy and description of the objectives for the implementation of the core trans-European rail network by 2030 in Bulgaria* (pages 34 to 45) and chapter III provides *conclusions whether the existing organisation, administrative and technical capacity in the MTS and NRIC is adequate and sufficient to achieve the 2030 targets* (pages 46 to 48). The auditors concluded that while the MTC and NRIC have generally established the conditions for planning, managing, and coordinating the activities for the construction of the TEN-T core rail network, there are significant challenges that question the overall efficiency of the activities and the country's ability to complete the core network by 2030. In terms of organisation and coordination, the auditors found that the MTC has the necessary units in place, which are well structured and generally staffed, with internal rules and procedures to support ongoing work. Concerning the split of responsibilities and resources, the auditors observed that the MTC has a generally positive administrative capacity with low staff turnover and necessary human resources for current work levels. However, they pointed out that an increase in the volume of activities could pose a major challenge, particularly for the Directorate of Coordination of Programmes and Projects, which is responsible for implementing activities funded by European programs. The auditors also noted a lack of specialists with specific professional training in the field

of railway construction. For the NRIC, the auditors reported serious weaknesses in administrative capacity, with the company struggling to attract new staff and facing high staff turnover, loss of motivation, and an unfavorable age structure of qualified employees. To implement TEN-T projects in view of the objective of completing the TEN-T network by 2030, the audit report recommends actions in the area of Activity Planning and Coordination, Organisation and Coordination of Activities, Strengthening Administrative Capacity and Strengthening Technical Capacity.

For the audit on RIA: the report provides in chapter 4 an analysis of the functions and tasks of the administrative structures of the RIA for the management, monitoring and control of TEN-T projects, identifying the relevant internal units (pages 22 to 29). Chapter 6 identifies the main findings in terms of organisations and structure (page 48), administrative and technical capacity (pages 49 to 54), and financial management and control (pages 54 and 55). In view of the objective of completing the TEN-T core network by 2030, it concludes that an analysis of the structure of the administration did not reveal inconsistencies or contradictions with the legal Acts in place on the structure, operation and organisation of the work of the RIA and the organisational structure of the Road Infrastructure Agency. It underlines that the structure of RIA is adequately organised at the level of the Directorate and Units to ensure that the RIA performs its functions. Coordination, financial management, monitoring, financial control, internal control processes are underpinned by procedures, mechanisms and arrangements that guarantee the lawful performance of the tasks. It also concludes that a sufficient number of qualified staff are available and ongoing training courses are being carried out to improve the qualifications of employees.

The milestone in the Council Implementing Decision is further specified in the Operational Arrangements, which require that the audit report shall include recommendations for improvement in terms of administrative capacity and organization to meet the TENT objectives and targets.

Following the analysis, chapter IV of the audit on MTC and NRIC (pages 49 to 51) makes *proposals for measures to change the organisation and/or strengthen the administrative and technical capacity of the MTS and NRIC*, addressing the requirement of the milestone.

For the Ministry of Transport and Communications, the audit report emphasizes the importance of enhancing administrative and organizational capacities to meet the TEN-T objectives. The report suggests that the MTC must coordinate better with NRIC and other stakeholders for effective project planning and implementation. It calls for establishing clear action plans with milestones, a financial framework for resource allocation, and legislative changes to address formal and legal barriers. Additionally, the MTC should strengthen its methodological role in public procurement and monitoring, and set up a comprehensive system for progress reporting. By attracting and retaining qualified professionals through improved remuneration and career advancement opportunities, and by updating training and performance appraisal systems, the MTC can build the necessary administrative capacity to ensure the successful completion of the TEN-T core network by 2030.
For the NRIC, the report highlights the need for organizational restructuring and capacity building to achieve TEN-T targets. It recommends filling vacant positions urgently, particularly in areas critical to project implementation, and securing additional qualified staff to address identified bottlenecks. The NRIC should also focus on improving coordination with the MTC and enhancing technical controls through comprehensive IT solutions and the involvement of external experts. By exploring successful practices in other Member States and implementing integrated project management tools, the NRIC can better manage and control project implementation. Moreover, the report encourages the exploration of measures to increase staff remuneration linked to performance to attract skilled professionals to the railway sector. Strengthening administrative and technical capacities in these ways is crucial for the NRIC to effectively contribute to the development of Bulgaria's core TEN-T

network infrastructure.

Regarding RIA, the audit report provides (pages 54 to 56) recommendations on public procurement and human resources to improve administrative capacity and organisation. The audit report concludes that the RIA has a very good level of administrative and technical capacity to manage, coordinate, and report on the TEN-T projects. The agency has sufficient qualified experts to technically implement TEN-T projects and the workload is adequately covered by the number of experts in the responsible directorates. The procedures and mechanisms in place ensure lawful task performance in areas such as coordination, financial management, monitoring, and internal quality control. Legislative changes are underway to streamline procurement processes, and the RIA maintains ongoing training to enhance employee qualifications.

However, the report identifies areas for improvement to better meet TEN-T objectives and targets. It recommends standardizing public procurement control measures and documentation across all administrations involved in TEN-T projects to minimize irregularities and speed up implementation. In terms of human resources management, the report suggests establishing a system for monitoring staff turnover, setting up feedback and grievance procedures, and clarifying confidentiality obligations. It also highlights the need for new incentive structures to address high staff turnover, developing a workload measurement system, and providing specialized training for staff in design, environmental assessment, and HR management, which are crucial for adapting to current trends and technologies. These recommendations aim to enhance the RIA's capacity to manage and implement TEN-T projects efficiently, with a view towards completing the TEN-T core network by 2030, thus ensuring that the RIA's human resources procedures are updated and staff are adequately equipped and motivated to carry out their roles effectively.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 173	Related Measure: C8.R3: Sustainable urban mobility
Name of the Milestone: Integration of sustainable urban mobility into territorial strategies and development planning	
Qualitative Indicator: Entry into force of Integrated Territorial Strategies and Integrated Municipal Development Plans	**Time:** Q3 2022

Context:

The measure aims to promote sustainable urban mobility, by including elements of sustainable urban mobility into the territorial strategies for the development of NUTS 2 (Nomenclature of Territorial Units for Statistics) planning regions and integrating Sustainable Urban Mobility Plans into Municipal Development Plans, as well as assessing their implementation.

Milestone 173 consists of: i) the preparation and entry into force of Integrated Territorial Strategies for the development of six NUTS 2 planning regions, with the inclusion of elements of sustainable urban mobility at regional level. They shall define the development objectives and priorities of each planning region as well as the measures necessary for their implementation; ii) the preparation and entry into force of Integrated Municipal Development Plans.

Milestone 173 is the first step of the implementation of the reform, and it will be followed by milestone 174, related to the evaluation of the implementation of Sustainable Urban Mobility Plans. The reform has a final expected date for implementation on 31 March 2026.

Following the completion of this milestone, in line with the description of the measure in the Council Implementing Decision, Bulgaria will support 20 municipalities with approved Sustainable Urban Mobility Plans by purchasing clean urban public transport zero-emission vehicles and

installing charging infrastructure. This is a further step that is not linked to the milestones and targets of this reform, but it is required by investment C8.I7 “Green mobility - pilot scheme to support sustainable urban mobility” in the Council Implementing Decision.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Copies of the Integrated Municipal Development Plans adopted by the Municipal Councils.
iii. Copies of the Sustainable Urban Mobility Plans adopted by the Municipal Councils.
iv. Excel table with links to the public websites of the urban municipalities where the Integrated Municipal Development Plans and the sustainable urban mobility plans are published.
v. Excel table with links to the public websites of the urban municipalities where the municipal council decisions on the adoption of Integrated Municipal Development Plans and the sustainable urban mobility plans are published.
vi. Copies of the adopted Integrated Territorial Strategies for development of the NUTS 2 planning regions.
vii. Links to the website of the Ministry of Regional Development and Public Works where the Integrated Territorial Strategies for NUTS 2 planning regions are published. The links are outlined below:
ITS North-West region;
ITS North-Central region;
ITS North-East region;
ITS South-East region;
ITS South-West region;
ITS South-Central region
viii. Decisions n. 896, 897, 898, 899, 900 and 901 of the Council of Ministers on 16 November 2022, indicating the adoption of the Integrated Territorial Strategies. The decisions can be accessed at the following links:
Decision № 896;
Decision № 897;
Decision № 898;
Decision № 899;
Decision № 900;
Decision № 901.
ix. Copy of the State Gazette n. 93 of 22 November 2022, indicating the entry into force of the Integrated Territorial Strategies for development of the NUTS 2 planning regions.

The authorities also provided:

x. Link to the Partnership Agreement 2021-2027 between the European Commission and Bulgaria , reporting the definition of rural municipalities in Bulgaria:
https://www.eufunds.bg/bg/node/10509

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The milestone refers to preparation and entry into force of: Integrated Territorial Strategies for the development of NUTS 2 (Nomenclature of Territorial Units for Statistics) planning regions with inclusion of elements of sustainable urban mobility.

On 16 November 2022, the Council of Ministers adopted the Integrated Territorial Strategies for the development of NUTS 2 planning regions, hereafter referred to as 'Integrated Territorial Strategies'. In accordance with article 13 of the Regional Development Act, the six 'Integrated Territorial Strategies' were approved on proposal of the Minister of Regional Development and Public Works after the approval of the respective Regional Development Councils. The 'Integrated Territorial Strategies' officially entered into force on 22 November 2022, through their publication in State Gazette n. 93 of 22 November 2022.

The Bulgarian authorities have provided links to the websites where the six 'Integrated Territorial Strategies' have been published, as well as links to the decisions of the Council of Ministers. As explained in detail below, all six 'Integrated Territorial Strategies' include elements of sustainable urban mobility.

Bulgaria provided a copy of the Integrated territorial strategy for the development of the North-western region for level 2 planning, adopted by Council of Ministers Decision No. 896 of 16 November 2022, which has been published at the website of the Ministry of Regional Development and Public Works (Evidence vii). This website was checked by Commission services on 25. 06. 2025.

Bulgaria also provided a copy of the Integrated territorial strategy for the development of the North Central planning region level 2, adopted with Council of Ministers Decision No. 897 on 16 November 2022 which has been published at the website of the Ministry of Regional Development and Public Works (Evidence vii). This website was checked by Commission services on 25. 06. 2025.

Bulgaria also provided a copy of the Integrated territorial strategy for the development of the Northeastern planning region level 2, adopted with Council of Ministers Decision No. 898 on 16 November 2022 which has been published at the website of the Ministry of Regional Development and Public Works (Evidence vii). This website was checked by Commission services on 25. 06. 2025.

Bulgaria also provided a copy of the Integrated territorial strategy for the development of the Southeastern planning region level 2, adopted with Council of Ministers Decision No. 899 on 16 November 2022 which has been published at the website of the Ministry of Regional Development and Public Works (Evidence vii). This website was checked by Commission services on 25. 06. 2025.

Bulgaria also provided a copy of the Integrated territorial strategy for the development of the Southwestern planning region level 2, adopted with Council of Ministers Decision No. 900 on 16 November 2022 which has been published at the website of the Ministry of Regional Development and Public Works (Evidence vii). This website was checked by Commission services on 25. 06. 2025.

Finally, Bulgaria provided a copy of the Integrated territorial strategy for the development of the South-Central planning region level 2, adopted with Council of Ministers Decision No. 901 on 16 November 2022 which has been published at the website of the Ministry of Regional Development and Public Works (Evidence vii). This website was checked by Commission services on 25. 06. 2025.

Integrated Municipal Development Plans. […] Municipalities' Sustainable Urban Mobility Plans shall either be part of the Integrated Municipal Development plans or adopted and published individually by the municipalities.

Furthermore, in line with the description of the measure, at least 20 municipalities shall approve Sustainable Urban Mobility Plans in order to be supported by a purchase of clean urban public transport zero-emission vehicles and installation of charging infrastructure.
The Integrated Municipal Development Plans, hereafter referred to as 'Development Plans', were adopted by the municipal councils on proposal of the mayor of the municipality, in accordance with article 13 of the Regional Development Act. The municipal councils' decisions to approve the respective Development Plans determine their effective entry into force. The Bulgarian authorities have provided a list reporting links to the websites of the municipalities where Development Plans have been published. When a separate Sustainable Urban Mobility Plan was adopted, further links to the adoption decisions of the Sustainable Urban Mobility Plans and copies of the separate 'Mobility Plans' were provided.

As the focus of the milestone is the inclusion of sustainable urban mobility into territorial strategies at regional level and development planning at municipal level, only the Development Plans of urban municipalities were submitted and considered for the purpose of the assessment. The Bulgarian authorities provided evidence for the distinction between urban and rural municipalities in the country. According to the national definition, included in page 71 of the Partnership Agreement between the European Union and Bulgaria, a rural municipality includes only settlements with population less than 15 000 inhabitants. There are 265 municipalities in Bulgaria: among those, 50 have more than 15 000 inhabitants and are therefore considered as urban. All the 50 urban municipalities have adopted their 'Development Plan'.

26 urban municipalities for which specific needs were identified developed and adopted their 'Mobility Plans' as separate strategic documents. Furthermore, two urban municipalities included their 'Mobility Plans' as annexes to the 'Development Plans'. The municipal councils' decisions to approve the respective Mobility Plans, or the respective Development Plans containing the Mobility Plans as annexes, determine their effective entry into force.

The Integrated Territorial Strategies of the NUTS 2 level planning regions shall define the development objectives and priorities of each of the six planning regions as well as the measures necessary for their implementation. Integrated Territorial Strategies shall include elements for sustainable urban mobility planning at regional level.

The Integrated Territorial Strategies incorporate sectoral strategies at regional level, covering economic development, transport, health, education, science, social services, water resources, energy, broadband, tourism, and environment. Developed through discussions with stakeholders, they assess the economic, social, and environmental status of each region, generate development forecasts, and establish goals and priorities for regional development of the planning regions. The objectives and priorities of the planning regions are outlined in Chapter 3 of each Integrated Territorial Strategy. The objectives specifically related to transport and urban mobility, as well as the measures necessary for their implementation, are outlined in detail below.

As regards the requirement that the Integrated Territorial Strategies shall include elements for sustainable urban mobility planning at regional level, in chapter 3 of each Integrated Territorial Strategy, the section "Connectivity and accessibility - Transport directions and connectivity in the ITS" involves a comprehensive assessment of the state of transport at regional level, focusing on sustainable urban mobility planning. On this basis, an integrated set of investments and measures aimed at achieving defined objectives is proposed and outlined for each region below. These measures encompass improvements in road, rail, air, and water transport links, as well as better

access to the national transport network and corridors at the regional level. They focus on enhancing the quality of transport infrastructure and traffic management systems, developing parking and intelligent transport systems, and promoting environmentally friendly options. The strategies also prioritize the development and improvement of public urban transport systems, including infrastructure, equipment, and new rolling stock.

ITS North-East region: Priorities in Chapter 3 [page 139]. Development objectives related to transport and sustainable urban mobility outlined in specific objectives 3.1 and 3.2 [pages 149-153].

ITS North-West region: Priorities in Chapter 3 [page 130]. Development objectives related to transport and sustainable urban mobility outlined in specific objective 3.3 [pages 148-149].

ITS South-East region: Priorities in Chapter 3 [page 146]. Development objectives related to transport and sustainable urban mobility outlined in specific objective 3.3 [page 157].

ITS South-West region: Priorities in Chapter 3 [page 146]. Development objectives related to transport and sustainable urban mobility outlined in specific objective 3.3 [page 157, 162].

ITS North-Central region: Priorities in Chapter 3 [page 140]. Development objectives related to transport and sustainable urban mobility outlined in specific objective 3.2 [page 150-153].

ITS South-Central region: Priorities in Chapter 3 [page 143]. Development objectives related to transport and sustainable urban mobility outlined in specific objective 3.3 [page 159, 162].

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 214	Related Measure: C10.R1: Accessible, effective and predictable justice
Name of the Milestone: Entry into force of the legislative amendments to the Legal Assistance Act	
Qualitative Indicator: Provisions in the law indicating the entry into force of legislative amendments to the Legal Assistance Act	**Time:** Q4 2022

Context:

The measure aims to improve the accessibility, effectiveness and predictability of the justice system. To improve access to justice, the reform includes legislative measures to broaden the scope of free legal assistance and exemptions from court fees.

Milestone 214 concerns the entry into force of the legislative amendments to the Legal Assistance Act. These amendments broaden the scope of legal assistance and widen the circle of persons eligible for legal assistance. They also provide for exemptions from court fees for the individuals who have been granted legal assistance.

Milestone 214 is the second milestone of the reform, and it follows the completion of milestone 213, related to the adoption of a roadmap by the Council of Ministers for the implementation of judgments of the European Court of Human Rights. It will be followed by milestone 215 on entry into force of the legislative amendments to the Administrative Procedure Code, setting the legal framework for e-Justice in administrative cases. The reform has a final expected date for implementation in December 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the publication in the State Gazette No. 102 of 23 December 2022 of the amendments to the Legal Assistance Act, and a link to the State Gazette *https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=181907;*
iii. Copy of the 'Analysis of legal assistance – threshold and conditions for access to legal assistance and quality of legal assistance', adopted at the meeting of the National Legal Aid Bureau on 29 June 2022.

The authorities also provided:

iv. The version of the Code of Administrative Procedure before the amendments;
v. The version of the Code of Administrative Procedure after the amendments;
vi. The version of the Code of Civil Procedure before the amendments;
vii. The version of the Code of Civil Procedure after the amendments;
viii. A protocol of the meeting of the National Legal Aid Bureau held on 29 June 2022;
ix. A version of the Legal Assistance Act reflecting the amendments.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The legislative amendments to the Legal Assistance Act entered into force.

The amendments to the Legal Assistance Act were published in the State Gazette No. 102 of 23 December 2022. According to Article 5(5) of the Constitution of the Republic of Bulgaria, laws enter into force three days after their publication in the State Gazette. Consequently, the amendments to the Legal Assistance Act entered into force on 27 December 2022.

The amendments shall be based on an analysis on extending the types of free legal assistance, the reasons for granting legal assistance and the exemptions from court fees for the individuals that have been granted legal assistance, as follows:

The Bulgarian authorities provided a copy of the "Analysis of legal assistance – threshold and conditions for access to legal assistance and quality of legal assistance" (hereinafter referred to as the "Analysis"), complemented by a protocol from a meeting of the National Legal Aid Bureau from 29 June 2022, when the Analysis was approved. According to the information provided on page 1 of the Analysis, the Analysis considers the findings of the Commission's Rule of Law Report of 2020, the National Representative Survey on the need for legal assistance in Bulgaria for the period 2015-2017, the Evaluation of the Application of the Legal Assistance Act for the period 2013-2017, as well as data from the National Statistical Institute and Eurostat.

The Analysis takes into account the existing legal framework before the amendments that entered into force on 27 December 2022. In particular, prior to the amendments of 27 December 2022, Article 21 of the Legal Assistance Act provided that the types of legal assistance were:

(i) consultation with a view to reaching a settlement prior to the commencement of court

proceedings or the bringing of a case, including consultation under Chapter 5a, which concerns the provision of legal assistance through the national legal assistance phone and at a regional counselling centre;
(ii) preparation of documents for filing a lawsuit;
(iii) representation in judicial procedures;
(iv) representation in detention under Article 72(1) of the Ministry of the Interior Act, under Article 16a of the Customs Act and under Article 124b(1) of the State Agency for National Security Act.

Furthermore, prior to the amendments of 27 December 2022, according to Article 22 of the Legal Assistance Act, the reasons for granting legal assistance in the forms of consultation and preparation of documents covered the following cases:

(i) persons and families eligible for monthly assistance under the procedure laid down in Articles 9 and 10 of the Rules for the Implementation of the Social Assistance Act;
(ii) persons and families eligible for support with targeted heating aid for the previous or current heating season;
(iii) persons using social or integrated health and social services for residential care, pregnant women and mothers at risk of abandoning their children using social services to prevent abandonment;
(iv) children placed in foster or family of relatives or relatives in accordance with the Child Protection Act;
(v) a child at risk within the meaning of the Child Protection Act;
(vi) persons under Articles 143 and 144 of the Family Code and of persons under the age of 21, in accordance with Council Regulation (EC) No 4 of 2009 of 18 December 2008 on jurisdiction, applicable law, recognition and enforcement of decisions and cooperation in matters relating to maintenance obligations (OJ L 7/1 of 10 January 2009) and the Convention on the International Recovery of Child Support and Other Forms of Family Maintenance (OJ L 192/51 of 22 July 2011);
(vii) victims of domestic or sexual violence or trafficking in human beings who lack the means and wish to be assisted by a lawyer;
(viii) persons seeking international protection under the Asylum and Refugees Act, for whom the provision of legal aid is not due to any other legal basis;
(ix) foreigners subject to a coercive administrative measure and foreigners accommodated in a special accommodation facility for the temporary accommodation of foreigners under the procedure laid down in the Foreigners in the Republic of Bulgaria Act who lack the means and wish to avail themselves of the protection of a lawyer;
(x) persons who have been refused or revoked the status of stateless person in the Republic of Bulgaria or the proceedings for granting stateless status have been terminated under the Foreigners in the Republic of Bulgaria Act, who lack the means and wish to avail themselves of the protection of a lawyer.

Lastly, prior to the amendments of 27 December 2022, Article 83 of the Civil Procedure Code provided that no fees and costs of proceedings shall be paid:

(i) by claimants, employees and members of cooperatives, in actions arising from employment relationships;
(ii) by claimants in maintenance claims;
(iii) in actions brought by a public prosecutor;
(iv) by the plaintiff, in actions for tort or delict arising from an offence which has been the subject of a final judgment;
(v) by the special representatives appointed by the court of a party whose address is unknown.

The Analysis covers the **extension of the types of free legal assistance** on pages 5 to 7. According to the Analysis, the existing legislation at the time of drafting the Analysis limits the types of legal assistance only to judicial proceedings (consultation, preparation of documents and representation) and does not provide the possibility for legal assistance in out-of-court or administrative procedures. The Analysis sets out the effective access to justice also before an out-of-court dispute resolution bodies as a key objective and mission of the National Legal Aid Bureau. Based on the findings of the National Representative Survey on the need for legal aid in Bulgaria for the period 2015-2017, the Analysis states that numerous complaints by Bulgarian citizens in relation to services provided by administrative authorities, utility operators, traders of consumer goods and credit institutions could be resolved in out-of-court procedures, which are faster, cheaper, and simpler than litigation but for which, before the amendments, no legal assistance was provided under the national legislation. The Analysis therefore identifies the possibility for legal amendments to include consultation and/or preparation of documents and representation before non-judicial bodies, such as the State Agency for Refugees, the Commission for Protection against Discrimination, the Commission for Consumer Protection, which can promote access to justice by providing faster means of redress through the use of out-of-court remedies and safeguard the rights of citizens at an early stage, so as to prevent possible litigation. Non-judicial bodies also include arbitration and mediation bodies as alternatives to judicial procedures. The Analysis notes that the EU Mediation Directive (Directive 2008/52/EC) promotes out-of-court methods as a means of alternative dispute resolution. The Analysis therefore concludes that the types of free legal assistance should be extended to representation in procedures before administrative bodies and other out-of-court dispute resolution procedures such as arbitration and mediation.

Furthermore, the Analysis covers the extension of the **reasons for granting legal assistance** on pages 7 and 8, to include new categories of beneficiaries. In particular, the Analysis explores reasons for granting legal assistance such as the need of international protection, as well as physical and mental disabilities. The Analysis takes into account the aim of the UN Convention on the Rights of Persons with Disabilities to promote, protect and ensure the full and equal enjoyment of all rights by all persons, regardless of any long-lasting physical, mental, or sensory impairment. In that regard, the Analysis considers that amendments are necessary given the obligation of the State, stemming from international and national legislation, to provide persons with disabilities with effective access to justice and legal protection, including in the area of their social rights, in all forms of discrimination, violence and abuse. The Analysis therefore concludes that vulnerable persons who need protection from the state on grounds linked to international protection, physical and mental disabilities should be eligible also for legal assistance.

Lastly, the Analysis covers the **exemptions from court fees** for the individuals who have been granted legal assistance on pages 8 to 9. In particular, the Analysis considers that having to pay court fees could be a deterrent for citizens belonging to vulnerable groups who have been granted legal assistance to initiate proceedings and could therefore represent an additional barrier to access to justice. The Analysis also points to the good practice of other European countries of exempting citizens benefiting from free legal assistance from court fees. The Analysis concludes that an exemption from court fees should be provided by law for all individuals who have been granted legal assistance.

The amendments are based on the Analysis and are implementing the recommendations included in it as they extend the types of free legal assistance, the reasons for granting legal assistance and introduce exemptions from court fees for the individuals that have been granted legal assistance, which are also requirements under the milestone and are assessed in more detail below.

The amendments shall broaden the scope of legal assistance to cover representation: before

courts of arbitration and for out-of-court dispute resolution and mediation, as follows:

The amendments of 27 December 2022 concerning Article 21 of the Legal Assistance Act add to the types of legal assistance 'representation in out-of-court-proceedings', thus broadening the scope of the legal assistance in this particular regard.

The definition of representation in extrajudicial procedures is introduced by Paragraph 14 of the act amending the Legal Assistance Act, which amends Paragraph 1 of the Additional provisions of the Legal Assistance Act, by providing that "representation in extrajudicial procedures" is representation in administrative criminal proceedings, proceedings for issuing an individual administrative decision, proceedings to challenge an individual administrative decision, arbitration and mediation.

The **representation before courts of arbitration** falls within the arbitration, mentioned expressly in the definition. Similarly, the **representation for mediation** falls within the mediation proceedings, which are also explicitly mentioned. In addition, Article 25(7) of the Legal Assistance Act provides for legal assistance for representation in a mediation procedure during judicial proceedings. The more general term of **out-of-court dispute resolution**, which is included in the milestone, covers both of the above-mentioned procedures of arbitration and mediation.

The amendments are therefore based on the Analysis as the Analysis concludes that the types of free legal assistance should be extended to representation in procedures before administrative bodies and other out-of-court dispute resolution procedures such as arbitration and mediation.

The amendments shall broaden the scope of legal assistance to cover representation before special administrative bodies, including the State Refugees Agency, the Commission for Protection against Discrimination and the Consumers' Protection Commission, as follows:

As per the above, the definition in Paragraph 1 of the Additional provisions of the Legal Assistance Act of "extrajudicial procedures", which now can also benefit from legal assistance as per the amended Article 21, covers representation in administrative criminal proceedings, proceedings for issuing an individual administrative decision and proceedings to challenge an individual administrative decision.

In particular, the **State Agency for Refugees** under the Council of Ministers is a state body with special competence in the field of implementation of the state policy for granting international protection according to Articles 46, 47 and 48 of the Asylum and Refugees Act and its chairperson, pursuant to Article 75 of the Asylum and Refugees Act, issues decisions which are individual administrative acts. The **Commission for Protection against Discrimination**, pursuant to Articles 40 and 50 of the Law on Protection against Discrimination, is a state body with special competence for prevention of discrimination, protection against discrimination and ensuring equality of opportunities, before which proceedings initiated on complaints of affected persons. The **Commission for Consumer Protection** is a state body with special competence in consumer protection by virtue of Article 165 of the Consumer Protection Act and according to Article 165, para. 4, point6 the Chairman has the right to issue individual administrative acts. The **Social Assistance Agency** and its structures have a special competence for the implementation of the state policy in the field of social assistance to persons from vulnerable social groups according to Article 5 of the Social Assistance Act and the individual administrative acts issued by the directors of the Social Assistance Directorates according to Article 13 of the Social Assistance Act, concerning the social rights of citizens, may be challenged administratively before a superior administrative body - Regional Social Assistance Directorates.

Thus, special bodies such as the State Refugees Agency, the Commission for Protection against Discrimination and the Consumers' Protection Commission, are state administrative bodies of the executive power. They are competent to issue individual administrative acts concerning citizens' rights as well as administrative punitive decrees for the imposition of fines in accordance with the Law on Administrative Offences and Penalties. Hence, representation before these bodies is now also covered by the Legal Assistance Act.

The amendments are therefore based on the Analysis as the Analysis concludes that the types of free legal assistance should be extended to representation in procedures before administrative bodies and other out-of-court dispute resolution procedures such as arbitration and mediation.

The amendments shall also widen the circle of persons eligible for legal assistance to include disabled persons receiving monthly allowance in accordance with the Law on Integration of Disabled Persons and individuals for whom a request for placement under guardianship has been filed, as follows:

The new point 12 of Article 22(1) adds to the circle of people eligible for free legal assistance disabled persons receiving monthly allowance in accordance with the Law on Integration of Disabled Persons, whose monthly income is insufficient to authorise a lawyer. The link with the monthly income is justified by the fact that the allowance under the Law on Integration of Disabled Persons does not take into account the financial situation of the disabled person, the latter yet being vital for assessing one's need of free legal assistance. In particular, according to Article 69 of the Law on Integration of Disabled Persons, the financial support for people with disabilities consists of two components: (i) monthly financial support according to the degree of disability; (ii) targeted benefits according to the type of disability. Pursuant to Article 70 of the Law on Integration of Disabled Persons, the right to monthly financial support for people with permanent disabilities over the age of 18 is determined based on the degree of the disability.

The new point 11 Article 22(1) adds to the circle of people eligible for free legal assistance persons, for whom placement under guardianship is sought, and persons placed under guardianship.

Lastly, as this is a recommendation under the Analysis, the amended Article 22(1)(8) provides that free legal assistance shall be provided to persons seeking or receiving international protection or benefiting from temporary protection under the Act on Asylum and Refugees, for whom the provision of legal assistance is not due to another legal ground.

Therefore, the amendments widening the circle of persons eligible for legal assistance are based on the Analysis and cover (i) disabled persons receiving monthly allowance in accordance with the Law on Integration of Disabled Persons, (ii) individuals, for whom placement under guardianship is sought, and (iii) persons seeking or receiving international protection or benefiting from temporary protection under the Act on Asylum and Refugees. This is in line with the findings of the Analysis as these groups of persons are considered as vulnerable and according to the Analysis, should therefore be eligible for legal assistance.

The amendments provide for exemptions from court fees for the individuals who have been granted legal assistance, as follows:

The new point 6 of Article 83(1) of the Civil Procedure Code provides that fees and costs in court proceedings shall not be paid by persons who have been granted legal assistance in the case under the terms of Article 23(2) of the Legal Assistance Act, which provides that the legal assistance

system covers cases where the accused, the defendant or the party in a criminal, civil or administrative case does not have the means to pay for a lawyer, wishes to have one and the interests of justice so require. In these cases, no further assessment is made as to whether the court should exempt a party from paying legal fees and costs because the conclusion is implied through the granting of legal assistance.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 217	Related Measure: C10R2 Anti-corruption
Name of the Milestone: Entry into force of the law on the protection of persons reporting breaches or publicly disclosing information on breaches and of the amendments to the legal framework related to whistleblowing	
Qualitative Indicator: Provisions in the law indicating entry into force of the law on the protection of persons reporting breaches or publicly disclosing information on breaches and of amendments to the legal framework related to whistleblowing	**Time:** Q3 2022

Context:

The objective of this reform is to further combat corruption at all levels of public administration, justice and prosecution systems. Among others, the reform shall include legislative measures to protect whistle-blowers.

Milestone 217 concerns the entry into force of the law on the protection of persons reporting breaches or publicly disclosing information on breaches, which shall transpose the following requirements under Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law, related to the creation of confidential internal and external channels for reporting, the establishment of verification mechanisms of the submitted signals, providing protection and support measures to whistle-blowers, and ensuring provision of feedback and record-keeping of the results of the performed inspections based on signals. In addition, amendments shall be made: (i) to the Law on the Self-government and Local Administration to introduce a requirement that the results of the activity of the ethics committees dealing with signals on unethical behaviour, conflicts of interests and other signals on corrupt behaviour of municipal councillors are made public; (ii) the provisions in the Criminal Code governing the criminal offenses of insult and defamation to revise the applicable sanctions.

Milestone 217 is the first step of the implementation of the reform, together with milestone 218 on legislative amendments reforming the anti-corruption body, and it is followed by milestone 219 on the role of the Inspectorate to the Supreme Judicial Council, milestone 220 on setting up the anti-corruption body, milestone 222 on legislative amendments to safeguard the effectiveness of criminal proceedings and improve the accountability and criminal liability of the Prosecutor General, milestone 223 on regulating lobbying, and 226a on the introduction of tools to counter corruption and promote integrity.

The reform has a final expected date for implementation in June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

ix. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.

x. Copy of the publication in the State Gazette on the adoption of the Law on the protection of persons reporting breaches or publicly disclosing information on breaches published in the State Gazette No. 11 of 2 February 2023.
xi. A report by the Ministry of Justice demonstrating for each provision of Directive (EU) 2019/1937, the national provision(s) ensuring its transposition (correlation table);
xii. Copy of the publication in the State Gazette on the adoption of amendments to the Criminal Code, published in the State Gazette No. 67 of 4 August 2023.
xiii. Copy of the publication in the State Gazette on the adoption of amendments to the Law on the protection of persons reporting breaches or publicly disclosing information on breaches, published in the State Gazette No. 88 of 20 October 2023.
xiv. Copy of the publication in the State Gazette on the adoption of amendments to the Law on the protection of persons reporting breaches or publicly disclosing information on breaches, published in the State Gazette No. 38 of 9 May 2025.

The authorities also provided:
xv. Copy of the Criminal Code before the amendments, published in the State Gazette No. 67 of 4 August 2023.
xvi. Copy of the consolidated Criminal Code after the amendments, published in the State Gazette No. 67 of 4 August 2023.
xvii. Copy of the consolidated Law on the protection of persons reporting breaches or publicly disclosing information on breaches, as amended by the law published in the State Gazette No. 88 of 20 October 2023.
xviii. Additional explanations of 6 November 2023 on the questions sent by Commission services on 25 October 2023.
xix. Additional explanations of 6 November 2023 on the European Court of Human Rights case-law concerning insult and defamation.
xx. Additional explanations of 15 November 2023 on the questions sent by Commission services on 6 November 2023.
xxi. Additional explanations of 15 February 2024 on the questions sent by Commission services on 2 February 2024.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Entry into force of the law on the protection of persons reporting breaches or publicly disclosing information on breaches, which shall transpose the following requirements of Directive (EU) 2019/1937, related to the creation of confidential internal and external channels for reporting […]. This element is linked to Articles 7, 8, 10, 11, 12, 16 and 18 of Directive (EU) 2019/1937, which require the establishment of confidential internal and external reporting channels.

The Law on the protection of persons reporting breaches or publicly disclosing information on breaches (hereinafter referred to as the "Whistleblower Protection law"), adopted on 27 January 2023 by the Parliament and published in the State Gazette No. 11 of 2 February 2023, entered into force three months after its publication in the State Gazette according to paragraph 10 of its Final Provisions, on 4 May 2023, with the exception of chapter two, section I, Articles 12 to 18, which entered into force for employers in the private sector with 50 to 249 employees on 17 December 2023.

Further legislative amendments to the Whistle-blower Protection law, adopted on 5 October 2023 by the Parliament and published in the State Gazette No. 88 of 20 October 2023, entered into force

on 24 October 2023, in accordance with Article 5(5) of the Constitution, which provides that all legislative acts enter into force three days after their publication in the State Gazette, except when another term is specified in them.

Additional legislative amendments to the Whistle-blower Protection law, adopted on 30 April 2025 by the Parliament and published in the State Gazette No. 38 of 9 May 2025, entered into force on 13 May 2025, in accordance with Article 5(5) of the Constitution, which provides that all legislative acts enter into force three days after their publication in the State Gazette, except when another term is specified in them.

The obliged entities under Article 12 of the Whistle-blower Protection law are required to establish internal whistleblowing channels. The obliged entities include employers in the public sector and in the private sector under certain conditions, for instance the number of employees and activity. Article 13 and 15 of the Whistle-blower Protection law set out the requirements for an internal whistleblowing channel and for the ways to report a breach through this channel.

The Commission for the Protection of Personal Data is the central authority designated as competent for receiving external reports, which shall establish an external whistleblowing channel. Articles 22 and 23 of the Whistle-blower Protection law specify the requirements for the external whistleblowing channel and for receiving reports through this channel.

Article 31 of the Whistle-blower Protection law concerns the confidentiality of the internal and external channels. More specifically, Article 31(1) of the Whistle-blower Protection law requires the obliged entities under Article 12 and the Commission for the Protection of Personal Data to take appropriate measures to protect the information related to the submitted reports of breaches, and to protect the identity of the whistleblowers, providing access to the information only to the employees who need this data to perform their official duties.

The above enacted amendments to the relevant legislation create confidential internal and external channels for reporting in line with Articles 7, 8, 10, 11, 12, 16 and 18 of Directive (EU) 2019/1937.

The assessment of compliance with Articles 7, 8, 10, 11, 12, 16 and 18 of Directive (EU) 2019/1937 for the purposes of payments from the Recovery and Resilience Facility does not prejudge the assessment by the Commission in any other proceedings regarding the conformity of the national law with the aforementioned legislation.

[…] the establishment of verification mechanisms of the submitted signals […].

This element is linked to Articles 9, 11, 12, 13 of Directive (EU) 2019/1937, which require the establishment of verification mechanisms of the submitted reports.

The verification mechanism of reports (signals) submitted through an internal channel is regulated in Article 16 and 17 of the Whistle-blower Protection law, which specify the actions to be taken by the obliged entities, including carrying out a check, taking actions to stop or prevent the violation, prioritising the reports for more serious breaches, terminating the check, or sending a report to the prosecutor's office. The verification mechanism of reports submitted through an external channel is regulated in Article 20, 24, 25, 26, 27, and 28 of the Whistle-blower Protection law, which specify the follow-up to be taken by the Commission for the Protection of Personal Data, including carrying out a check, forwarding the reports to the authority competent for the relevant subject to perform a specific inspection and giving binding instructions on how to carry out such an inspection, taking actions to stop or prevent the violation, prioritising the reports for more serious breaches,

terminating the check, or sending a report to the prosecutor's office.

The above enacted amendments to the relevant legislation establish verification mechanisms of the submitted reports in line with Articles 9, 11, 12, 13 of Directive (EU) 2019/1937. The assessment of compliance with Articles 9, 11, 12, 13 of Directive (EU) 2019/1937 for the purposes of payments from the Recovery and Resilience Facility does not prejudge the assessment by the Commission in any other proceedings regarding the conformity of the national law with the aforementioned legislation.

[…] providing protection and support measures to whistle-blowers […]. Furthermore, in line with the description of the measure, the reform shall include legislative measures to protect whistle-blowers.

This element is linked to Articles 4, 6, 19, 20, 21, 22, 23, and 24 of Directive (EU) 2019/1937, which require providing protection and support measures to whistleblowers.

Protection and support measures for whistleblowers are regulated in the Whistle-blower Protection law, which includes rules on the personal scope (Article 5), conditions for protection (Article 6), prohibition of retaliation (Article 33), liability for damages (Article 34), temporary measures (Article 34a), support measures (Article 35), exemption of liability (Article 36), damages caused to private persons (Article 37), possibility of termination of legal proceedings (Article 38), protection of persons concerned (Article 39), liability for an act or omission unrelated to whistleblowing (Article 40). In addition, Article 8 of the Whistle-blower Protection law provides that the rights granted to persons under the law cannot be limited and any provision in a public-law act or stipulation in a private-law act that excludes or limits their rights are void.

The above enacted amendments to the relevant legislation provide protection and support measures to whistleblowers in line with Articles 4, 6, 19, 20, 21, 22, 23, and 24 of Directive (EU) 2019/1937.

The assessment of compliance with Articles 4, 6, 19, 20, 21, 22, 23, and 24 of Directive (EU) 2019/1937 for the purposes of payments from the Recovery and Resilience Facility does not prejudge the assessment by the Commission in any other proceedings regarding the conformity of the national law with the aforementioned legislation.

[…] ensuring provision of feedback and record-keeping on the results of the performed inspections based on signals.

The provision of feedback is linked to Articles 9(1)(f) and 11(2)(d)(e) of Directive (EU) 2019/1937, which require the entities receiving reports internally and the authorities receiving reports externally to provide feedback to the reporting person within specific timeframes.

In line with Article 16, point 4 of the Whistle-blower Protection law, when it comes to internal channels, the officer responsible for dealing with the report (signal) has a duty to provide feedback to the whistleblower on the actions taken within no more than three months of acknowledging receipt of the report. When it comes to external channels, Article 26 of the Whistle-blower Protection law provides that the Commission for the Protection of Personal Data issues a report on the actions taken within a period of no longer than three months, or in duly justified cases - 6 months, from the receipt of the report and that this report shall be communicated to the reporting person.

As for the record-keeping on the results of the performed inspections, this requirement is linked to Article 18(1) of the Directive (EU) 2019/1937, which requires that Member States ensure that legal entities in the private and public sector and competent authorities keep records of every report received. Article 18 of the Whistle-blower Protection law provides that a register of reports received through the internal channel is kept by the obliged entity. Pursuant to Article 29 of the Whistle-blower Protection law, the Commission for the Protection of Personal Data also keeps a register for the reports received through the external channel, which complies with the requirements under Article 18(2) and (3) of the Whistle-blower Protection law.

The above enacted amendments to the relevant legislation ensure the provision of feedback and record-keeping on the results of the performed inspections based on reports in line with Articles 9(1)(f), 11(2)(d)(e), and 18(1) of Directive (EU) 2019/1937.

The assessment of compliance with Articles 9(1)(f), 11(2)(d)(e), and 18(1) of Directive (EU) 2019/1937 for the purposes of payments from the Recovery and Resilience Facility does not prejudge the assessment by the Commission in any other proceedings regarding the conformity of the national law with the aforementioned legislation.

In addition, amendments shall be made to:
- the Law on the Self-government and Local Administration to introduce a requirement that the results of the activity of the ethics committees dealing with signals on unethical behaviour, conflicts of interests and other signals on corrupt behaviour of municipal councillors are made public.

Legislative amendments to the Law on the Local Self-Government and Local Administration (hereinafter referred to as the "LLSGLA"), adopted on 30 April 2025 by the Parliament and published in the State Gazette No. 38 of 9 May 2025, entered into force on 13 May 2025, in accordance with Article 5(5) of the Constitution, which provides that all legislative acts enter into force three days after their publication in the State Gazette, except when another term is specified in them.

The newly introduced Article 21(4) of the LLSGLA requires every municipal council to adopt a Code of Ethics of the Municipal Councillors. Furthermore, the newly introduced Article 36(2) of the LLSGLA specifies that the municipal councillor shall be obliged to carry out his or her activities in compliance with the rules of the Code of Ethics of the Municipal Councillors. In addition, the newly introduced Article 48(2) of the LLSGLA provides that each municipal council shall elect from among its councillors a permanent ethics committee, which shall examine signals for violations of the Code of Ethics of municipal councillors, including signals for unethical behaviour. The received signals for conflict of interest and corruption of municipal councillors shall be sent to the relevant competent authorities.

In terms of publicity of the results of the activity of the ethics committees dealing with signals on unethical behaviour, conflicts of interests and other signals on corrupt behaviour of municipal councillors, the newly introduced Article 27(7) of the LLSGLA requires that the municipal council's ethics committee includes in a report information on the number of signals submitted for unethical behaviour, conflict of interest and corruption of municipal councillors and other violations of the Code of Ethics of municipal councillors, as well as on the actions taken on them. The information shall be made public on the website of the respective municipal council after the review of the report under Article 27(6) of the LLSGLA, which is done twice per year. Lastly, the newly introduced Article 37c of the LLSGLA requires that the enforceable acts of the relevant competent authorities, which establish violations of the Code of Ethics of Municipal Councillors, incompatibility, conflict of

interest or corruption of municipal councillors, are made public on the website of the respective municipal council, in compliance with the regulatory requirements for personal data protection.

In addition, amendments shall be made to:
- […] the provisions in the Criminal Code governing the criminal offenses of insult and defamation to revise the applicable sanctions.

The amendments to the Criminal Code, adopted on 28 July 2023 by the Parliament and published in the State Gazette No. 67 of 4 August 2023, entered into force on 8 August 2023, in accordance with Article 5(5) of the Constitution, which provides that all legislative acts enter into force three days after their publication in the State Gazette, except when another term is specified in them.

The legislative amendments to the Criminal Code include:

(i) reduced minimum fines in Article 148(1) and (2) for the qualified composition of the criminal offences insult and defamation, when done in public or disseminated through means of mass media, in particular the minimum of 3000 BGN for insult is reduced to a minimum of 500 BGN and the minimum of 5000 BGN for defamation is reduced to 1000 BGN;

(ii) repealed Article 148(1), point 3, meaning that the insult and defamation against a public official are no longer considered as a qualified composition of the crime, and therefore the fines are also lower in line with Articles 146 and 147 of the Criminal Code;

(iii) a possibility to exempt a person from criminal liability with the imposition of an administrative penalty pursuant to Article 78a(7) in cases where the insult or defamation has been directed at a public authority.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 219	**Related Measure:** C10.R2: Anti-corruption
Name of the Milestone: Improving the role of the Inspectorate within the Supreme Judicial Council in preventing and counteracting corruption in the judiciary	
Qualitative Indicator: Distributed revised ethical guidelines for the conduct of magistrates and a summary of good and bad practices on compliance with ethical rules; anti-corruption trainings organised; introduced templates and procedures for regular reporting and publication of outcomes on the completion of cases.	**Time:** Q4 2022

Context:

The reform aims to further combat corruption at all levels of public administration, justice and prosecution systems.

Milestone 219 concerns the Inspectorate to the Supreme Judicial Council, which shall:

- revise the ethical guidelines for the conduct of magistrates, in cooperation with the Supreme Judicial Council, and shall summarise good and bad practices with regards to compliance with ethical rules, in line with the relevant European and International standards;
- organise and deliver anti-corruption trainings as well as trainings on integrity and conflict of interest;
- Introduce a template for reporting on the completion of cases within the legally specified time limits; and
- introduce a procedure for regular reporting and publication of the outcomes on the completion of the cases.

The proposed measures shall not lead to an increase in the disciplinary powers of the Inspectorate and shall be consulted with the Venice Commission of the Council of Europe prior to their implementation.

The milestone is further specified in the Operational Arrangements, which provide that for the purpose of the fulfilment of this milestone, distribution to magistrates may also be done via a publication to a website.

Milestone 219 is the third milestone of the of the reform and it is accompanied in this instalment by **milestone 217** on entry into force of amendments to the legal framework related to whistleblowing, and **milestone 218** on the entry into force of the legislative amendments reforming the Anti-corruption and the Illegal Assets Forfeiture Commission. It will be followed by **milestone 220** related to the Anti-Corruption body set up and its operationalisation and **milestone 222** related to entry into force of the legislative amendments to safeguard the effectiveness of criminal proceedings and improve the accountability and criminal liability of the Prosecutor General; **milestone 223** related to entry into force of legislative measures to regulate lobbying activitiesand **milestone 226a** related to the introduction of tools for counteracting corruption and promoting integrity.

The reform has a final expected date for implementation in June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

xxii. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.

xxiii. Copy of the **Code of Ethical Conduct for Bulgarian Judges**, adopted by a decision of the Judicial College of the Supreme Judicial Council under Protocol No 46/10.12.2024, approved by a decision of the Plenum of the Supreme Judicial Council under Protocol No 15/12.12.2024 and entered into force on 12 December 2024, and of the **Code of Ethical Conduct for Bulgarian Prosecutors** and Investigators, adopted by a decision of the Prosecutorial College of the Supreme Judicial Council under Protocol No. 42/04.12.2024, approved by a decision of the Plenum of the Supreme Judicial Council under Protocol No. 15 of 12.122024 and entered into force on 12 December 2024; and a **link** to the Supreme Judicial Council's website where the Codes could be accessed - https://vss.justice.bg/page/view/5247 (this publication fulfils the requirement of the qualitative indictor that the revised ethical guidelines for the conduct of magistrates are distributed to magistrates as the further specifications of the Operational Arrangements provide that for the purpose of the fulfilment of this milestone, distribution to magistrates may also be done via a publication to a website).

xxiv. Copy of the **summary of good and bad practices on compliance with ethical rules, indicating the relevant European and International standards** (date of approval by the Chief Inspectorate: 1 December 2022), published under http://www.inspectoratvss.bg/document/939;

xxv. **Order 3-78/29.11.2022** by the Inspectorate to the Supreme Judicial Council (entry into force on the same day) on conducting trainings between 6 and 15 December 2022, including training programmes and materials, participants lists for each session and filled feedback questionnaires; **Order 3-38/15.09.2023** by the Inspectorate to the Supreme Judicial Council (entry into force on the same day) on conducting online trainings between 27 and 28 September 2023, including training programmes and materials, participants lists for each

session and Memo K3-38/29.09.2023, confirming the delivery of the online trainings;

xxvi. Copies of the **templates for reporting** on the completion of cases within the legally specified time limits by all courts (district, regional, military, administrative, appellate, the Supreme Administrative Court, and the Supreme Court of Cassation), as well as by the respective prosecutor's offices and their associated investigation departments, published at the following link: http://www.inspectoratvss.bg/bg/page/188; and **evidence on the introduction of the template** - Protocol No. 16 of 1 November 2022 on the Decision from a meeting of the ISJC of 1 November 2022;

xxvii. Copy of the **publication in the State Gazette of the amendments to the Rules of Procedure of the Inspectorate introducing the procedure for regular reporting and publication of the outcomes on the completion of the cases**, adopted on 22 November 2022 and entered into force on 2 December 2022, published under: https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=180600;

xxviii. Following dated **copy of the opinions of the Venice Commission** of the Council of Europe on all measures in the milestone:

- Opinion on the Draft Amendments to the Judicial System Act Concerning the Inspectorate to the Supreme Judicial Council (CDL-AD(2022)022), adopted by the Venice Commission at its 132nd Plenary Session (Venice, 21-22 October 2022);
- Letter Ref. J.Dem. 547 – CBM/ew from 15 September 2023;
- Joint Opinion on the Code of Ethical Conduct for Judges (CDL-AD(2024)004), adopted by the Venice Commission at its 138th Plenary Session (Venice, 15-16 March 2024);
- Joint Opinion on the Code of Ethical Conduct for Prosecutors and Investigators (CDL-AD(2024)005), adopted by the Venice Commission at its 138th Plenary Session (Venice, 15-16 March 2024);

The authorities also provided:

xxix. Copy of Protocol No. 15/12.12.2024 from the meeting of the Plenum of the Supreme Judicial Council on 12 December 2024;

xxx. Letters A-23-359 from 12.07.2023 and A-23-359 from 03.10.2023 from the Inspectorate to the Supreme Judicial Council to the Chairman of the Professional Ethics Commission of the Judges College of the Supreme Judicial Council and Letter A-23-543 from 03.10.2023 to the Chairman of the Professional Ethics Commission of the Prosecutors College of the Supreme Judicial Council;

xxxi. Order 3-67/20.10.2022 by the Inspectorate to the Supreme Judicial Council on preparing an analysis of its practice under Chapter Nine, Sections Ia and Ib of the Judicial System Act for 2021;

xxxii. Order 3-66/18.10.2022 by the Inspectorate to the Supreme Judicial Council (entry into force on the same day) on preparing an analysis of the practice of the Supreme Administrative Court (SAC) under the Code of Ethical Conduct for Bulgarian Magistrates for the period 2017–2021;

xxxiii. Order 3-71/8.11.2022 by the Inspectorate to the Supreme Judicial Council (entry into force on the same day) on preparing an analysis of closed proceedings under the CECBM initiated before the Professional Ethics Committees of the judicial authorities for 2021;

xxxiv. An analysis by the Inspectorate to the Supreme Judicial Council of the practice of the Supreme Administrative Court (SAC) under the Code of Ethical Conduct for Bulgarian Magistrates for the period 2017–2021 (date of approval by the Chief Inspectorate: 30 November 2022), published under http://www.inspectoratvss.bg/document/962;

xxxv. An analysis by the Inspectorate to the Supreme Judicial Council of closed proceedings under the CECBM initiated before the Professional Ethics Committees (hereinafter referred to the "PECs") of the judicial authorities for 2021 (date of approval by the Chief Inspectorate: 30 January 2023), published under http://www.inspectoratvss.bg/document/937;

xxxvi. A link to the analysis of the results of closed cases and files within the established deadlines by the courts, the prosecutor's office and the investigative authorities in 2022 - http://www.inspectoratvss.bg/document/969;

xxvii. Copy of Protocol No. 18/22.11.2022 from the meeting of the Plenum of the Supreme Judicial Council on 22 November 2022;

xxviii. Link to the amendments to the Judiciary System Act (SG No. 84/06.10.2023, effective 10.10.2023) - https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=200115.

xxxix. Letters 03-00-231/20/11.08.2022, 03-00-231/20/08.09.2023, 99-00-103/23/17.11.2023 and 99-00-103/23/03.01.2024, from Bulgaria to Venice Commission;

xl. Letters Ref. J.Dem. 539 – SJ/TP/GiD/ob from 24 October 2022, Ref. J.Dem.046-2024 – TP/gb from 25 January 2024 from Venice Commission to Bulgaria.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Distributed revised ethical guidelines for the conduct of magistrates and a summary of good and bad practices on compliance with ethical rules; anti-corruption trainings organised; introduced templates and procedures for regular reporting and publication of outcomes on the completion of cases. The milestone is further specified in the Operational Arrangements, which requires for the purpose of the fulfilment of this milestone, distribution to magistrates may also be done via a publication to a website.

The Inspectorate to the Supreme Judicial Council shall revise the ethical guidelines for the conduct of magistrates, in cooperation with the Supreme Judicial Council, and shall summarise good and bad practices with regards to compliance with ethical rules, in line with the relevant European and International standards.

On 1 December 2022, the Inspectorate to the Supreme Judicial Council (hereinafter referred to as the "ISJC") prepared an analysis of its practice under Chapter Nine, Sections Ia and Ib of the Judicial System Act (hereinafter referred to as the "JSA") for 2021, approved by the Chief Inspectorate on 1 December 2022.

The analysis particularly provides a summary of good and bad practices on compliance with ethical rules by judges, prosecutors, and investigating magistrates. More specifically, it highlights practices that emphasise prevention in identifying and countering violations of ethical behaviour and integrity rules. For instance, upon submission of a declaration of interests in France, an ethics interview is conducted between the magistrate and the body to whom the declaration was submitted, with the aim of preventing potential conflicts of interest and, where appropriate, requesting the magistrate to terminate an ongoing conflict of interest (page 31).

Furthermore, the analysis underscores mechanisms in other EU Member States that allow magistrates to seek opinions from competent ethics bodies when in doubt about potential conflicts of interest (page 31). The analysis also notes practices where ethics bodies provide general recommendations either on their own initiative or at the suggestion of magistrates, with such recommendations being published online (page 34). Additionally, it points to practices that encourage workplace discussions on ethical issues (page 34).

Regarding the specific situation in Bulgaria, the analysis identifies, among others, practical deficiencies arising from the overly general wording of Article 307(3), item 3, of the JSA, according to which a disciplinary violation is any act or omission, including a breach of the (then-applicable) Code of Ethical Behaviour of Bulgarian Magistrates (hereinafter referred to as the "CEBBM"), that undermines the prestige of the judiciary (page 29). In this context, the analysis is critical of the fact that the moral norms in the CEBBM are highly abstract, which risks arbitrary interpretation of both the JSA and the ethical rules in the CEBBM. Moreover, the analysis highlights the absence of clear

legal criteria to determine whether unclear allegations should be investigated by the ISJC or referred to the respective Professional Ethics Commission (hereinafter referred to as the "PEC"). It concludes that, as a result, the ISJC has so far conducted inspections only in cases where the conduct of a judge, prosecutor, or investigator clearly undermines the prestige of the judiciary. In all other cases, the ISJC forwards materials to the relevant PEC within higher judicial authorities. The analysis therefore recommends that this approach should be explicitly addressed through legislative measures. In parallel, the analysis notes that the number of reports concerning violations of magistrates' integrity is low. According to the provided data (page 9), none of the inspections initiated in 2021 for integrity violations found evidence of unlawful behaviour. The report concludes that Bulgarian magistrates uphold the principles set out in the CEBBM (pages 37-38).

In the context of European and international standards, the analysis points out that the (then-applicable) CEBBM is based on several fundamental principles: independence, impartiality, fairness and transparency, courtesy and tolerance, integrity and propriety, competence and qualification, and confidentiality (page 38). These core principles align with those introduced in Bangalore in 2002 (page 38). However, considering the continuous challenges faced by the judiciary, they must also be continuously developed and improved. The analysis therefore recommends taking steps to establish separate codes of ethical conduct for judges and prosecutors, following the example of most EU Member States, 67% of which, as indicated in the analysis, have separate codes. It further emphasises the importance of clearly identifying concrete actions that undermine the judiciary's prestige, prioritising the prevention of integrity violations, and placing greater focus on ethics training for magistrates (page 38).

The analysis was published on the website of the ISCJ. Bulgaria provided a copy of the analysis, which has been published on the website of the ISJC (Evidence III). This website was checked by Commission services on 29 January 2025.

Additionally, the ISJC prepared two further analyses:

(i) an analysis of the practice of the Supreme Administrative Court (SAC) under the Code of Ethical Conduct for Bulgarian Magistrates (hereinafter referred to as the "CECBM") for the period 2017–2021 (date of approval by the Chief Inspectorate: 30 November 2022); and

(ii) an analysis of closed proceedings under the CECBM initiated before the Professional Ethics Committees (hereinafter referred to the "PECs") of the judicial authorities for 2021 (date of approval by the Chief Inspectorate: 30 January 2023).

These two analyses further supported the revision of the Codes of Ethical Conduct for Judges and the Code of Ethical Conduct for Prosecutors and Investigating Magistrates by identifying which magistrates' conduct the SAC and PECs deemed a violation of the CECBM. Both analyses by the ISJC were published on its website. Bulgaria provided a copy of both analysis which have been published on the website of the ISJC. This website was checked by Commission services on 29 January 2025.

Furthermore, on 12 July 2023, the ISJC submitted materials to the PEC of the Judges' College of the Supreme Judicial Council (hereinafter referred to as the "SJC") detailing ethical principles and rules applicable to magistrates in Romania, Italy, France, Spain, and Belgium. These included links to the three ISJC analyses. Subsequently, on 3 October 2023, the ISJC sent letters to the PECs of the Judges' and to the Prosecutors' Colleges of the SJC, providing guidelines on relevant international standards in ethical behaviour and informed them of the need to adopt separate codes of ethics, recommending their alignment with the analyses and international documents. The letter to the PEC of the Prosecutors' Colleges included also the links to the three analyses.

On 24 October 2023, the Judges' College adopted the Code of Ethical Conduct for Bulgarian Judges, while on 25 October 2023, the Prosecutors' College adopted the Code of Ethical Conduct for Bulgarian Prosecutors and Investigators. Both Codes were approved by the Plenum of the SJC on 30 October 2023 (Minutes No. 30/30.10.2023). The two Codes replaced the previously single ethical

Code for Bulgarian magistrates adopted by a decision of the Supreme Judicial Council under Protocol No. 21 of 20 May 2009, amended by decision of the Supreme Judicial Council under Protocol No. 2 of 18 January 2011.

Bulgaria submitted the two new Codes for consultation to the Venice Commission on 3 January 2024. The Venice Commission adopted its Opinions at its plenary session on 15-16 March 2024. These Opinions contained concrete recommendations for enhancing the substance of the ethical codes.

Regarding the **Code of Ethical Conduct for Judges**, the Venice Commission recommended among other suggestions, the inclusion of age, sexual orientation and disability in the list of prohibited grounds for unequal treatment[12]. It also recommended elaborating a duty of judicial associations, council for the judiciary and/or the court president to address the public and clarify the facts in response to the public criticism of a judge or his/her judgment[13].

Regarding the **Code of Ethical Conduct for Prosecutors and Investigators**, the Venice Commission recommended, among other suggestions, as well the inclusion of age, sexual orientation, and disability into the list of prohibited grounds for unequal treatment[14]. It also recommended addressing the external activities of prosecutors and investigators, such as lectures, seminars, publications, involvement in trade unions and professional associations[15].

In response, the SJC revised the codes to address these recommendations. On 10 December 2024, the Judges' College adopted the revised Code of Ethical Conduct for Bulgarian Judges (Protocol No. 46/10.12.2024) and on 4 December 2024, the Prosecutors' College adopted the revised Code of Ethical Conduct for Bulgarian Prosecutors and Investigators (Protocol No. 42/04.12.2024). Both revised Codes were approved by the Plenum of the SJC on 12 December 2024 (Protocol No. 15/12.12.2024) and subsequently published on the SJC's website**.** Bulgaria provided a copy of the Codes which have been published on the website of the SJC (Evidence II). This website was checked by Commission services on 29 January 2025. The publication of both adopted revised codes fulfils the requirement of the qualitative indictor that the revised ethical guidelines for the conduct of magistrates are distributed to magistrates as the further specifications of the Operational Arrangements provide that for the purpose of the fulfilment of this milestone, distribution to magistrates may also be done via a publication to a website.

The revised **Code of Ethical Conduct for Bulgarian Judges** features an updated and expanded "Sources" section, which outlines the international principles and documents that informed its development. Notably, the Code incorporates, among others, Opinion No. 3/2001 of the Consultative Council of European Judges, the Bangalore Principles of Judicial Conduct (2002), and the UN Basic Principles on the Independence of the Judiciary (1985). Additionally, the Code revises and clarifies key principles such as independence, impartiality, fairness and transparency, integrity, propriety, courtesy, and tolerance. These principles are detailed in Section I of the Code.

Additionally, the Code addresses recommendations made by the Venice Commission on 15-16 March 2024. These include, among others, adding age, sexual orientation, and disability to the list of prohibited grounds for unequal treatment (see Section I "Impartiality" and the corresponding Rule 2.1 in Section II). Another example relates to the implementation of the recommendation by the Venice Commission on providing for a duty for judicial associations, council for the judiciary and/or the court president to address the public and clarify the facts in response to the public criticism of a judge or his/her judgment. In this regard, the new Rule 3.4 establishes that when

[12] Joint Opinion on the Code of Ethical Conduct for Judges, CDL-AD(2024)004, para. 62.
[13] Joint Opinion on the Code of Ethical Conduct for Judges, CDL-AD(2024)004, para. 62.
[14] Joint Opinion on the Code of Ethical Conduct for Prosecutors and Investigators, CDL-AD(2024)005, para. 67.
[15] Joint Opinion on the Code of Ethical Conduct for Prosecutors and Investigators, CDL-AD(2024)005, para. 67.

judges or their decisions are unjustifiably criticised, they receive institutional support from the administrative head, professional organisations, and the Judges' College of the Supreme Judicial Council, including through the Mechanism for Action of the Judges' College of the Supreme Judicial Council in cases of interference with independence and/or attempts to exert pressure on judges and the court.

The revised **Code of Ethical Conduct for Bulgarian Prosecutors and Investigators** also introduces clarifications on key principles such as independence, impartiality, fairness and transparency, integrity, propriety, courtesy and tolerance. These principles are detailed in Section I of the Code. Additionally, the Code introduces “loyalty” as a new key principle.

The Code also incorporates recommendations made by the Venice Commission on 15-16 March 2024 with regard to prosecutors and investigators. These include, among others, as well adding age, sexual orientation, and disability to the list of prohibited grounds for unequal treatment (see Section I “Impartiality” and the corresponding Rule 2.1 in Section II). Another example relates to the implementation of the recommendation by the Venice on addressing the external activities of prosecutors and investigators, such as lectures, seminars, publications, involvement in trade unions and professional associations. In this regard, the new rule 10.7 establishes that prosecutors and investigators exercise their freedom of expression and association in a manner compatible with their position and which does not affect their independence and impartiality and that they have the right to participate in public debates related to legal topics, the judicial system, and the administration of justice; but should not comment on ongoing cases or express opinions that may undermine the authority of the institution. It also establishes provisions for whistleblowing and the disclosure of workplace misconduct, along with the confidentiality safeguards required during such disclosures.

Furthermore, the revision of the two Codes of ethical conduct for magistrates was done in cooperation between the ISJC and the SJC. Specifically, as demonstrated above, the ISCJ prepared and submitted the three analyses to the SJC and guidelines on relevant international standards in ethical behaviour, proposing the alignment of the Codes with the analyses and international documents. The SJC, on the other hand, adopted the two Codes of Ethical Conduct, taking into consideration these analyses and recommendations. Both bodies have therefore acted in cooperation for the purpose of revising the codes.

The Inspectorate to the Supreme Judicial Council shall […] organise and deliver anti-corruption trainings as well as trainings on integrity and conflict of interest:

Under Chapter Nine, Sections Ia and Ib of the JSA, the ISJC’s anti-corruption competences are strictly limited to the judiciary. Consequently, all training sessions provided by the ISJC focused on issues related to asset and conflict of interest declarations, as well as the specific elements of violations under Article 175k of the JSA, including breaches concerning conflict of interest, probity, independence, and actions undermining judicial integrity.

Between 6 and 15 December 2022, the ISJC conducted six training sessions on the practical aspects of **asset and conflict of interest declarations** by judges, prosecutors, and investigators, highlighting their role in **preventing and combating corruption within the judiciary** (ISJC Order 3-78/29.11.2022, page 1, and submitted training materials). Two of these sessions took place in the Sofia Appellate District - one for judges and another for prosecutors and investigating officers (ISJC Order 3-78/29.11.2022, pages 2-3).

On 27 and 28 September 2023, ISJC organised two additional training sessions - one for judges and one for prosecutors and investigating officers – focused on **preventing corruption in the judicial system through the lens of the powers of the ISJC under Chapter Nine, Section IB of the JSA** (ISJC Order 3-38/15.09.2023, pages 1-3). The training particularly emphasised the overall concept of **integrity**, as well as the specific elements of **integrity violations** by magistrates and the subject of

related inspections (ISJC Order 3-38/15.09.2023, pages 1-3 and submitted training materials). According to the training materials provided (Introduction, page 3), integrity encompasses both **conflict of interest** and **probity,** as well as **independence** and **ethical rules that all magistrates must observe.** By regulating the procedure for reviewing potential violations, the framework aims to have a preventive effect against more serious corrupt practices that could constitute criminal offences under the Criminal Code (Introduction, page 3). In this context, the training sessions provided an in-depth overview of the concepts of **conflict of interest**, **probity**, **independence**, and **actions undermining the prestige of the judiciary**. They also examined the composition of a violation against each of these concepts and the relevant applicable verification procedures under Chapter Nine, Section IB of the JSA (ISJC Order 3-38/15.09.2023, page 1-3 and submitted training materials).

The Inspectorate to the Supreme Judicial Council shall […] introduce a template for reporting on the completion of cases within the legally specified time limits.

The ISJC approved templates for reporting on the completion of cases within the legally specified time limits by virtue of Decision from a meeting of the ISJC of 1 November 2022 (Protocol No. 16 of 1 November 2022). These templates pertain to the reporting on the completion of cases within the legally specified time limits by all courts (district, regional, military, administrative, appellate, the Supreme Administrative Court, and the Supreme Court of Cassation), as well as by the respective prosecutor's offices and their associated investigation departments. Each table in the templates includes different columns indicating the completion of cases, for example “Total cases pending”, “Terminated cases - total”, and “Cases completed up to 1 year”.

The Inspectorate to the Supreme Judicial Council shall […] introduce a procedure for regular reporting and publication of the outcomes on the completion of the cases.

The ISJC approved on 22 November 2022 (Protocol No. 18 of 22 November 2022) Rules amending the Rules for the Organisation of its Activities and for the Activities of the Administration and Experts (hereinafter referred to as the "Amending Rules"), which were published in the State Gazette No. 96 on 2 December 2022. According to paragraph 3 of the Final Provisions of the Amending Rules, they came into force on the date of their publication in the State Gazette, which is 2 December 2022.

According to paragraph 2 of the Amending Rules, a new Section I, letter “a”, containing the new Articles 52a and 52b, has been added to the Rules for the Organisation of the Activities of the ISJC and for the Activities of the Administration and Experts. Section I, letter “a” is titled “Procedure for the Adoption of Templates for Reporting on the Completion of Cases and Files within the Prescribed Time Limits by Courts, Prosecution Offices, and Investigative Offices, and the Publication of the Results of Completed Cases”.

The new Article 52a(1) stipulates that the ISJC shall adopt templates for periodic reporting on the completion of cases and files within the established deadlines by courts, prosecution offices, and investigative offices. Article 52a(2) specifies that courts and prosecution offices must report on their activities related to the cases and files reviewed and closed within a calendar year, with these reports to be submitted to the ISJC by 15 March of the following calendar year. Article 52a(3) requires that the templates be published on the website of the ISJC.

Pursuant to the new Article 52b (1), by 15 April of each calendar year, the Unit "Analytical" prepares an analysis of the reports received from the courts and the Prosecutor's Office of the Republic of Bulgaria. According to the new Article 52b (2), the analysis of the results from completed cases and proceedings is published on the website of the Inspectorate.

Through the introduction of Articles 52a and 52b, the ISJC has established a procedure for regular

reporting and the publication of the outcomes on the completion of cases.

The proposed measures […] shall be consulted with the Venice Commission of the Council of Europe prior to their implementation. Furthermore, in line with the description of the measure, the Venice Commission shall be consulted before the Inspectorate revises the guidelines and organises the trainings;

At the time of Bulgaria's adoption of its Recovery and Resilience Plan (RRP), the Inspectorate to the Supreme Judicial Council did not have the necessary legal basis under the then-applicable legislative framework to implement the measures outlined in the milestone. To enable the practical implementation of the measures under the milestone, the Ministry of Justice drafted legislative amendments to the Judicial System Act (JSA) enhancing the role of the ISJC in preventing and countering corruption within the judiciary. On 11 August 2022, the Ministry of Justice consulted the Venice Commission on the draft amendments. The consultation focused on the following proposed powers intended to strengthen the institutional capacity of the ISJC:

- To revise the ethical guidelines for the conduct of magistrates, in cooperation with the Supreme Judicial Council, and shall summarise good and bad practices with regards to compliance with ethical rules, in line with the relevant European and International standards;
- To organise and deliver anti-corruption trainings as well as trainings on integrity and conflict of interest;
- To introduce a template for reporting on the completion of cases within the legally specified time limits; and
- To introduce a procedure for regular reporting and publication of the outcomes on the completion of the cases.

The Venice Commission adopted its Opinion on the draft amendments to the JSA concerning the ISCJ (CDL-AD(2022)022) at its 132nd Plenary Session (Venice, 21-22 October 2022). According to the Venice Commission, the authority of the ISJC to make proposals to the relevant Chambers of the SCJ to amend and supplement the Codes of Ethical Conduct "*seems to be compatible with the Inspectorate's mandate and should not be problematic per se*"[16], albeit suggesting that these powers "*should not be limited to the ISCJ only*"[17]. The Venice Commission raised no concerns with regards to the authority to summarise good and bad practices with regards to compliance with ethical rules.

Regarding the power to organise and deliver anti-corruption trainings, the Venice Commission favoured overall the idea of keeping this function with the National Institute of Justice and invited the authorities to reconsider the practical expediency of entrusting the ISJC with this function[18]. However, it also recalled that the Inspectorate is vested with constitutional authority to "carry out checks on the integrity and conflict of interest" (Article 132a (6))[19]. Hence, the Venice Commission reasoned that this "function of the Inspectorate may explain the proposed amendment, even

[16] Opinion on the Draft Amendments to the Judicial System Act Concerning the Inspectorate to the Supreme Judicial Council, CDL-AD(2022)022, para. 33.
[17] Opinion on the Draft Amendments to the Judicial System Act Concerning the Inspectorate to the Supreme Judicial Council, CDL-AD(2022)022, para. 46.
[18] Opinion on the Draft Amendments to the Judicial System Act Concerning the Inspectorate to the Supreme Judicial Council, CDL-AD(2022)022, para. 46.
[19] Opinion on the Draft Amendments to the Judicial System Act Concerning the Inspectorate to the Supreme Judicial Council, CDL-AD(2022)022, para. 41.

though there is no explicit mentioning of the function to organise or deliver trainings on such matters"[20].

The Venice Commission took note[21] of the envisaged introduction of the power to adopt a template for reporting on the completion of cases within the legally specified time limits and of the introduction of a procedure for regular reporting and publication of the outcomes on the completion of the cases within the JSA, and raised no concerns on these amendments.

On 8 September 2023, Bulgaria submitted for further consultation the analysis on good and bad practices related to the ethical codes, the amendments to the Rules for the Organisation of the Activities of the ISJC and for the Activities of the Administration and Experts, and informed about the adoption of the templates for periodic reporting. In its reply dated 14 September 2023, the Venice Commission raised no additional concerns.

As noted above, both Codes for the ethical conduct for Judges and for Prosecutors and Investigators were approved by the Plenum of the SJC on 30 October 2023 and subsequently submitted for consultation with the Venice Commission on 3 January 2024. The Venice Commission adopted its Opinions during its plenary session on 15-16 March 2024, providing concrete recommendations for enhancing the substance of the ethical codes. In response, the SJC revised the Codes to address recommendations as outlined above.

As a result, the revised Code of Ethical Conduct of Bulgarian Judges was adopted by a decision of the Judicial College of the SJC under Protocol No 46/10.12.2024 and approved by a decision of the Plenum of the SJC under Protocol No 15/12.12.2024. The revised Code of Ethical Conduct of Bulgarian Prosecutors and Investigators was adopted by a decision of the Prosecutorial College of the SJC under Protocol No. 42/04.12.2024 and approved by a decision of the Plenum of the SJC under Protocol No. 15 of 12.12.2024.

The proposed measures shall not lead to an increase in the disciplinary powers of the Inspectorate […].

In accordance with Art. 54(1), item 8 of the JSA, the ISJC conducts checks on the integrity and conflict of interests of judges, prosecutors and investigating magistrates, on their property declarations, as well as to identify actions that undermine the prestige of the judiciary and those related to the violation of the independence of judges, prosecutors and investigating magistrates. However, the ISJC has no competence to impose disciplinary sanctions. In fact, pursuant to Article 54(1), item 6, of the JSA, the powers of the ISJC are limited to proposing the imposition of disciplinary sanctions on judges, prosecutors and investigating magistrates and on the administrative heads of judicial authorities. In accordance with Art. 30(5), item 3, of the JSA, the Judicial College and the Prosecutorial College of the SJC are the bodies that are competent to impose disciplinary sanctions on judges, prosecutors, investigating magistrates, administrative heads and their deputies in the judicial authorities.

The implementation of the milestone requires notably the revision of the ethical guidelines for the conduct of magistrates, in cooperation with the Supreme Judicial Council, and to summarise good and bad practices with regards to compliance with ethical rules; to organise and deliver anti-corruption trainings as well as trainings on integrity and conflict of interest; to introduce a template for reporting on the completion of cases within the legally specified time limits; and to introduce a procedure for regular reporting and publication of the outcomes on the completion of the cases, has not resulted in any expansion of the ISJC's disciplinary powers beyond those outlined above

[20] Opinion on the Draft Amendments to the Judicial System Act Concerning the Inspectorate to the Supreme Judicial Council, CDL-AD(2022)022, para. 41.

[21] Opinion on the Draft Amendments to the Judicial System Act Concerning the Inspectorate to the Supreme Judicial Council, CDL-AD(2022)022, para. 13.

within the applicable legal framework.

Furthermore, in line with the description of the measure, the reform shall […] improve the role of the Inspectorate of the Supreme Judicial Council in the prevention and counteracting corruption through revised ethical guidelines and trainings.

The revised ethical guidelines have improved the role of the ISJC in preventing and counteracting corruption by providing a clearer, more detailed framework for ethical behaviour within the judiciary. The ISJC contributed, in cooperation with the Supreme Judicial Council, to the development of separate Codes of Ethical Conduct for judges and for prosecutors and investigators, incorporating European and international standards and addressing recommendations from the Venice Commission. These Codes expand on key principles such as independence, impartiality, fairness, transparency, integrity, and propriety. They further address issues such as conflicts of interest, external activities, and whistleblowing and provide clearer standards and guidance for magistrates' behaviour and potential violations, thereby enabling the ISJC to more effectively identify and address ethical breaches through its inspections and preventive measures. Additionally, the ISJC organised targeted anti-corruption trainings for magistrates, focusing, among others, on the powers of the ISJC and the relevant applicable verification procedures under the JSA, thus reinforcing the ISJC's role in preventing and counteracting corruption within the judiciary.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 227	Related Measure: C10R3 Legal acts regarding the mediation framework
Name of the Milestone: Entry into force of legal acts regarding the mediation framework	
Qualitative Indicator: Provisions indicating the entry into force of the legal acts	**Time:** Q4 2022

Context:

The objective of this reform is to support the uptake of mediation in Bulgaria. Milestone 227 requires entry into force of legal acts, which shall provide that the court, in certain civil and commercial cases, obliges the parties to take part in an information meeting on the mediation procedure. Milestone 227 also requires the adoption of legal acts on the organisation and operation of mediation centres and on the procedure of selection of mediators.

Milestone 227 is the only milestone or target of this reform. The reform has a final expected date for implementation on 31 December 2022.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the publication in the State Gazette No. 11 of 2 February 2023 of the amendments to the Law on Mediation, the Civil Procedure Code and the Law on the Judiciary;
iii. Protocol No. 35 of the meeting of the Judges Chamber of the Supreme Judicial Council on 31 October 2023, approving the amendment to the Classification of the Positions in the Court Administration;
iv. Copy of the publication in the State Gazette No. 94 of 10 November 2023 of the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts;
v. Copy of the publication in the State Gazette No. 55 of 8 July 2025 of the amendments to the

Civil Procedure Code and the Law on Mediation;

vi. Copy of the publication in the State Gazette No. 62 of 30 July 2025 of the Ordinance on the Mediators and the Procedures in the Mediation Centres at the Courts and of the amendments to the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts.

The authorities also provided:

vii. Copy of the Law on Mediation (consolidated version extracted from the legal information system Apis);

viii. Copy of the Civil Procedure Code (consolidated version extracted from the legal information system Apis);

ix. Copy of the Law on the Judiciary (consolidated version extracted from the legal information system Apis);

x. Protocol No. 30 of the meeting of the Plenum of the Supreme Judicial Council on 30 October 2023, approving the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts, which includes an amendment to the Rules of the Court Administration.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Entry into force of legal acts regarding the mediation framework

The legal acts shall provide that the court, in certain civil and commercial cases, obliges the parties to take part in an information meeting on the mediation procedure. Furthermore, in line with the description of the measure, [...] legal acts, which shall provide that the court, in certain civil and commercial cases, obliges the parties to take part in an information meeting on the mediation procedure.

The law amending the Law on Mediation, the Civil Procedure Code and the Law on the Judiciary (hereinafter referred to as the "Amending Law"), was adopted on 25 January 2023 by the Parliament and published in the State Gazette on 2 February 2023. According to Paragraph 12 of the Amending Law, the amendments made by this Law entered into force on 1 July 2024.

Additional legislative amendments were adopted to the Law on Mediation and to the Civil Procedure Code on 27 June 2025 by Parliament and were published in the State Gazette on 8 July 2025. According to Article 5(5) of the Constitution of the Republic of Bulgaria, laws enter into force three days after their publication in the State Gazette. Consequently, the amendments entered into force on 12 July 2025.

According to the new Article 140(3) of the Civil Procedure Code, the court shall oblige the parties to participate in person in an information meeting on the mediation procedure, when the conditions under Article 140a(1) and (2) are met.

According to Article 140a(1) of the Civil Procedure Code, the court shall oblige the parties to participate in person in an information meeting on the mediation procedure when a claim is filed or a request is made to the court for:

(i) Management of jointly owned property or distribution of its use under Article 32(2) of the Law on Property;

(ii) monetary claims arising from co-ownership under Article 30(3) and Article 31(2) of the Law on Property;
(iii) division of property under Article 34 of the Law on Property - in the proceedings for carrying out the division;
(iv) divorce under Article 49 of the Family Code;
(v) resolution of disputes regarding the child's place of residence, the exercise of parental rights and obligations, personal relations with the child and his/her child support under Art. 123, para. 2 and Art. 127, para. 2 of the Family Code;
(vi) change to the child's place of residence, the exercise of parental rights, the personal relations with the child and his or her child support in case of a change in the circumstances after the divorce;
(vii) determination of measures for personal relations with the grandparents under Article 128 of the Family Code;
(viii) alimony and child support;
(ix) remunerations or benefits arising from employment relationships, as well as for recognition of the dismissal as unlawful and its cancellation, and for the reinstatement at the previous job;
(x) monetary or non-monetary claim in a civil dispute, arising from a contract, unilateral transaction, tort, unjust enrichment or carrying out someone else's work without a power of attorney with a claim value of up to BGN 25 000;
(xi) monetary or non-monetary claims in commercial disputes under Article 365, item 1, regardless of the value of the claim.

Article 140a(2) of the Civil Procedure Code lists the circumstances, which the court shall take into account when it considers whether the dispute is suitable for referral to mediation, including when:
(i) there are lasting relations between the parties;
(ii) several cases are or have been conducted between the parties, which have a connection with each other;
(iii) multiple claims or counterclaims have been filed in the case;
(iv) the costs of the proceedings may significantly exceed the material interest in the case;
(v) the prompt voluntary settlement of the dispute is in the interest of the parties or of the child;
(vi) the main circumstances from which the claimed rights and objections arise are indisputable;
(vii) there are other circumstances that indicate that the dispute is suitable for mediation.

The legal acts shall also provide for circumstances under which the court does not oblige the parties to participate in such an information meeting.

Article 140a(3) of the Civil Procedure Code provides for the circumstances under which the court does not oblige the parties to participate in an information meeting on the mediation procedure, specifically when:
(i) the mediation procedure is excluded for the respective type of dispute by law;
(ii) the first notice in the case has not been served on the defendant in person or through another person in the cases provided for by law, unless they are discovered in the course of the proceedings before the first instance;
(iii) the defendant admits the claim;
(iv) evidence of violence committed against a party to the case by the opposing party or of existence of a risk to the life or health of the child or of his/her best interest has been presented in the case;
(v) the participation of the parties makes it difficult to consider and resolve the case within a reasonable time;
(vi) the parties may not dispose of the right, which is the subject of the case;

(vii) there are other circumstances that point to a reasonable assumption that mediation would not lead to a positive outcome.

The information meeting shall be carried out in the mediation centres at the courts and their territorial divisions.

According to Article 19(1) of the Law on Mediation, in the cases and under the conditions stipulated by law, the court obliges the parties to a pending court case to participate in an information meeting on the mediation procedure, which takes place in a judicial mediation centre at the relevant court. While the cases stipulated by law are covered by Article 140a(1) of the Civil Procedure Code, the conditions stipulated by law are included in Article 140a(2) of the Civil Procedure Code.

According to Article 84a(1) of the Law on the Judiciary, a judicial mediation centre with territorial divisions to the regional courts shall be established at each district court, which organizes the conduct of mediation procedures under pending court cases under Chapter Six of the Law on Mediation.

The legal acts shall regulate the organisation and the operation of mediation centres at the courts and their territorial divisions and the status of their staff, as well as the procedure for the selection of mediators.

According to point 5.1 of Protocol No. 30 of the meeting of the Plenum of the Supreme Judicial Council on 30 October 2023, the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts is approved. The Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts was published in the State Gazette No. 94 of 10 November 2023. According to Paragraph 1 of the final provisions of the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts, it entered into force on 1 July 2024. Further amendments to the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts were published in the State Gazette No. 62 of 30 July 2025. According to Paragraph 12 of the final provisions of ordinance amending the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts, the amendments entered into force on the date of its publication in the State Gazette, that is on 30 July 2025.

The Ordinance on the Mediators and the Procedures in the Mediation Centres at the Courts was published in the State Gazette No. 62 of 30 July 2025. According to Paragraph 1 of the final provisions of the Ordinance on the Mediators and the Procedures in the Mediation Centres at the Courts, it entered into force on the date of its publication in the State Gazette, that is on 30 July 2025.

Paragraph 3 of the transitional and final provisions of the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts, an amendment has been made to the Rules of the Court Administration, creating in a new Chapter three "a" on the position of a "Coordinator of a mediation centre". According to Paragraph 1 of the final provisions of the Organisation of the Mediation Centres at the Courts, it entered into force on 1 July 2024.

According to point 21.1. of Protocol No. 35 of the meeting of the Judges Chamber of the Supreme Judicial Council on 31 October 2023, the amendment to the Classification of the Positions in the Court Administration, which introduces a new position labelled “Coordinator – judicial mediation centre”, entered into force on 1 July 2024.

The Classification of the Positions in the Court Administration, the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts, the Ordinance on the Mediators and the Procedures in the Mediation Centres at the Courts and the Rules for the Court Administration are hereinafter referred to as the "Secondary legislation".

According to Article 1 of the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the courts, the ordinance regulates the structure and the organisation of the activities of the judicial mediation centres. In particular, chapter 2 of the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the courts regulates the establishment of the mediation centres at the courts and their territorial divisions, the organisation of the activities of the mediation centre by the president of the court to which it is attached, and the election of three representatives of the mediators to participate in the organization of the centre's activities.

Chapters 3 and 4 regulate the operation of the mediation centres at the courts. Chapter 2 requires that a territorial division is established at each regional court, providing the necessary conditions for conducting mediation procedures. Chapter 3 regulates the role of the mediation coordinator, who is responsible for organising the mediation procedures, including communication with the parties in court cases, and other administrative tasks, which are presented in more detail under the following section. Chapter 4 concerns the statistics, analysis, and coordination of the activity of the mediation centres. The information, which is collected every six months, includes the number of information meetings on the mediation procedure, as well as the number of mediation procedures, settlements, and outcome of the court cases, as well as data on individual performance of the mediators. On the basis of the information, a report on the activity of the mediation centre is prepared under Article 18. These reports are used by the Supreme Judicial Council according to Article 19 to summarise and analyse best practices, as well as contribute to exchange of information between the mediation centres, thereby aiming to further improve the operation of mediation centres.

Chapter 3 of the Ordinance on the Structure and Organisation of the Activity of the Mediation Centres at the Courts regulates the status of the staff of the mediation centres and in particular, of the coordinators who are judicial officers in the court to which the mediation centre is attached and who organise the mediation procedures in the mediation centre.

Article 13 lists the duties of the coordinator such as participating in organising the activities of the mediation centre, making contact with the parties to the dispute, their procedural representatives and mediators on organisational matters, determining the date and time for holding the information meeting on the mediation procedure, and appointing a mediator to conduct the information meeting on the mediation procedure. The amendment to the Classification of the Positions in the Court Administration introduces a new position "Coordinator – judicial mediation centre" with specific minimal requirements for holding the position. An amendment has been made also to the Rules for the Court Administration, creating a new Chapter three "a" "Coordinator of a judicial mediation centre ", which includes requirements for holding the position such as Bulgarian citizenship, higher education with a bachelor's degree, and participation in a competition for the position.

The Ordinance on the Mediators and the Procedures in the Mediation Centres at the Courts regulates the selection and training of mediators, as well as the mandate and the evaluation of the activity of the mediators. Article 5 of the Ordinance on the Mediators and the Procedures in the Mediation Centres at the Courts regulates the requirements for holding the position, including having higher education and undergoing selection and specialized training according to the procedure of the ordinance.

Regarding the procedure for the selection of mediators, the Ordinance on the Mediators and the Procedures in the Mediation Centres at the Courts regulates in chapter 2 the procedure for the selection of mediators, including the application, the written exam, and the oral exam.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 228	Related Measure: C10.R4: Strengthening insolvency procedures
Name of the Milestone: Entry into force of legal acts with regards to the insolvency and restructuring procedures	
Qualitative Indicator: Provisions in the legal acts, indicating their entry into force	**Time:** Q3 2022

Context:

Milestone 228 is part of reform C10.R4, whose objective is to increase the efficiency of insolvency and restructuring procedures. This shall be achieved by adopting legal acts and follow-up measures, implementing the provisions of the law.

Milestone 228 requires the entry into force of legal acts, which shall provide for early warning tools, facilitating the insolvency and restructuring procedures, duties of the directors in case of likelihood of insolvency, a possibility for electronic exchange of information, legal guarantees for the registration of the actual management addresses and stricter regulation of the profession of insolvency practitioners.

Milestone 228 is the first step of the implementation of the reform, and it will be followed by milestone 229, related to the completion of further measures to implement the reform of the insolvency framework. The reform has a final expected date for implementation on 30 June 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone was satisfactorily fulfilled;
ii. Copy of the publication in the State Gazette No. 66 of 1 August 2023 of the law amending and supplementing the Commercial Law, adopted by the Parliament on 20 July 2023.

The authorities also provided:

iii. Copy of the publication in the State Gazette No. 103 of 12 December 2023 of the Ordinance of 7 December 2023 on early warning tools and access to information of enterprises in the event of probability of insolvency;
iv. Copy of the publication in the State Gazette No. 106 of 22 December 2023 of the ordinance amending and supplementing Ordinance No. 3 of 2005 on the procedure for the selection, qualification and supervision of insolvency practitioners, hereinafter referred to as "amendments to the regulation on insolvency practitioners";
v. Code of Ethics of Insolvency Practitioners and Trustees, approved by Order No. LS-04-480 of the Minister of Justice of 18 December 2023.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all

constitutive elements of the milestone.

Entry into force of legal acts with regards to the insolvency and restructuring procedures. Furthermore, in line with the description of the measure, adopting legal acts to facilitate the opening and conducting of insolvency and restructuring procedures, to ensure the use of electronic means in insolvency, restructuring and discharge of debt procedures, as well as provide for stricter regulation of the profession of insolvency practitioners, early warning tools and duties of the directors in case of likelihood of insolvency.

Entry into force of legal acts , which shall provide for:

- **early warning tools […].**

The law amending the Commercial Law was adopted by the Parliament on 20 July 2023 and was published in the State Gazette No. 66 of 1 August 2023. According to the general rule of Article 5(5) of the Constitution of the Republic of Bulgaria, laws enter into force three days after their publication in the State Gazette, and as there is no special provision on entry into force in the law amending the Commercial Law, it entered into force on 5 August 2023.

The new Article 761(3) of the Commercial Law, which entered into force on 5 August 2023, provides that an ordinance by the Council of Ministers on early warning tools and access to information for enterprises shall be adopted. .

The Ordinance on early warning tools and access to information of enterprises in the event of probability of insolvency (hereinafter referred to as the "EWT Ordinance") was approved by Decree No. 269 of 7 December 2023, published in the State Gazette No. 103 of 12 December 2023, and entered into force on the date of its publication in the State Gazette, on 13 December 2023. The EWT Ordinance entered into force on this date with the exception of the provisions of Article 8, points 2 and 3, and Articles 9, 10, and 11, which entered into force 12 months after the publication, on 14 December 2024, in accordance with paragraph 4 of the Transitional and Final Provisions of the EWT Ordinance. The early warning tools include a wide range of tools such as information technology systems, guidelines, consultation services, and training programmes, taking into account the dynamism characterising business developments.

Article 8, points 2 and 3, and Articles 9, 10 and 11 of the EWT Ordinance concern more concretely some of the early warning tools administered by the executive agency for the promotion of small and medium-sized enterprises (hereinafter referred to as the "Agency"). In particular, Article 8, points 2 and 3 and Articles 10 and 11 of the EWT Ordinance concern the Agency administering the provision of general guidelines and advice to enterprises regarding the possibilities for establishing the probability of insolvency and for taking relevant preventive measures, as well as the provision of specialized consulting services in the field of business management, accounting, finance and law by consultants. Article 9 of the EWT Ordinance concerns the web-based electronic information system for self-assessment for early warning in case of probability of insolvency.

- **facilitating the opening and conducting of insolvency and restructuring procedures […].**

Insolvency procedures

With regard to facilitating the opening of insolvency proceedings, Bulgaria has introduced the following amendments to the Commercial Law, which as mentioned above entered into force on 5 August 2023.

The amendments to Article 613a(1) specify general norms regarding the deadlines for filing appeals against judicial acts in the proceedings. Specifically, it is envisaged that the deadlines start running from the publication of the acts in the Commercial Register, as a faster and more secure way of communication than the delivery of individual notices under the order of the Code of Civil Procedure.

Similarly, according to the amendments to Article 679(2), the service of notices and the summoning of debtor and creditors in connection with the proceedings on a request for annulment of a decision of a meeting of creditors need to be made through an announcement in the Commercial Register, which is a faster and more secure way of communication than the delivery of individual notices.

Moreover, according to the amendments to Article 629, the applications for opening insolvency proceedings of the debtor and of the creditors against the same debtor, are now examined within one common proceeding. This provision allows for streamlining the opening of the insolvency proceedings and reducing the costs to the interested parties.

With regard to facilitating the conducting of insolvency proceedings, Bulgaria has introduced the following amendments to the Commercial Law, which as mentioned above entered into force on 5 August 2023.

The changes introduced in Article 632 limit the duration of the insolvency proceedings, in cases where the debtor has no property, or it is insufficient to cover the costs of the insolvency proceedings and the funds for these costs have not been advanced by the interested parties. Following the amendment, a temporary suspension (stay) on this ground will now only be allowed once in the proceedings, to avoid protracted and pointless insolvency proceedings.

The new Article 639b(3) introduces the possibility of preliminary cashing by the insolvency practitioner of an asset of a debtor with the permission of the court. This helps covering the expenses necessary for the development of the insolvency proceedings, if they are not paid by the interested parties. As such the amendment facilitates the execution of smooth and uninterrupted insolvency proceedings, preventing the possibility of multiple and unlimited suspensions.

The amendments to Art. 638 introduce exceptions to the rule for suspending the established individual forced execution under the Code of Civil Procedure on the debtor's property, in cases where there is already an announced buyer. They enable the quick satisfaction of the insolvency creditors from the sale’s receipts and help avoiding selling the same asset later on, during the insolvency proceedings and the related costs with it.

Article 693a introduces standardized forms of the application for lodging the claims and for the lists of accepted and unaccepted claims, distribution accounts and reports prepared by the insolvency practitioner, the declarations and consent of the insolvency practitioner under Article 656(1)-(2), as well as for his or her logbook. This streamlining and standardisation reduces the administrative burden to creditors, speeds up the procedure for presentation and acceptance of claims, and provides guidance and support to the work of insolvency practitioners.

The new Section II “Electronic public auction. Scope and specific rules” in Chapter Forty-six provides for the possibility of selling the property from the insolvency estate through an electronic public auction. Electronic public auctions are better suited to achieve optimal bidding prices and allow the insolvency practitioner to simultaneously conduct multiple sales of different objects from the insolvency estate. Therefore, the amendment contributes to improving the transparency and

efficiency of the process for property liquidation.

Restructuring procedures

With regard to facilitating the opening of restructuring proceedings, Bulgaria has introduced the following amendments to the Commercial Law, which as mentioned above entered into force on 5 August 2023.

Article 769 and Article 770, which set out the contents of the necessary documents for opening a restructuring procedure, have been amended and supplemented, improving the layout and clarity of the requirements. The amendments to the Commercial Law introduce the requirement that a stabilization plan with a predefined structure should be annexed to the application documents, aiming to improve the quality of the document. For example, the proposed plan should contain a reasoned statement of how the stabilization plan will prevent the insolvency of the trader and ensure the viability of its activity, providing for the necessary prerequisites for the success of the plan.

Moreover, according to the new Article 770(9), the Minister of Justice and the Minister of Economy are entitled to jointly approve practical guidelines for the preparation of a stabilization plan, which are published on the official websites of the Ministry of Justice, the Ministry of Economy and Industry, the Ministry of Innovation and Growth and the Executive Agency for Promotion of Small and Medium Enterprises. Such practical guidelines are expected to improve the access to stabilization procedures, including for micro, small or medium enterprises, by providing uniform advice at the start of the restructuring process, thus increasing the chances for a successful stabilization plan. The Minister of Justice, the Minister of Economy and Industry and the Minister of Innovation and Growth approved the ordinance on the practical guidelines for the preparation of a stabilization plan on 17 January 2024, which entered into force on the same day of its approval.
With regard to facilitating the conducting of restructuring proceedings Bulgaria has introduced the following amendments to the Commercial Law, which as mentioned above entered into force on 5 August 2023.

Pursuant to the amendments in Article 772(1), the appointment of a trustee to supervise or take partial control over the debtor's activities is no longer mandatory. Instead, the necessity for a trustee and his or her capacity should be assessed on a case-by-case basis by the court, taking into account the debtor's needs. The new Article 772(2) that allows the trustee to be proposed by the debtor, also aligns the appointment of the trustee with the debtor’s interests. These amendments provide more flexibility as to the role of the trustee in the restructuring procedure, thus facilitating the process overall.

The figure of the supervisory authority, which before the amendment of Article 796(2) was appointed by the court with the decision to approve the stabilization plan, with the powers under Article 700a to give prior consent for carrying out listed transactions and actions by the debtor's authorities, is eliminated with the Commercial Law amendments (amended Article 796(2)). This elimination of the supervisory authority reduces the costs for the debtor and provides more freedom to the debtor and hence facilitates conducting the restructuring procedures by making them more efficient and flexible.

New provisions in Article 770(2) and in Article 795a regulate and protect new financing from an existing or new creditor for the implementation of the stabilization plan, as well as interim financing from an existing or new creditor necessary to continue the trader's business or to preserve or increase the value of his/her business. These financial transactions are protected from being

cancelled or considered void in case the trader becomes insolvent.

Article 776 concerning restrictions of trader's activity in restructuring proceedings has been amended. Following the amendments, only some, and not all, activities of the trader, and only in clearly described cases, may be restricted and be made subject to prior consent of the trustee. Under Article 776(3), management of assets shall be limited to some, and not all assets, an only if it has been established that with his or her actions the trader can worsen his or her financial situation/difficulties. Similarly, the scope of application of Article 776(4) and (5) has been limited to some and not all pecuniary obligations of the trader to be accepted or performed with the prior consent of the trustee. The amendments provide more freedom and speed in the decision making of the trader, if the actions are deemed to be aligned with the financial interests of the enterprise, thus facilitating the restructuring procedures.

A mechanism of cross-class cram-down, has been created by an amendment to Article 790(3) of the Commercial Law, to accept the stabilization plan even without the consent of all affected creditors. In Article 790(3) the institution of forced imposition of the stabilization plan has been introduced when the required majority of the creditors' votes pursuant to Article 789(3) is not present for each creditor class. The court may approve the stabilization plan if all other prerequisites for equal treatment and protection of the interests of all creditor classes are satisfied. By overcoming the veto of minority creditor classes, the amendments facilitate the adoption of the stabilization plan– a crucial step in the stabilization proceedings, and ensure continued business operation without jeopardizing the interests of creditors.

To allow for quick and effective implementation of the stabilization plan approved by the court, Article 790(6) has been amended to include a new provision which establishes that the appeal of the stabilization plan does not stop its implementation. Therefore, the amendment prevents a protracted start of the stabilization plan's implementation, thus facilitating the conducting of restructuring procedures.

Furthermore, paragraph 109 of the Law amending the Commercial Law, amends Article 189(1)-(4) of the Tax and Social Insurance Procedure Code which allows the Minister of Finance, under certain conditions, to reduce the principal of public state and municipal receivables within the restructuring proceedings and according to the stabilization plan. The amended Article 189(2) of the Tax and Social Insurance Procedure Code stipulates that the conditions for prohibition of reduction, rescheduling or postponement of public obligations in the restructuring proceedings must not be less favourable than the conditions set out for other creditors within the same class of creditors of public obligations. This amendment provides a level playing field for all creditors, including the state, and increases the possibility for reaching an agreement on the stabilization plan, thus facilitating the conducting of stabilization procedures. These new provisions were necessarily introduced via amendments to the Tax and Social Insurance Procedure Code, considering that the Code lays down the procedures for collecting public receivables.

- **duties of the directors in case of likelihood of insolvency […].**

Through the amendment to the Commercial Law, which as mentioned above entered into force on 5 August 2023, Bulgaria has introduced the new Article 620a, which provides that in the presence of an imminent risk of insolvency and taking into account the interests of creditors, partners, shareholders and the sole owner of the trader's capital, as well as the employees, the 'authorities of the trader' (as explained below) shall take all necessary actions to avoid the trader's insolvency and over-indebtedness, as well as not to jeopardise the viability of the enterprise intentionally or with

gross negligence.

The authorities of the trader, that is the corporate bodies of each trader, differ depending on the type of the trader, but in accordance with Articles 76, 99, 135, 159, 163, 156 and 160n of the Commercial Law, include directors or relevant persons managing the company.

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- **possibility for electronic exchange of information and documents in the insolvency, restructuring and discharge of debt procedures […].**

Bulgaria has introduced the possibility for electronic exchange of information and documents in all civil proceedings with amendments to Articles 38 and 38a and the newly introduced Articles 102a to 102h of the Civil Procedure Code, which were published in the State Gazette on 20 December 2020 and entered into force on 30 June 2021 in accordance with paragraph 22 of the Transitional and Final provisions of the law amending the Civil Procedure Code, published in the State Gazette on 29 December 2020. The amendments provide that delivery of messages may be carried out at an electronic address for service chosen by the party through (i) the single portal for electronic justice, (ii) qualified electronic registered mail service, or (iii) the system for secure electronic delivery under Article 26(2) of the Law on Electronic Government. The amendments also provide specific rules for persons who performed a procedural action in electronic form or in the single portal for electronic justice, which relate to the possibility to accept electronic statements and electronic documents from the court in the case in the proceedings before the relevant instance or before all instances. The amendments also provide that all procedural actions of the parties may be carried out in electronic form, unless due to their nature this is impossible or provided by law performing them in another way, and the courts are obliged to accept them provided that the requirements of the law are met. These procedural actions of the parties include the actions (a) filing of claims; (b) submission of restructuring or repayment plans; (c) notifications to creditors; (d) lodging of challenges and appeals. According to Article 621 of the Commercial Code,
insofar as there are no special provisions in part four of the law, covering insolvency and discharge of debt, the provisions of the Civil Procedure Code shall apply accordingly, and according to Article 768 of the Commercial Code, insofar as there are no special provisions in part 5 of the law covering restructuring, the provisions of the Civil Procedure Code shall apply accordingly. The amendments to the Civil Procedure Code therefore apply to electronic exchange of information and documents in the insolvency, restructuring and discharge of debt procedures as there are no special provisions in the Commercial Law restricting the electronic exchange of information in these procedures.

- **stricter regulation of the profession of insolvency practitioners to ensure they have the necessary expertise […].**

The amendment to Article 655 of the Commercial Law provides for an increase in the required professional experience in the specialty from three to five years. In particular, prior to the amendment, Article 655(2), point 6 required insolvency practitioners to have completed higher economic or higher legal education and at least three years of experience in the specialty – either in economics or in law. After the amendment, Article 655(1), point 4 requires the insolvency practitioner to have a completed higher legal or economic education degree and experience in the area of law or economics of at least five years. This legal provision states a stricter regulation of the profession of insolvency practitioners, which enhances the likelihood that the insolvency practitioners have the necessary expertise through a longer required period of professional experience acquired in their specialty than in the version of the Commercial Law prior to being amended.

In addition, Articles 668a and 668b of the Commercial law, which previously regulated the figure of

assistant insolvency practitioners have been repealed. These assistant insolvency practitioners were allowed to carry out certain actions in line with the guidance of insolvency practitioners and were only required to have two years of professional experience in the specialty. This amendment contributes to a stricter regulation of the profession of insolvency practitioners, as the figure of assistant insolvency practitioners is no longer provided for by law, and all actions would therefore be carried out by insolvency practitioners who have fulfilled the five-year-requirement of professional experience in the specialty.

Furthermore, in order to ensure trainings of insolvency practitioners on preventive restructuring proceedings to be included in the annual training plans for insolvency practitioners, Ordinance No. 3 of 2005 on the procedure for the selection, qualification and supervision of insolvency practitioners (hereinafter referred to as the "Ordinance on selection, qualification and supervision of insolvency practitioners") has been amended with the approval of the amending ordinance published in the State Gazette No. 103 of 22 December 2023, which according to its paragraph 13 of the final provisions, entered into force on the date of the publication in the State Gazette, that is on 22 December 2023. In particular, Article 18 (1) provides that the annual qualification courses for insolvency practitioners shall include the acquisition of knowledge and experience concerning insolvency proceedings, restructuring and discharge of debt. The inclusion of trainings on restructuring and discharge of debt results in a more comprehensive scope of the trainings, which in turn contributes to ensuring they have the necessary expertise for their responsibilities.

- **[…] and that the processes for the appointment, removal and resignation of practitioners are clear, transparent and fair.**

The Commission considers that there is a clerical error in the text of the Council Implementing Decision as regards the description of milestone 228 and has undertaken the assessment on a revised basis. In such description, it is stated that "the process for the appointment, removal and resignation of practitioners are clear, transparent and fair". However, this is considered a clerical error, specifically a grammatical mistake, as the appointment, removal and resignation are different processes. Therefore, this element should be interpreted as requiring that the processes for the appointment, removal and resignation are clear, transparent and fair. Against this background, the justification and substantiating evidence provided by the Bulgarian authorities cover all constitutive elements of the milestone.

Concerning the conditions for eligibility and the process for the appointment, Article 655 of the Commercial law, which includes the eligibility conditions for insolvency practitioners, has been amended. The conditions have been split into two categories – general conditions and conditions for being appointed in a specific insolvency proceeding. In particular, Article 655(1) covers the general conditions for exercising activity as insolvency practitioner, such as professional experience, not having been convicted of a criminal offence, and having successfully passed the exam for insolvency practitioner. Article 655(2) covers the conditions for the appointment in a specific insolvency proceeding such as not being the debtor's or creditor's spouse, having no direct kinship, no collateral kinship – up to the sixth degree, and no kinship by marriage – up to the third degree, as well as not being a creditor in the insolvency proceeding or having any other relationship, which gives rise to reasonable doubt as to the impartiality of the insolvency practitioner. Article 655(2) provides for fulfilment of the conditions by an insolvency practitioner to be assessed by the court in specific insolvency procedures. Two of the conditions are further developed, in particular Article 655(2), point 2 requires that the insolvency practitioner shall not be creditor in the insolvency proceeding with the newly added exception for the claim for remuneration as an insolvency practitioner in these proceedings. Article 655(2), point 3, which concerns impartiality, now specifies that the insolvency practitioner shall not have represented the debtor or the creditor in the last three years before assuming office. Compared to the list of conditions in Article 655 without this

differentiation, the amendment has reduced the potential ambiguities in the regulation, thus contributing to its clarity, transparency and fairness.

Moreover, the conditions for appointment include additional requirements in Article 655(1), points 6 and 7. In particular, Article 655(1), point 6, includes as a condition for appointment that the persons have not been released as insolvency practitioners of banks by the Bulgarian National Bank on the grounds of Article 44, point 3 of the Law on Bank Insolvency due to violations linked to their activity as insolvency practitioners. Although under the previous version being released as an insolvency practitioner of a bank would have eventually resulted in a release under Article 29 (1), point 6 of the Law on Bank Insolvency, the express reference to Article 44, point 3 brings more clarity and transparency to the conditions. Similarly, according to the new Article 655(1), point 7, persons who are temporarily removed from the list of insolvency practitioners due to not having paid the annual fees in line with the law are considered ineligible to be appointed. Although prior to the amendment, such persons would be considered ineligible under Article 655(1), point 5, which requires, among others, be included in the list of insolvency practitioners, the express reference to temporary removal due to not paying the fees contributes to the avoidance of ambiguity in such cases. The clarity, transparency and fairness are ensured by the explicit regulation in the law of the requirements, as well as by distinguishing between general conditions and conditions for the appointment in a specific insolvency proceeding, thus reducing potential legal ambiguities. The amendments to the conditions for appointment in Article 655 of the Commercial law, which include stricter eligibility conditions and distinguish also the two cases contribute to the clarity, transparency and fairness of the process of appointment, by ensuring that the eligibility conditions are an important aspect of the process.

Concerning the removal of the insolvency practitioners, Article 655(3), Article 657(2), and Article 663 of the Commercial law have been amended and the new Article 655(4) and Article 655(6) of the Commercial law have been introduced. In particular, prior to the amendments, in line with Article 655(3), the Minister of Justice could remove from the list of insolvency practitioners the persons who have been found to be committing violations in connection with their activities as insolvency practitioners. After the amendment, Article 655(3) provides that the Minister of Justice could remove the person from the list of insolvency practitioners in three cases, that is if he or she:

(i) has been released as an insolvency practitioner on the basis of Article 657(2) of the Commercial law, under Article 29(1), points 6 or 7 of the Law on Bank Insolvency, or under Article 44, point 3 of the Law on Bank Insolvency, unless after his or her release, he or she has been included in the list of insolvency practitioners under certain conditions;
(ii) has committed violations in connection with his or her activity as an insolvency practitioner according to Article 663(2);
(iii) has not paid the annual fees under Article 655a(2).

The new Article 655(4) provides that the Minister of Justice may remove the insolvency practitioner from the list of insolvency practitioners under the grounds of committed violations in connection of his or her activity as an insolvency practitioner no later than six months from the discovery of the violation and no later than three years from its commission. The new Article 655(6) provides that the insolvency practitioner may be re-entered in the list after the expiration of a three-year period from the entry into force of the act for his or her removal from the list, after submitting an application, if he or she meets the requirements, and that re-entry into the list is possible only once. Article 663(2), which concerns the violations in connection with the activity of the insolvency practitioner has also been amended to include the right of the practitioner to provide written explanations for the alleged violation, the obligation of the Minister of Justice to assess the severity of the violation and the circumstances linked to it, and the possibility for the Minister of Justice to issue a warning to the insolvency practitioner about removing him from the list of insolvency

practitioners. In the case of release of the insolvency practitioner by the court, the amendment to Article 657(2) provides the right to the insolvency practitioner to send written explanations. Article 663(1) provides for the right of the insolvency practitioner to appeal against a fine imposed by the court in the event of a violation of his or her obligations in front the respective appellate court.
The listing of the express grounds for removal from the list in Article 655(3) contributes to the clarity and transparency of the regulation of the removal of insolvency practitioners. The new imposition of time limitations, an option to re-enter the list, the possibility for the Minister of Justice to issue a warning, and the possibility for the practitioner to provide written explanations, introduced by Articles 655(4) and (6), 657(2) and 663, improve the fairness and the transparency of the process.

Therefore, to ensure the process of for the appointment, removal and resignation is overall clear, transparent and fair, the amendments to the Commercial law provide for stricter regulation of the insolvency practitioners, as evidenced by the amended Article 655 and Article 657(2), improving the rules on appointment and removal.

In addition, the newly introduced Article 8(1) of the Code of Ethics of Insolvency Practitioners and Trustees (hereinafter referred to as the "Code of Ethics") requires the insolvency practitioners to inform the court of insolvency when they consider that there is a conflict of interest. Article 8(2) further specifies that a conflict of interest is a circumstance or combination of circumstances in which reasonable doubt arises that the insolvency practitioner's personal interest may affect their impartiality in the performance of his duties. Article 8(3) provides that in carrying out their activities in the relevant proceedings, the insolvency practitioner shall not tolerate corruption by not accepting, either personally or through third parties, undue advantages, such as gifts, monetary loans, donations, services or others, which give rise to doubts as to his independence and impartiality. The Code of Ethics is adopted in line with the newly introduced requirement in Article 660 of the Commercial law, which provides that the insolvency practitioners shall exercise their powers in compliance with the rules of the Code of Ethics and that the Code of Ethics shall be approved by the Minister of Justice. The Code of Ethics was approved by an order of the Minister of Justice of 18 December 2023. In line with paragraph 1 of the Final Provisions of the Code of Ethics, the Code of Ethics enters into force on the date of issuance of the order approving it.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 231	Related Measure: C10.R6: Registry reform to unlock the potential of eGovernment
Name of the Milestone: Entry into force of amendments to the Electronic Governance Law	
Qualitative Indicator: Provisions in the Electronic Governance Law indicating the entry into force of the amendments	**Time:** Q3 2022

Context:

The measure aims to improve the organisation, quality, and security of registers in the public administration, enhancing the potential of eGovernment and reducing administrative burden on citizens. This is achieved by establishing the necessary legal framework for the establishment, maintenance and use of electronic registers through amendments of several laws.

Milestone 231 concerns the entry into force of amendments to the Electronic Governance Law. These amendments introduce: i) rules for the establishment of registers of administrative authorities and their requirements; ii) definitions of 'register', 'central data administrator'; and iii) a definition of the Protected Shared eGovernment Information Space.

Milestone 231 is the first milestones of the reform, and it is accompanied by milestone 232 related to amendments to the Law on Cadastre and Property Register. They will be followed by milestone 233 concerning the entry into force of additional amendments to the Electronic Governance Law and amendments to the Law on Civil Registration. The reform has a final expected date for implementation in June 2025**.**

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the publication in the State Gazette, No 80 of 19 September 2023, of the Law amending the Electronic Governance Law, https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=199540.

The authorities also provided:

iii. Copy of the consolidated version of the Electronic Governance Law.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The amendments to the Electronic Governance Law entered into force.

As per paragraph 42 of the Law amending the Electronic Governance Law, the amendments relevant for the assessment of the fulfillment of this milestone (as per below) entered into force on the day of the promulgation of the amending Law in the State Gazette, which was 19 September 2023.

The amendments to the Electronic Governance Law shall introduce rules for the establishment of registers of administrative authorities and their requirements, as follows:

As per Article 1, the Electronic Governance Law governs, among others, the work of administrative bodies with electronic documents and the general rules for keeping registers in an electronic form.

Further, the new Article 52b provides that a register is established based on a law that specifies the authority or authorities responsible for the register and the information to be kept in the register. The new article also sets the rules on record keeping:

‘(1) A register shall be kept in compliance with the following requirements:

1. the law provides for the keeping of the register, specifying:
(a) the authority or authorities responsible for the data in the register;
(b) circumstances, acts and facts to be entered in the register;
2. the data in the register representing information sites shall be entered in the Register of information sites referred to in Article 48;
3. each entry in the register shall have a unique identifier generated in accordance with a standard set by the ordinance referred to in Article 12 (4), unless otherwise provided by law; the identifier for one person, object or event cannot be changed over time unless otherwise provided by law;
4. provide programming interfaces for the recording, deletion and authentication of

circumstances, acts and facts;
5. maintain public, free and costless interfaces for connected open data in accordance with the Access to Public Information Act;
6. information on the timing of the execution and on the official or information system that carried out the operation shall be kept for each entry, deletion or retrieval operation;
7. other technical requirements laid down in the ordinance referred to in Article 12 (4).

(2) The general requirements for registers, including their structuring, functionalities and data certification, shall be laid down in the ordinance referred to in Article 12 (4).

(3) The information security requirements for registers kept by the persons referred to in Article 1 (1) and (2) shall be laid down in the Cybersecurity Act and in the regulation referred to in Article 12 (4) The requirements referred to in paragraph 3 shall include at least:

1. failure;
2. creation of backups on a regular basis;
3. the storage of reliable data on the traceability of the actions carried out;
4. performing external penetration tests.'

Further, the new Article 52c determines the procedure for registration, including entry, deletion and certification, applicable unless a different procedure is set in a relevant legislation. Under Article 52c(1), the registration procedure is as follows: '1. the applicant submits an application for entry; 2. the primary data controller shall accept and register the application; 3. the primary data controller checks the facts and circumstances on the basis of which the entry was requested; 4. the primary administrator shall make the entry.' Then, Article 52(2) governs the *ex officio* registration, under which, where provided for by the law, the primary data controller shall: '1. within the limits of its competence, lay down the conditions for ex officio enrolment; 2. carry out the registration; 3. notify the persons concerned by the entry in accordance with the Code of Administrative Procedure.' Article 52(3) relates to deletion. Furthermore, Article 52c(4) sets the procedure for the verification of circumstances, under which: '1. the applicant, including in the case of ex officio data collection, shall apply for verification of circumstances; 2. the primary data controller shall verify in an automated manner whether the applicant has the right to receive the requested circumstances and shall inform him/her accordingly.' Finally, Article 52c(5) provides that '[a]n application for entry or deletion may also be sent ex officio as an internal electronic administrative service by another authority, on behalf of an applicant, in the framework of the provision of a comprehensive administrative service.'

The amendments to the Electronic Governance Law shall introduce a definition of 'register', as follows:

Under new Article 4a(1), a 'register' is defined as 'a structured database intended to store and be a trusted authentic source of data for which there is a legal basis and a statutory procedure for entering, deleting and/or certifying facts and circumstances. Where necessary, the data in the register shall be subject to subsequent logical processing.'

The amendments to the Electronic Governance Law shall introduce a definition for a 'central data administrator', as follows:

The new Article 2(4) defines 'a central data administrator' as 'a person or organisation referred to in Article 1 (1) or (2) which, by virtue of the Act, centrally stores data provided by primary data controllers. The central data administrator shall provide access to citizens and organisations to all information gathered about them. A central data administrator shall be considered to be the primary data controller in respect of the obligations under Article 3 to provide and transmit data.'

The amendments to the Electronic Governance Law shall introduce a definition of the Protected Shared e-Government Information Space, as follows:

The new point 48 included in Paragraph 1 of the Additional provisions defines the 'Protected Shared Information Space' as 'a set of network and hardware components with software defined rights and conditions for data access and exchange, which ensures a high level of security, the availability of the services provided, centralised management of access to internal and external resources, enabling employees to perform their duties regardless of their physical location.' While the definition does not include the word 'e-Government', in should be considered in the general context of the law, which relates to electronic governance.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 232	Related Measure: C10.R6: Registry reform to unlock the potential of eGovernment
Name of the Milestone: Entry into force of amendments to the Law on Cadastre and Property Register	
Qualitative Indicator: Provisions in the Law on Cadastre and Property Register indicating the entry into force of the amendments	**Time:** Q3 2022

Context:

The reform aims to improve the organisation, quality, and security of registers in the public administration, enhancing the potential of eGovernment and reducing administrative burden on citizens. The reform shall establish the necessary legal framework for the establishment, maintenance and use of electronic registers.

Milestone 232 requires the entry into force of amendments to the Law on Cadastre and Property Register to establish the requirements for the content of property accounts in the property register and the process for their creation, based on the existing personal accounts, as well as specifying the responsibilities of the registry judges and of the Registry Agency in the process of setting up the property accounts in the register.

Milestone 232 is one of the first two milestones of the reform, and it is accompanied by milestone 231 related to the entry into force of the Electronic Governance Law. They will be followed by milestone 233 concerning the entry into force of amendments to the Electronic Governance Law and the Law on Civil Registration. The reform has a final expected date for implementation on 30 June 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the publication in the State Gazette, No. 8 of 25 January 2023, of the Law amending the Law on Cadastre and Property Register.

The authorities also provided:

iii. a consolidated text of the Law on Cadastre and Property Register, indicating all legislative changes in a track changes mode.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The amendments to the Law on Cadastre and Property Register entered into force.

The amendments to the Law on Cadastre and Property Register (hereinafter referred to as the "LCPR") were adopted on 19 January 2023 by the National Assembly, and published in the State Gazette No. 8 of 25 January 2023. According to Article 5(5) of the Constitution of the Republic of Bulgaria, laws enter into force three days after their publication in the State Gazette. Consequently, the amendments entered into force on 29 January 2023, with the exception of paragraphs 6 and 7 of the Law amending the LCPR, which, under the Final Provisions of this Law, entered into force on 29 January 2025 (these are, however, not relevant for the assessment).

The amendments to the Law on Cadastre and Property Register shall establish the requirements for the content of property accounts in the property register.

The content of property accounts is regulated by Articles 59 to 64 of the LCPR, which are in force as of 1 January 2001, and determine the five parts of each account (Part "A" – for the property; Part "B" – for the owner and for the recognition and transfer of ownership; Part "C" – for the establishment and transfer of other real rights and for the legal facts and circumstances subject to registration; Part "D" - for the mortgages; Part "E" – for the foreclosures), as well as elements to be registered in each of the parts. For instance, Part "A" shall include the identification code, the type of the property, the address, the borders of the property, the size of the property, the designation of the property, the number of floors of the building and the circumstance under Article 67(2) of the Inheritance Act.

The amendments to Article 68(1) and Article 58b(1), point 4, and (2), point2, of the LCPR establish the requirement for the property accounts to be kept not only on paper but also in electronic form, and for these property accounts in electronic form to be contained in an electronic database with the content as specified in Articles 59 to 64 of the LCPR. Prior to the amendments to the LCPR, the provisions did not provide sufficient clarity as to the form, content, and specific obligations for the property accounts, as follows:

(ii) Article 68(1) provided that the property accounts shall be kept in paper form and on 'other data storage media', without further specification of what this entails or mentioning of this term in other provisions;
(iii) Article 58b(1), point 4 provided that the Registry Agency creates and maintains 'a central archive in electronic form of the property accounts and registered deeds with their annexes', without specifying which property accounts it refers to;
(iiii) Article 58b(2), point2 of the LCPR provided that the registration offices (territorial divisions of the Registry Agency) prepare and submit the information under Article 58b(1), point 4 to the Registry Agency, without further specifying what the information is and the process for this.

The amendments to the LCPR provide for more detailed regulation, clarity and consistency with regards to the requirements for the content of the property accounts in the property register, as follows:

(i) Article 68(1) provides that the property accounts shall be kept in paper form and in 'electronic form', which provides clarity as to the form required and ensures consistency with other provisions where the term 'electronic account' is used, such as Article 65(4);
(ii) Article 58b(1), point 4 establishes an obligation for the Registry Agency to create and

maintain ‘a general electronic database, containing the electronic accounts of the properties as well as the electronic files of the registered deeds together with their annexes’. Using the term ‘electronic database’ instead of a ‘central archive’ provides for a more precise wording, clearly referring to the accounts in electronic form, which ensures consistency with the amended Article 68(1);

(iii) Article 58b(2), point 2 establishes an obligation for the registration offices (territorial divisions of the Registry Agency) to enter the information under Article 58b(1), point 4, in the electronic property accounts with the content under Article 59 to 64 of the LCPR and the registered deeds with their annexes in the electronic files, thus specifying that this information includes the content under Articles 59 to 64 of the LCPR and that it is entered directly in the electronic accounts.

The amendments to the Law on Cadastre and Property Register shall establish […] the process for the creation of property accounts based on the existing personal accounts.

The process for the creation of the property accounts based on the existing personal accounts is established with the amendments of Article 65(3) and (4) of the LCPR.

Under the LCPR, both prior and after the amendments, the introduction of the property register in a specific territory undergoes two stages. Firstly, under Article 70 of the LCPR, a procedure for the creation of the property register for a judicial district is opened by an order of the Minister of Justice. Secondly, under Article 73 of the LCPR, after there are an approved cadastral map and cadastral registers for a territory, the property register for this territory is introduced by an order of the Minister of Justice. Prior to the amendments to the LCPR, Article 65(3) and (4) did not provide sufficient clarity as to the content for the property accounts in these preparatory stages, and were amended as follows:

(i) Article 65(3) provided that before the entry into force of the order under Article 73, a property account is kept, without specifying the content of the property account. Through the amendments to Article 65(3) it is now specified that this content is established under Articles 59 to 64 of the LCPR;

(ii) Article 65(4) provided that before the issuance of an order under Article 70, the Registry Agency prepares an electronic account with the available data according to the registered deed and the data provided for the property by the Agency for Geodesy, Cartography and Cadastre and this electronic account serves for the subsequent preparation of the property accounts under Article 59(3). The amendments to Article 65(4) added that the content of the electronic account is the one under Articles 59 to 64 of the LCPR and that it is prepared on the basis of the existing personal accounts.

Explicitly referring to Articles 59 to 64 of the LCPR to set the requirements for the content of the property accounts in the period before introducing the property register aims to ensure that all the necessary information would be available and included in the property accounts in the preparatory stages before the final introduction of the property register, and that the information would be based on the existing personal accounts.

The amendments to the Law on Cadastre and Property Register shall […] specify the responsibilities of the registry judges and of the Registry Agency in the process of setting up the property accounts in the register.

Under the amendments to Article 65(4) of the LCPR, as outlined above, the Registry Agency is responsible for preparing auxiliary electronic accounts prior to the issuance of an order by the Minister of Justice under Article 70 of the LCPR, which opens a procedure for the creation of the

property register for a judicial district. At this stage, that is within this process of creating the auxiliary electronic accounts, no responsibilities for the registry judge have been regulated.

For the following stage, after the issuance of the order by the Minister of Justice under Article 70 of the LCPR to open a procedure for the creation of the property register but before the issuance of the order by the Minister of Justice under Article 73 of the LCPR to introduce the property register in a specific territory, Article 71(2) of the LCPR regulates the procedure in case of a transaction concerning a property. Prior to the amendment, Article 71(2) provided that in case of a property, simultaneously with the registration, the registry judge prepares the account under Article 65(3) of the property and enters its number in the deed subject to registration. Article 65(3) of the LCPR, prior to the amendments, only provided that before the entry into force of the order under Article 73, a property account is kept, regardless of whether there is an identifier for the property, without specifying who keeps that account. Article 71(2) and Article 65(3) of the LCPR, therefore, prior to the amendment, did not clearly regulate the obligations of the Registry Agency in the process and did not provide for rules ensuring that the information in the prepared property accounts is identical to the documents in paper form.

After the amendment of Article 71(2) of the LCPR, two points were created, which apply in case of a property transaction, as follows:

(i) point 1 provides that the registration office (territorial division of the Registry Agency) enters the information in the account under Article 65(3) and the registered deeds with their annexes in the electronic file;
(ii) point 2 provides that the registry judge simultaneously with the registration verifies the content, the identity of the electronic form with the paper form, signs the property account under Article 65(3) and enters its number in the deed subject to registration.

These amendments thus specify the respective responsibilities of the registry judges and the Registry Agency, and provide for more detailed regulation of the process, including the additional obligations of checking the content and identity with the documents in paper form and of signing the account.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 234	Related Measure: C10.R7 Improving the governance framework for state-owned enterprises
Name of the Milestone: Adoption of a state ownership policy	
Qualitative Indicator: Adopted document by the Council of Ministers establishing a state ownership policy	**Time:** Q3 2022

Context:

Milestone 234 is part of Reform C10.R7 “Improving the governance framework for state-owned enterprises”, which aims at improving the governance of state-owned enterprises.

Milestone 234 requires that the state ownership policy shall be developed by the Public Enterprises and Control Agency and adopted by the Council of Ministers. The document shall contain the justification and the objectives for the participation of the state in SOEs, as well as the role of the state in the management of SOEs and in the implementation of the policy.

Milestone 234 is the first step of the implementation of the reform, and it will be followed by milestones 235, 236 and 237 respectively related to the adoption of the annual summary reporting on the performance of state-owned enterprises, the adoption of a transformation program for statutory state-owned enterprises and the compliance of the composition of the boards of large

state-owned enterprises with the selection procedures set out in the Law on Public Enterprises. The reform has a final expected date for implementation on 30 June 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Copy of the Policy on state participation in public enterprises of 12 October 2022
iii. Copy of the Decision of the Council of Ministers No. 776 of 12 October 2022, approving the Policy on state participation in public enterprises.

The authorities also provided:

iv. A copy of the English translation of the Law on Public Enterprises (No. 79/8 October 2019).

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The state ownership policy shall be developed by the Public Enterprises and Control Agency and adopted by the Council of Ministers.

The Policy on State Participation in Public Enterprises (hereinafter referred to as the "Policy") was developed by the Public Enterprises and Control Agency. According to the information provided on page 3, the Policy was developed by the Public Enterprises and Control Agency in cooperation with the authorities exercising the rights of the state in state-owned enterprises (hereinafter referred to as "SOEs") and on the basis of their opinions. The Council of Ministers adopted the Policy with Decision No. 776 of 12 October 2022.

The state ownership policy […] shall contain the justification for the participation of the state in state-owned enterprises (SOEs).

The justification is contained in Section I of the Policy (English version, pages 4-12). The section provides an overview of the portfolio of SOEs, the economic activities in which they operate, the purpose for which they were created and the reasons why the state maintains ownership of these public enterprises. The Section presents the reasons provided by the sectoral ministries for state participation in SOEs, which can be summarised to the following:

- Protection of national economic and strategic interests through specific policies and requirements for public enterprises maintaining or governing assets (including national infrastructure networks, natural resources) for which there is a ban on privatization.
- Delivery of goods or services of strategic significance.
- Carrying out economic activity under the conditions of a natural monopoly, in particular water.
- Carrying out economic activities when market regulation is considered impossible or ineffective.

The state ownership policy […] shall contain […] the objectives for the participation of the state in state-owned enterprises (SOEs).

The objectives are contained in Section II of the Policy (English version, pages 13-14). The section includes the general objectives of the state as owner, which is the maximisation of economic and social outcome. The economic outcome is defined by the price of owned stocks and shares and their annual dividend. The social outcome as the "most effective provision on public policy goals". The same section also specifies objective into financial and non-financial.
The financial objectives (p. 13) are:

- Achieving capital efficiency;
- Reduction of financial risk;
- Provision of a dividend yield.

The non-financial objectives (p.14) are of more qualitative nature such as:

- Adherence to the OECD Guidelines on Corporate Governance of SOEs;
- Improving corporate governance;
- Publicity and transparency of the public enterprises' activity;
- Compensation of market defects;
- Adherence to the Guidelines on Anti-Corruption and Integrity in SOEs;
- Adaptation and engagement to the current and potential impacts related to climate change.
- Strengthening the function of the state as the owner;
- Implementation of a set of measures and investments, which adhere to the principle of "do no significant harm" to the environmental objectives;
- Full participation of stakeholders in business and transparency of information related to the activities of state-owned enterprises.

The Policy also includes indicators for the measurement of performance of financial and non-financial objectives (Section IV, p. 15-17).

The state ownership policy […] shall contain […] the role of the state in the management of SOEs.

The role of the State in the management of SOEs is included in Section III of the Policy (English version, p. 14-15), which first clarifies that the Council of Ministers is responsible for the management of the state property as per Article 106 of the Constitution. The Council of Ministers in turn may delegate its powers to individual ministers applying a more decentralised model in the management of the state property. In this context, the Policy specifies the restrictions and principles for exercising the role of the state as an owner of the SOEs. For example, the Policy clarifies on page 14 that the state as an owner of the SOEs shall not allow political interference in the enterprise governance. The Policy also provides on page 14 that the rights of the state shall be exercised in a professional and predictable manner, in accordance with the accepted principles of corporate governance, and in strict separation between the ownership functions and the other functions linked to formulation of policies and regulations. The Policy contains a description and a framework of the following principles governing the role of the state in the management of SOEs:

(i) all members and shareholders shall be treated equally;
(ii) transparency of accountability in the decision-making of management bodies;
(iii) the state acts as an informed and active owner;
(iv) SOEs have a discretionary power to achieve their objectives;
(v) the state refrains from interfering with the operational management of SOEs;
(vi) combination of financial and non-financial public policy objectives, with transparency and disclosure of results referring to both objectives;
(vii) lending through bank loans and in capital markets takes place under market conditions;
(viii) the members of the management and control bodies of public undertakings are selected and appointed by means of a competitive procedure, the purpose of which is to

form professional and independent management and supervisory bodies.

The state ownership policy […] shall contain […] the role of the state […] in the implementation of the policy.

The role of the state in the implementation of the policy is contained in Section V of the Policy (English version, p. 17-19). More precisely, the section specifies the rights and obligations of the Council of Ministers, the sectoral ministers and of all state bodies and organisations relevant for the implementation of the policy. For example, it specifies that the Council of Ministers shall establish new commercial companies with state participation and shall approve the general dividend policy, which are decisions, which are expected to take into account the justifications and objectives of state ownership as reflected in the Policy. The sectoral ministers who are delegated to exercise the rights of the state shall for example make decisions to increase or reduce capital, approve changes in articles of incorporation/statutes, appointment of management and control bodies, adopt annual financial report. While this competence of the sectoral ministers is linked more generally to the management of the SOEs, taking decisions concerning the management of the SOEs is an important element in implementing the objectives of the Policy. Other state organisations whose role is presented in the Policy are the following: Audit Office, Public Financial Inspection Agency, Energy and Water Regulatory Commission, Commission on Protection of Competition, Financial Supervision Commission and Communications Regulation Commission.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 235	Related Measure: C10.R7 Improving the governance framework for state-owned enterprises
Name of the Milestone: Adoption of the annual Summary Reporting on the Performance of State-owned Enterprises	
Qualitative Indicator: Adoption of the 2020 and 2021 annual summary reports on the activities of state-owned enterprises by the Council of Ministers	**Time:** Q4 2022

Context:

Milestone 235 is part of Reform C10.R7. The objective of this reform is to improve the governance of state-owned enterprises through the adoption, by the Council of Ministers, of a state ownership policy, of annual summary reports on the activities of state-owned enterprises as of the year 2020, and of a transformation program for statutory state-owned enterprises. Additionally, the measure requires the adoption, by the Public Enterprises and Control Agency, of a report on the compliance of the composition of boards of large state-owned enterprises with the Law on Public Enterprises.

Milestone 235 requires the adoption of annual summary reports on the activities of state-owned enterprises by the Council of Ministers. The summary reports shall review the results of the activity of state-owned enterprises, including statutory ones, as well as analyse the performance of state-owned enterprises by sector and the individual performance of all state-owned enterprises categorised as "large" in accordance with the Law on Public Enterprises. The summary reports shall also assess state-owned enterprises' compliance with applicable corporate governance and disclosure standards.

Milestone 235 is the second step of the implementation of the reform, preceded by milestone 234 related to the adoption of a state ownership policy. It will be followed by milestones 236 and 237 related to the adoption of a transformation program for statutory state-owned enterprises and the compliance of the composition of the boards of large state-owned enterprises with the selection procedures set out in the Law on Public Enterprises. The reform has a final expected date for

implementation on 30 June 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the adopted Annual Summary Report covering the year 2020, and a link to the website of the Public Enterprises and Control Agency where it is published: https://www.appk.government.bg/bg/55;
iii. Copy of the Decision of the Council of Ministers No 320 of 20 May 2022 approving the Annual Summary Report covering the year 2020, and a link to the website of the Public Enterprises and Control Agency where it is published: https://www.appk.government.bg/bg/55;
iv. Copy of the adopted Annual Summary Report covering the year 2021, and a link to the website of the Public Enterprises and Control Agency where it is published: https://www.appk.government.bg/bg/55;
v. Copy of Decision of the Council of Ministers No 135 of 22 February 2023 approving the Annual Summary Report covering the year 2021, and a link to the website of the Public Enterprises and Control Agency where it is published: https://www.appk.government.bg/bg/55.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Adoption of the 2020 and 2021 annual summary reports on the activities of state-owned enterprises by the Council of Ministers.

The Council of Ministers adopted the annual summary report on the activities of state-owned enterprises (hereinafter referred to as "SOEs") for the year 2021 on 20 May 2022 through Article 1 of Decision No 320, and the annual summary report on the activities of SOEs for the year 2021 on 22 February 2023 through Article 1 of Decision No 135. The two annual reports were published on the Public Enterprises and Control Agency's website.

The summary reports shall review the results of the activity of state-owned enterprises, including statutory ones.

The annual summary report on the activity of SOEs covering the year 2020 (hereinafter referred to as the "2020 Report") includes on pages 4 and 5 an overview of the 264 SOEs, in which the State exercises a dominant influence, representing:

i) 246 commercial companies with over 50 percent state participation in the capital, including their subsidiaries; and
ii) 18 state enterprises established by special laws pursuant to Article 62(3) of the Commercial Law (hereinafter referred to as "statutory SOEs").

The 2020 Report also includes information on page 4 about the approximate number of employees of the SOEs, which is around 127 500 people. The 2020 Report provides information on page 5 on the valuation of the SOEs using the book value of equity method. The total value of the equity of the SOEs as of 31 December 2020 is BGN 23 730 million, which is BGN 2 606 thousand more than

the value for 2019. The increase in the value of the equity of the entire portfolio to a large extent is due to the capital of the newly registered company "Bulgarian Water & Sanitation Holding" EAD.
On pages 7 to 10, the 2020 Report reviews the financial results of the activity of SOEs. In particular, according to the submitted data on the individual annual 2020 financial statements of the SOEs, including those of the subsidiaries:

i) 119 SOEs report a positive financial result for 2020 in the total amount of BGN 1 125 million, including BGN 520 million profit reported by "Kozloduy NPP" EAD;
ii) 145 SOEs generated a loss during the period, in the total amount of BGN 4 426 million, including "National Electric Company" EAD (- BGN 1 242 million), "TPP Maritsa Iztok 2" EAD (- BGN 1 150 million) and "National Railway Infrastructure Company" EAD (- BGN 635 million).

The annual summary report on the activity of SOEs covering the year 2021 (hereinafter referred to as the "2021 Report") includes on pages 5 and 6 an overview of the 265 SOEs, in which the State exercises a dominant influence, representing:

i) 247 commercial companies with over 50 percent state participation in the capital, including their subsidiaries, out of which 115 are joint-stock companies and 132 are limited liability companies; and
ii) 18 statutory SOEs.

The 2021 Report also includes information on page 5 about the approximate number of employees of the SOEs, which is around 122 000 people. The 2021 Report provides information on page 6 on the valuation of the SOEs using the book value of equity method. The total value of the equity of the SOEs as of 31 December 2021 is BGN 26 850 million, which is BGN 3 120 thousand more than the value for 2020. The increase in the equity value of the entire portfolio is mainly due to the increase in the equity of "Bulgartransgaz" EAD, "National Electricity Company" EAD, "Bulgarian Energy Holding" EAD and "Kozloduy Nuclear Power Plant" EAD.

On pages 7 to 11, the 2021 Report reviews the financial results of the activity of the SOEs. In particular, according to the submitted data as of 31 December 2021 on the individual annual financial statements of the SOEs, including those of the subsidiaries:

i) 183 SOEs report net profits at the end of the year. The increase in the total net profit for 2021 is BGN 1 214 million higher than in 2020, amounting to BGN 2 339 million, the most significant contribution being made by the companies in the remit of the Ministry of Energy – 92 % ("Kozloduy Nuclear Power Plant" EAD, "National Electricity Company" EAD and "Bulgarian Energy Holding" EAD);
ii) 82 SOEs report a total loss of BGN 332 million in financial year 2021.

The summary reports shall […]analyse the performance of state-owned enterprises by sector.

The 2020 Report(page 5) provides information about SOEs, including the statutory SOEs, and more specifically information on their performance such as financial results and dividends. According to the Report, these SOEs operate in 18 sectors of the economy, in line with the sector classification of economic activities of the National Statistical Institute. The 2020 Report includes two graphs representing the portfolio of SOEs by ministries depending on their legal form and per equity, revealing the significant lead of the SOEs under the Ministry of Energy, with equity of BGN 13 856 million. The 2020 Report includes, in section 2 on the state portfolio in SOEs (pages 7 to 12), the findings of the analysis of the performance of all SOEs, including the statutory ones, by sector. The 2020 Report provides on page 9 the sectorial distribution of SOEs profits in 2020, which indicates that the most significant contribution has been made by SOEs under the ministry of energy (76%), followed by economy (11.7%), construction (6.6%), transport (1.8%) and all others (3.9%). Focusing

on the energy sector, the decrease in net profit is close to BGN 600 million, from BGN 1 072 million in 2010 to BGN 488 million in 2020, which is due to a sharp decrease in revenues from BGN 8 570 million for 2019 to BGN 6 825 million for 2020. Expenses also decreased but by a lower amount from BGN 7 717 million in 2019 to BGN 6 780 million in 2020. More than half of the sales revenues (53%) were realised by the energy sector. The 2020 Report also presents on page 10 the dividend policy for each sector. The amount of deductions from the profit is set at 50% for all SOEs, except those in the sectors of water supply and sewage and healthcare, which have been exempted from paying dividends since 2016. For the sector of water supply and sewage, the reason for the exemption is a mechanism for re-investment of the dividend of the water supply and sewerage operators for construction and rehabilitation of the water supply and sewerage infrastructure. For the healthcare sector, the reason for the exemption is their dependence on a limited number of funding sources (mainly the National Health Insurance Fund and the Ministry of Health, with a small relative share of own revenues), as well as the existence of a legal ban on commercial transactions, except for medical activities and for patient care.

The 2021 Report includes its findings of the analysis of the performance of all SOEs, including the statutory ones, in section 2 on the state portfolio in SOEs (pages 3 to 11) and in a dedicated section 3.3 on the analysis of the performance of SOEs by sector (pages 12 to 25), which contain information on their performance such as financial results and dividends. The findings on the aforementioned SOEs are presented by sector. According to the information provided on page 4 of the 2021 Report, the SOEs operate in 18 sectors of the economy, in line with the sector classification of economic activities of the National Statistical Institute. The main sectors of the economy related to energy, infrastructure, and industry are considered to be decisive for the changes in the portfolio's value of SOEs in 2021. In particular, the 2021 Report shows on page 6 that the largest increase in SOEs revenues comes from the energy sector – from BGN 6 825 million in 2020 to BGN 13 500 million in 2021, which represent 67% of the consolidated operating revenues of all SOEs. The SOEs from the energy sector, categorized as "large", also participate with the largest share (10%) of all SOEs in the gross domestic product (GDP) of the country, which for 2021 is BGN 132 744 million. Another sector that contributes significantly to the country's GDP is the transport sector for which the report presents more detailed data. With regards to dividend policy, the 2021 Report provides information on page 10 that the amount of deductions from the profit is set at 50% for all SOEs except those in the sectors of water supply and sewage and healthcare (as in the previous year). Furthermore, more details are provided on pages 12 to 25 for the sectors of energy, transport and postal services, defence industry, water supply and sewerage, and health care. The information includes the main SOEs active in these six sectors, as well as their financial results.

The annual summary reports shall […] analyse the individual performance of all state-owned enterprises categorised as "large" in accordance with the Law on Public Enterprises.

According to Article 4 of the Law on Public Enterprises, SOEs are divided into the categories "micro", "small", "medium" and "large" based on the criteria described in Chapter Two, Section I and Section II of the Accountancy Law.

The 2020 Report analyses on pages 23 to 71 the individual performance of all 50 SOEs, categorised as "large" according to the criteria in Articles 19 to 22 of Chapter Two, Section I and Section II of the Accountancy Law, which categorise the SOEs according to the size of the assets, the value of the net sales revenue and the average number of staff for the reporting period. Detailed information is provided for each 'large' SOE on the nature of the activities carried out, the financial performance, the structure of the capital, the management bodies and their remuneration, auditor, staff composition, as well as certain financial ratios such as liquidity, indebtedness, return on equity and dividend.

The 2021 Report analyses on pages 37 to 87 the individual performance of all 50 SOEs, categorized as “large” according to the criteria in Chapter Two, Section I and Section II of the Accountancy Law, which categorise the SOEs according to the size of the assets, the value of the net sales revenue and the average number of staff for the reporting period. Detailed information is provided for each ‘large’ SOE on the nature of the activities carried out, the financial performance, the structure of the capital, the management bodies and their remuneration, auditor, staff composition, as well as certain financial ratios such as liquidity, indebtedness, return on equity and dividend.

The summary reports shall also assess state-owned enterprises’ compliance with applicable corporate governance and disclosure standards.

The 2020 Report provides information on pages 12 to 16 on the compliance of the SOEs with the applicable corporate governance and disclosure standards. According to the information provided on page 12, good corporate governance means loyal and responsible corporate governance, transparency and independence, as well as the company's responsibility to stakeholders and society. The 2020 Report includes an overview of the principles of exercising the property rights in SOEs (page 13). It also includes explanations on the information to be published after an independent financial audit, such as: (i) the enterprise’s development and performance, (ii) an analysis of financial and non-financial key performance indicators relevant to the business, including information on environmental issues and staff, (iii) planned future development, (iv) actions carried out in the field of research and development, and (v) the exposure regarding price, credit, liquidity and cash flow risk (page 13). According to the information provided on pages 13 and 14, the SOEs have obligations to submit to the Public Enterprises and Control Agency quarterly and annual financial reports, analyses and reports on the activities of the enterprises, and other relevant documents and information, and some of the standards according to which the documents are prepared differ depending on the legal structure of each SOE, as well as the SOE size or the accounting standards under which the SOEs are required to report. The assessment in the 2020 Report provides information on the way the SOEs under different ministries comply with the applicable standards, including whether they comply with the relevant legal requirements, as well as whether they have adopted explicit methodologies or rules for disclosure. In particular, the main findings on pages 14 and 15 include:

(i) Regarding the SOEs under the Ministry of Transport and Communications, methodologies and rules for disclosure of information have been developed and applied by the SOEs “Port of Varna” EAD and “Communication Construction and Recovery” EAD. Under process of developing such rules are: “Port Complex of Ruse” EAD and “Information Services” AD. All other SOEs under this ministry have not adopted explicit methodologies or rules for disclosure of information but comply with the requirements for public disclosure established by the Public Enterprises Act and its Implementing Rules, the Accounting Law, and the Commercial Law (page 14);

(ii) Regarding the SOEs under the Ministry of Regional Development and Public Works, out of a total of 36 SOEs, 13 SOEs apply the standards for corporate governance and disclosure of information, and 26 SOEs have declared that they comply with the requirements and standards for corporate governance and have partially implemented policies on these issues. Given the expected introduction of a unified methodology for disclosure of information about the SOEs, which are water and sewerage operators from the group of “Bulgarian W&S Holding” EAD, the process is not yet finalized (page 14);

(iii) Regarding the SOEs under the Ministry of Energy, the “Bulgarian Energy Holding” EAD has adopted a corporate governance policy, which also specifies the rules for disclosure of information (page 15).

The 2021 Report provides information on pages 25 to 28 on the SOEs' compliance with applicable corporate governance and disclosure standards. The 2021 Report provides that the Organisation for Economic Co-operation and Development (OECD) Guidelines for Corporate Governance of State-Owned Enterprises set the standard for ensuring the efficient, transparent and equal functioning of SOEs. In particular, the legal forms under which SOEs shall operate should be standardised and in order to avoid unfair competition between enterprises, operating in the public and private sectors, SOEs performing commercial activities should have the same legal structure as private companies. With regards to conversion of statutory SOEs, the 2021 Report includes information that an analysis on the statutory SOEs has been carried out to determine the primary nature of their activities in view of their transformation into either commercial companies or administrative structures. On disclosure and announcement of information, the 2021 Report concludes that an electronic information system has been operational since April 2021, which enables the publication of quarterly and annual financial statements, analyses and reports on the activity of SOEs, required under the Implementing Rules of the Law on Public Enterprises. The 2021 Report further includes information on the compliance of specific SOEs with applicable corporate governance and disclosure standards. In particular, the main findings on pages 26 and 27 include:

(i) Regarding the SOEs under the Ministry of Energy, the group of "Bulgarian Energy Holding" EAD complies with the National Corporate Governance Code. A Code of conduct has been adopted and is in effect at "Kozloduy Nuclear Power Plant" EAD, defining the expected behavior of employees working in the enterprise, describing basic moral and ethical norms, principles and rules;

(ii) Regarding the SOEs under the Ministry of Regional Development and Public Works, there are differences in the degree of implementation of the regulatory requirements - some of the enterprises apply public disclosure policies to a high degree and scope, for others they are still in the process of completion and unification. A unified methodology for disclosing information about companies, operators from the holding group "Bulgarian W&S Holding" EAD is to be introduced;

Regarding the SOEs under the Ministry of Transport and Communications, the statutory SOE "Bulgarian Air Traffic Services Authority" implements the National Corporate Governance Code in the applicable aspects. The necessary procedures and requirements for compliance with the basic principles of good corporate governance are laid down in the internal acts applicable to the enterprise's activities. In the statutory SOE "Port Infrastructure", a new Code of conduct for the employees and workers of the enterprise has been approved, which defines the ethical norms and rules of conduct that the employees and workers should observe.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 239	Related Measure: C10.R8 Strengthening the anti-money laundering framework
Name of the Milestone: Adoption of an update to the national risk assessment of money laundering and terrorist financing	
Qualitative Indicator: Update to the national risk assessment adopted	**Time:** Q4 2022

Context:

The measure aims to strengthen the anti-money laundering framework by ensuring its correct implementation, adoption of an action plan to mitigate the money laundering and terrorist financing risks identified through the national risk assessment, as well as updating the national risk assessment.

Milestone 239 requires the adoption of an update of the national risk assessment of money laundering and terrorist financing, including on the risks linked to citizenship investment schemes and the adoption of sectorial risk assessments of the non-profit organisations' sector and of virtual assets .

Milestone 239 is the second milestone of the reform, and it follows the completion of milestone 238, related to the adoption of an action plan to mitigate the money laundering and terrorist financing risks identified in the previous national risk assessment. It will be followed by milestone 240, related to enhancing the capacity and capabilities of supervisors to mitigate money laundering risks and increasing the implementation of the anti-money laundering framework by obliged entities.

The reform has a final expected date for implementation on 30 June 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the results of the 2023 National Risk Assessment Report, including:
    - a summary of the National Risk Assessment;
    - a list of risk events for money laundering and terrorist financing;
    - a summary matrix on risk events.
iii. Copy of the results of the 2019 National Risk Assessment Report, including:
    - a summary of the National Risk Assessment;
    - a list of risk events for money laundering and terrorist financing;
    - a summary matrix on risk events.
iv. Copy of the results of the sectorial assessment of virtual assets, including:
    - a summary of the National Risk Assessment;
    - a summary matrix on risk events.
v. Copy of the results of the sectorial assessment of the non-profit organisations' sector, including:
    - a summary of the National Risk Assessment;
    - a summary matrix on Risk events.
vi. Copy of the protocol of the meeting of 7 February 2023 of the interdepartmental working group established under Article 96 of the LMML to the Council of Ministers on the adoption of the sectorial assessment of virtual assets.
vii. Copy of the protocol of the meeting of 10 February 2023 of the interdepartmental working group established under Article 96 of the LMML to the Council of Ministers on the adoption of the update to the national risk assessment.
viii. Copy of the protocol of the meeting of 18 May 2023 of the interdepartmental working group established under Article 96 of the Law on the Measures against Money Laundering to the Council of Ministers on the adoption of the sectorial assessment of the non-profit organisations' sector.
ix. Technical paper "Impact Assessment of the Bulgarian Investor Citizenship Scheme" prepared by the Council of Europe.
x. Copy of Decision No. 314 by the Council of Ministers of 30 May 2019 on the establishment of a permanent interdepartmental working group for the purposes of national risk assessment of money laundering and terrorist financing, amended with Decision No. 523 by the Council of Ministers of 2 September 2019 and by Decision No. 811 by the Council of Ministers of 21 October 2022.

The authorities also provided:

xi. Copy of the Law on the Measures against Money Laundering of 27 March 2018 as last amended and published in the State Gazette No. 82 of 29 September 2023.

xii. Letter by the Council of Europe to Bulgaria of 1 November 2023 regarding SRSP Project "Enhancing capabilities of Bulgarian authorities to effectively mitigate money laundering and terrorist financing", 17 July 2020 – 11 January 2023.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Adoption of an update of the national risk assessment of money laundering and terrorist financing under Article 95(1) of the Law on Measures against Money Laundering […]. The update to the national risk assessment […] shall be carried out by the permanent interdepartmental working group established by an act of the Council of Ministers in compliance with Article 96 of the Law on Measures against Money Laundering. Furthermore, in line with the description of the measure, **adoption of an update to the national risk assessment of money laundering and terrorist financing report, including on the risks linked to citizenship investment schemes, and adoption of sectorial risk assessments of the non-profit sector and of virtual assets.**

The permanent interdepartmental working group (hereinafter referred to as the "Working Group") was established by Decision of the Council of Ministers No. 314 of 30 May 2019, which was amended by Decision No. 523 of 2 September 2019 and by Decision No. 811 of 21 October 2022. The decisions were adopted in compliance with Article 96 (1) and (2) of the Law on Measures against Money Laundering (hereinafter referred to as "LMML"), which provides that for the purposes of the national risk assessment, a permanent interdepartmental working group shall be established by an act of the Council of Ministers.

According to Protocol No. FR-10-1107/2023 of 10 February 2023 from a meeting of the Working Group, the members of the Working Group unanimously adopted the national risk assessment report (hereinafter referred to as the "2023 NRA Report") and that subsequent editorial, terminological and stylistic edits and additions, but no qualitative changes, can be made.

The results of the 2023 NRA Report were provided in the form of three separate documents: (i) summary of the national risk assessment (hereinafter referred to as the "2023 NRA Summary"), (ii) list of risk events for money laundering and terrorist financing (hereinafter referred to as the "2023 Risk Events List", and (iii) summary matrix on risk events (hereinafter referred to as the "2023 Risk Events Matrix"). The Commission services conducted an on-the-spot check on 30 January 2024 to verify the existence of the 2023 NRA Report. This check was completed successfully, confirming that the 2023 NRA report (331 pages) has been signed by the Director of the Financial Intelligence Directorate of the State Agency for National Security on 2 March 2023.

Based on the comparison of the two sets of documents of 2019 and 2023, the results of the update to the national risk assessment could be identified (pages 1 and 2 of the 2019 Summary and of the 2023 Summary). In particular, according to the 2019 Summary, the 2019 NRA Report represents the first holistic national risk assessment undertaken by Bulgaria and analyses the internal and external money laundering and terrorist financing risks that the country faces, with the top eight money-laundering (hereinafter referred to as "ML") risks and two high terrorism-financing (hereinafter referred to as "TF") risks highlighted (pages 1 and 2). The 2023 Summary provides that it is the first update of the 2019 NRA Report and identifies seven top money-laundering risks and two high

terrorism-financing risks (pages 1 and 2). Some of the risk events remain part of the top money-laundering risks, including money laundering linked to proceeds from corruption, tax crimes, foreign predicate offences, computer and social engineering fraud, the construction sector, trade with food and fuel, the real estate sector, as well as linked to the possible involvement of professionals in facilitating all other risk events due to market entry and employee screening vulnerabilities. The laundering of funds from foreign predicate offences through non-bank investment intermediaries in Bulgaria complemented by cases of unregulated activities involving securities was part of the top risk events in the 2019 NRA, but no longer included after the update. However, money laundering by using legal persons (mainly limited liability companies) or third natural persons (within or outside the close circle of the perpetrator or individuals with low social status) is now included among the high-risk events in the 2023 NRA. With regards to terrorist financing, the use of informal value transfer services ('*hawala'*) to transfer funds, facilitated by migrant communities, remain among the high-risk events. The risk event linked to diverting funds allocated for non-profit organisations or religious activities in Bulgaria towards terrorist financing is included in the list of the 2019 Summary but not in the 2023 Summary. However, cross-border cash transportation has been identified in the 2023 Summary among these risk events.

Overall, the number of risk events in the 2023 Risk Events List is 38 compared to 40 in the 2019 Risk Events List. The Commission services conducted an on-the-spot check on 30 January 2024 to verify the number of risk evens. This check was completed successfully, confirming that the number corresponds to the one in the 2023 Risk Events List. As a result of a more comprehensive analysis on legal persons and arrangements, the two risk events identified in 2019 in relation to legal persons (Risk Event No. 8 on limited liability companies and Risk Event No. 9 on foreign owned legal persons) have been developed into five risk events with more granularity (Risk Event No. 8 on Limited liability companies; Risk Event No. 9 on Foreign owned legal persons; Risk Event No. 10 on Joint-Stock Companies; Risk Event No. 11 on Partnerships under the Obligations and Contracts Act; Risk Event No. 12 on Non-profit legal entities). The Commission services conducted an on-the-spot check on 30 January 2024 to verify the forms of legal persons covered in the 2023 NRA Report. This check was completed successfully, confirming that all forms of legal persons have been covered in the 2023 NRA Report – 15 legal persons with commercial purpose and four legal persons with non-commercial purpose. Some risk events, which were part of the 2019 Risk Events List, are not included in the 2023 Risk Events List, such as No. 17 on Business Loans (TF), No. 18 on Consumer Loans, No. 21 on Bank Institutional Investment (ML), No. 24 on Bank Institutional Investment (TF), No. 25 on Institutional Investment through Investment Intermediaries and No. 38 Non-profit organisations (TF). Some new risk events have been introduced such as No. 25 on Negotiated sales of shares of Bulgarian commercial companies to foreign citizens for the purposes of obtaining a permanent residence permit in the country. In addition, as a result of the update, the risk levels have been adjusted based on updated assessment of threats likelihood and vulnerabilities, such as Risk Event No. 4 on computer and social engineering fraud in the 2019 Risk Events List, which had risk rating of "medium", and was developed into Risk Event No. 4 on fraud with risk rating is "high".

Adoption of an update of the national risk assessment of money laundering and terrorist financing […] including on the risks linked to citizenship investment schemes […]. The update to the national risk assessment […] shall be carried out by the permanent interdepartmental working group established by an act of the Council of Ministers in compliance with Article 96 of the Law on Measures against Money Laundering.

The Working Group has included the findings of the risks linked to citizenship investment schemes in the 2023 NRA Report, the results of which were provided in the form of three separate documents: (i) 2023 NRA Summary, (ii) 2023 Risk Events List, and (iii) 2023 Risk Events Matrix. This is evident from the information provided in the 2023 NRA Summary and the 2023 Risk Events List. In

particular, the 2023 Summary provides on page 5 that the possibility of acquiring citizenship through investments has been revoked as a result of the amendments to the Law on Bulgarian Citizenship, published in the State Gazette on 1 April 2022 and in force since 5 April 2022, but a residual risk remains as the Law on Foreigners, first published in the State Gazette on 23 December 1998, provides the possibility to acquire a permanent residence permit in the country by making investments above a certain market value in shares and bonds of Bulgarian commercial companies under certain conditions. Accordingly, the 2023 Risk Events List includes Risk event No. 25 "Negotiated sales of shares of Bulgarian commercial companies to foreign citizens for the purposes of obtaining a permanent residence permit in the country" with a risk rating "Medium". The Risk event description (p. 27) concludes that the repeal of the provisions in the Law on Bulgarian Citizenship Act severely limits the use of negotiated sales of shares of Bulgarian companies. Nevertheless, it mentions the possibility in the Law on Foreigners of acquiring a permanent residence permit in the country by making investments above a certain market value and under certain conditions, which is linked to the risk of layering of money of criminal origin by citizens of high-risk third countries, as well as creating prerequisites for the occurrence of corrupt practices. Thus, the update of the national risk assessment considers the relevant risks linked to citizenship investment schemes. The Commission services conducted an on-the-spot check on 30 January 2024 to verify that the relevant information on citizenship investment schemes is included in the 2023 NRA Report. This check was completed successfully, confirming that the 2023 NRA Report includes information on the residual risk linked to the Law on Foreigners concerning receiving permanent residence permit through investments on page 165.

In addition, analysis of citizenship investment schemes has also been reflected in the assessment of the general risks emanating from the citizenship schemes concluded in June 2022 with the technical paper "Impact Assessment of the Bulgarian Investor Citizenship Scheme" prepared by experts of the Council of Europe. This assessment was based on the information provided by the Bulgarian authorities, including statistics for the period of 2014 – 2021 and relevant legislative acts related to the investor citizenship scheme.

[…] and adoption of sectorial risk assessments of the non-profit organisations' sector […]. The update to […] the sectorial risk assessments of the non-profit organisations' sector […] shall be carried out by the permanent interdepartmental working group established by an act of the Council of Ministers in compliance with Article 96 of the Law on Measures against Money Laundering.

According to Protocol No. FR-10-3936/2023 of 18 May 2023 from a meeting of the Working Group, the members of the Working Group unanimously adopted the terrorist financing risk assessment report on non-profit organisations' sector (hereinafter referred to as the "2023 NPOs' TFRA Report"), to make subsequent editorial, terminological and stylistic edits and additions, but no qualitative changes in the texts.

The results of the 2023 NPOs' TFRA Report were provided in the form of two separate documents: (i) summary of the terrorist financing risk assessment (hereinafter referred to as the "2023 NPOs' TFRA Summary"), and (ii) summary matrix on risk events (hereinafter referred to as the "2023 NPOs' TFRA Risk Events Matrix"). The 2023 NPOs' TFRA Report itself has not been provided as part of the evidence due to the sensitive information contained in it. The Commission services conducted an on-the-spot check on 30 January 2024 to verify the existence of the 2023 NPOs' TFRA Report. This check was completed successfully, confirming that the 2023 NPOs' TFRA Report (141 pages) has been signed by the Director of the Financial Intelligence Directorate of the State Agency for National Security on 22 June 2023.

The 2023 NPOs' TFRA Summary provides information that the risk of abuse for terrorist financing purposes by non-profit organisations (hereinafter referred as "NPOs") in Bulgaria can be assessed as low to medium (page 5). Four potential terrorist financing threats in the non-profit organisations' sector have been identified, for example (i) false representation or sham NPOs and (ii) diversion of legal funds intended for humanitarian programmes (page 5). The 2023 NPOs' TFRA Summary also presents an overview of the activities and their characteristics, which increase the risk of abuse by terrorist financing in the non-profit organisations' sector in Bulgaria, whose activities are social-humanitarian, cultural-educational and/or religious, for example (i) carrying out activities in regions at risk of terrorism or receiving/sending funds from/to such regions and (ii) receiving/sending funds from/to regions in armed conflict or war or from/to third countries with identified strategic weaknesses in their national anti-money laundering and counter-terrorism financing regimes (page 5).

[…] and adoption of sectorial risk assessments of […] virtual assets. The update to […] the sectorial risk assessments of […] virtual assets shall be carried out by the permanent interdepartmental working group established by an act of the Council of Ministers in compliance with Article 96 of the Law on Measures against Money Laundering.

According to Protocol No. FR-10-1105/2023 of 7 February 2023 from a meeting of the Working Group, the members of the Working Group unanimously adopted the sectorial risk assessment report on virtual assets and virtual assets service providers (hereinafter referred to as the "2023 VA/VASPs SRA Report").

The results of the 2023 VA/VASPs SRA Report were provided in the form of two separate documents: (i) summary of the sectorial risk assessment (hereinafter referred to as the "2023 VA/VASPs SRA Summary"), and (ii) list of risk events for money laundering and financing of terrorism related to virtual assets and virtual asset service providers (hereinafter referred to as the "2023 VA/VASPs SRA Risk Events List", which on the last pages includes a summary matrix on the risk events (hereinafter referred to as the "2023 VA/VASPs SRA Risk Events Matrix"). The 2023 VA/VASPs SRA Report itself has not been provided as part of the evidence due to the sensitive information contained in it. The Commission services conducted an on-the-spot check on 30 January 2024 to verify the existence of the 2023 VA/VASPs SRA Report. This check was completed successfully, confirming that the 2023 VA/VASPs SRA Report (134 pages) has been signed by the Director of the Financial Intelligence Directorate of the State Agency for National Security on 2 March 2023.

According to the 2023 VA/VASPs SRA Summary, the top money-laundering risk events identified through this assessment include, for example: (i) laundering of proceeds generated from frauds associated with investments or use of the intrinsic characteristics of virtual assets (VAs) to mislead victims to invest either in fiat currencies or VAs for quick enrichment, and (ii) laundering proceeds of crime by companies that are presenting themselves as VASPs, although being unlicensed or unregistered for this type of services and not actually being VASPs (pages 9-10).

According to the 2023 VA/VASPs SRA Summary, risk events in relation to terrorist financing have also been identified with medium risk rating and likely risk scenarios on terrorist financing include: (i) terrorist or terrorist financier deposits cash at VA ATM located in Bulgaria while transiting to/from conflict zones to fund VAs addresses linked to terrorist or terrorist financier network, and (ii) terrorist or terrorist financier not physically located in Bulgaria opens an account digitally with a Bulgarian VASP and uses it to solicit, donate and/or transfer funds in the form of VAs to individual terrorists or terrorist organisations (page 10).

Adoption of an update to the national risk assessment of money laundering and terrorist financing […] including on the risks linked to citizenship investment schemes and adoption of sectorial risk assessments of the non-profit organisations' sector and of virtual assets, in accordance with the guidance received under the SRSP project 19BG17 "Enhancing capabilities of Bulgarian authorities to effectively mitigate money laundering and terrorism financing risks":

The Structural Reform Support Programme project 19BG17 focused on assisting Bulgaria with the implementation of the European exchange rate mechanism (ERM II) post-entry commitments, including on enhancing the capabilities of Bulgarian authorities to effectively mitigate money laundering and terrorist financing risks. The guidance under the project was provided by the Council of Europe (hereinafter referred to as the "CoE"). The project was implemented via technical exchanges. The Bulgarian authorities have implemented the guidance and input by the Council of Europe during the process of updating the national risk assessment and the preparation of the sectorial analyses.

More specifically, according to the final progress report by the Council of Europe on the Structural Reform Support Programme project of 16 April 2022 (hereinafter referred to as the "Final Progress Report"), provided by DG REFORM, the guidance by the Council of Europe on the update to the national risk assessment was provided in the form of (i) the latest version of the Council of Europe anti-money laundering and counter-terrorism financing national risk assessment methodology (hereinafter referred to as the "NRA Methodology") and its accompanying data gathering tools, which were updated in 2020; (ii) meetings and workshops. According to the Final Progress Report, the Council of Europe has provided guidance to the Working Group on data gathering and data analysis tools, particularly the case analysis module (page 11). According to the Final Progress Report, the Working Group has then undertaken a data collection process by distributing the questionnaires to relevant stakeholders and the Council of Europe supported the authorities' data analysis by further refining the technical performance of the case analysis module (page 11).

The Final Progress Report provides that the Bulgarian authorities received methodological guidelines for the purpose of assessing the money-laundering risks associated with legal persons and legal arrangements (page 11). According to the Final Progress Report, these guidelines were presented during a workshop held in Bratislava on 28 November 2022, which provided an opportunity to discuss the different steps of the assessment, including the scope and nature of risk of legal entities being misused The guidance of the CoE has contributed to a more comprehensive and granular analysis on legal persons, where the scope and nature of the risk of the different legal entities is assessed. In particular, the 2023 Risk Events List on pages 8 to 13 includes five risk events, taking into consideration different legal forms that exist in the Bulgarian legal framework such as joint-stock companies, partnerships under the Obligations and Contracts Act and non-profit legal entities, and the respective scope and nature of the risk associated with each, as follows:

(i) Risk Event No. 8 on Limited liability companies (extreme risk rating);
(ii) Risk Event No. 9 on Foreign owned legal persons (extreme risk rating);
(iii) Risk Event No. 10 on Joint-Stock Companies (high risk rating);
(iv) Risk Event No. 11 on Partnerships under the Obligations and Contracts Act (medium risk rating);
(v) Risk Event No. 12 on Non-profit legal entities (medium risk rating).

The analysis taking into consideration the specifics of the different legal entities results in improved granularity in the 2023 Risk Events List compared to the 2019 Risk Events List, which allows to differentiate the risk ratings depending on the type of legal entity. In contrast, in the 2019 Risk Events List, there are only two risk events in relation to legal persons (Risk Event No. 8 on limited liability companies and Risk Event No. 9 on foreign owned legal persons), which does not take into

consideration the different types of legal entities in more detail, but rather focuses on limited liability companies and companies with foreign ownership. The Commission services conducted an on-the-spot check on 30 January 2024 to verify which forms of legal persons are covered in the 2023 NRA Report. This check was completed successfully, confirming that all forms of legal persons have been covered in the 2023 NRA Report – 15 legal persons with commercial purpose and four legal persons with non-commercial purpose. The Final Progress Report also provides that the project has also contributed to raising awareness among relevant competent authorities' representatives on proliferation financing risks and trends and the possible ways for detecting and addressing those risks. he Commission services conducted an on-the-spot check on 30 January 2024 to verify whether the relevant information is included in the 2023 NRA Report. This check was completed successfully, confirming that chapter 5 of the 2023 NRA Report contains the relevant information on proliferation financing risks.

With regards to the sectorial risk assessment of the non-profit organisations' sector, according to the Final Progress Report, the 2019 NRA Report had identified several terrorism financing risk events that required further mitigating action by the Bulgarian authorities, particularly regarding terrorism financing risks, and the Council of Europe therefore supported the process of the assessment through: (i) delivering the updated version of the NRA Methodology, containing a more detailed chapter on the steps to be undertaken in the assessment of terrorism-financing risks at national level, with the aim of encouraging the beneficiaries to start with the collection of relevant data; (ii) a separate methodology for assessing the sectoral terrorism-financing risks associated with the non-profit organisations' activities (hereinafter referred to as the "NPOs' Methodology"); (iii) workshops and meetings. On 28 January 2022, the Council of Europe conducted an online training for the Bulgarian authorities on the implementation of the NPOs' Methodology in order to train the Bulgarian authorities' representatives to effectively apply it and its data analysis and data gathering tools. According to the document shared by DG REFORM on this training, the agenda consisted of discussing the organisational and methodological framework, data gathering modules and report structure and analytical process. Slides 30 to 59 of the presentation given by the Council of Europe on 28 January 2022 concern the report structure and the analytical process. The Commission services conducted an on-the-spot check on 30 January 2024 to verify how the 2023 NPOs' TFRA Report is structured. This check was completed successfully, confirming that the main sections of the 2023 NPOs' TFRA Report cover elements of the presentation given by the Council of Europe on 28 January 2022, in particular: mitigating measures (page 88), outreach and awareness raising (page 50), risk based targeted supervision and monitoring (page 33), measures by obliged entities (page 45), residual risk (page 36), strategic recommendations (page 139). More concretely, according to slides 38 to 41 of the presentation given by the Council of Europe on 28 January 2022, shared by DG REFORM, guidance was given on identifying at risk NPOs by taking into consideration the weight (low, medium, high, very high) and impact (severe, moderate and low) of risk factors. The 2023 NPOs' TFRA Risk Events Matrix presents the risk factors depending on their weight and impact, for example risk factor No. 3 is of medium weight and moderate impact and concerns the failure of religious organizations to provide information on their activities and financial transactions in a way that can be verified by the relevant competent authority or lack of obligation of the authorities to do so, as is the case with religious communities. The Commission services conducted an on-the-spot check on 30 January 2024 to verify the inclusion of the 2023 NPOs' TFRA Risk Events Matrix in the 2023 NPOs' TFRA Report. This check was completed successfully, confirming that the 2023 NPOs' TFRA Risk Events is included on page 103 of the 2023 NPOs' TFRA Report. A follow-up awareness raising workshop was organised on 12 July 2022, in which NPO representatives took part and which according to an agenda of the event shared by DG REFORM included a presentation by the Council of Europe on risk management and preventing the abuse of NPOs for terrorism financing. The Council of Europe's presentation, shared by DG REFORM, includes examples of links between NPOs and terrorism such as charitable donations being diverted to militant groups (slides 6 to 16) and

information on the terrorist-financing risk factors in the non-profit sector (slide 27). Another workshop on the effective ML/TF regulation and supervision framework for the NPO sector took place on 12 July, in which according to an agenda of the event, provided by DG REFORM, the Council of Europe gave a presentation on good practices and recommendations for establishing an effective system for NPOs sector ML/TF regulation and supervision. According to the 2023 NPOs' TFRA Summary provides information that the 2023 NPOs' TFRA Report analyses the internal and external terrorism financing risks that the non-profit organisations' sector faces in order to assist public authorities and the private sector in understanding the potential threats and vulnerabilities (page 3). The NPOs' TFRA Summary acknowledges the potential links between terrorism and the non-profit organisations' sector, by identifying threats such as false representation of non-profit organisations, diversion of funds intended for humanitarian programmes and abuse of programmes to promote philosophies linked to religious hatred and spreading ideas of terrorist organisations (page 5). The NPOs' TFRA Summary identifies the activities and their characteristics, which increase the risk of abuse in the non-profit organisations' sector in Bulgaria such as (i) carrying out activities in regions at risk of terrorism and (ii) receiving or sending funds from or to regions in armed conflict or war. The overall conclusion therefore is that the risk of abuse for terrorist financing purposes by non-profit organizations in Bulgaria can be assessed as low to medium (page 5).

On citizenship investment schemes, the Final Progress Report provides that the results of the finalised impact assessment conducted within the SRSP project have been discussed with the Bulgarian stakeholders during an online workshop held on 13 May 2022. According to the presentation, used in the workshop, which was provided by DG REFORM, the relevant legal provisions are Article 25 of the Law on Foreigners on receiving residence permits and Articles 12a and 14a of the Law on Bulgarian Citizenship on receiving citizenship (slide 8). The presentation includes information that the Articles 12a and 14a of the Law on Bulgarian Citizenship were repealed and thus, the citizenship investor program in Bulgaria has been terminated (slide 10). As described above, the residual risks linked to citizenship investment schemes were reflected in the 2023 NRA Report, as evident from the 2023 Risk Events List. In particular, the description of Risk event No. 15 "Non-residents Corruption" on page 17 provides that despite the elimination of the possibility of acquiring citizenship against investments in 2022 and the checks carried out on the previous state-of-play, residual risk continues to exist, mostly related to the possibility of acquiring a residence permit through investments as per the Law on the foreigners. Furthermore, the description on Risk event No. 25 "Negotiated sales of shares of Bulgarian commercial companies to foreign citizens for the purposes of obtaining a permanent residence permit in the country" on page 27 concerns the risk of negotiated sales of shares of Bulgarian commercial companies, traded on a regulated market or multilateral trading facility in Bulgaria, to foreign citizens for the purposes of obtaining a permanent residence permit, which increases the risk of layering of money of criminal origin by citizens of high-risk third countries, as well as creating prerequisites for the occurrence of corrupt practices. These possibilities are regulated by Articles 25(1), points 19 and 20 of the Law on Foreigners, which concern receiving a residence permit, after fulfilling certain conditions, including making investments in Bulgarian companies. Therefore, Article 25 of the Law on Foreigners, which was identified as relevant in slide 8 of the presentation above, and which has not been repealed as the relevant provisions in the Law on Bulgarian Citizenship, could still be linked with certain risks, which is also reflected in the 2023 Risk Events List. The Commission services conducted an on-the-spot check on 30 January 2024 to verify whether the corresponding information is included in the 2023 NRA Report. This check was completed successfully, confirming that the 2023 NRA Report includes information on the risks linked to Article 25(1), points 19 and 20 of the Law on Foreigners concerning receiving permanent residence permit through investments on page 165.

Concerning the virtual currencies sectorial risk assessment, the Final Progress Report provides that the Council of Europe delivered the Methodology for the Sectoral Assessment of ML/TF Risks

related to virtual assets and virtual assets service providers, together with the data gathering and data analysis tools. In addition, according to an agenda of the event provided by DG REFORM, on 15 November 2021, the Council of Europe held a full-day online workshop to present and train the participants of nine countries, including Bulgaria, on the methodology and its implementation, as well as to discuss the virtual assets risks. The first session of the workshop provided an opportunity to hear the views and practical experiences related to the topic from representatives of Europol, Estonian FIU, FIU Luxembourg and a representative of the private sector. The second session was dedicated to the presentation of the Council of Europe Methodology for the Sectoral Assessment of ML/TF Risks related to VAs and VASPs. Moreover, different cases and investigations were presented to illustrate the use of VAs by criminal organisations and the geographical reach of its use. Besides serving as a platform for the discussion and sharing experiences, this workshop aimed at launching the process of sectoral assessment of ML/TF risks in Bulgaria with the support of the Council of Europe. According to a presentation given by the Council of Europe in this workshop, shared by DG REFORM, slides 22 to 51 concern the main elements to conduct the assessment. The Commission services conducted an on-the-spot check on 30 January 2024 to verify the structure of the 2023 VA/VASPs SRA Report. This check was completed successfully, confirming that the sections of the 2023 VA/VASPs SRA Report includes the main elements, covered by the presentation of the Council of Europe, in particular: country profile (pages 21-37), analysis of predicate offences (page 26), analysis of customers (page 22), assessment of other economic sectors (page 32), analysis of VAs and VASP (page 24). More concretely, slide 51 concerned the steps of the analysis of VAs and VASPs such as demonstration, objective and format. The format required listing the risk events identified, determining the likelihood and consequences and filling in the risk level matrix displaying the risk events as per assessed risk rating level. The Bulgarian authorities have provided the 2023 VAs Risk Events List, which includes the risk events identified, their likelihood and consequences, in line with the format presented by the Council of Europe. For example, Risk Event 1 on Fraud has a very high likelihood and a severe consequence assessment, which results in an extreme risk rating. The Bulgarian authorities have also provided the 2023 VA/VASPs SRA Risk Events Matrix where they have filled in the risk events as per their likelihood and consequences.

Overall, the process consisted of methodological guidance from the Council of Europe and advice on how to apply the methods developed by the latter.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 242	Related Measure: C10.R10: Public Procurement
Name of the Milestone: Entry into force of legislative amendments to the Law on Public Procurement to reduce the number of contracts without a call for tender and single-call bids	
Qualitative Indicator: Provisions in the Law on Public Procurement providing for the entry into force of the amendments	**Time:** Q4 2022

Context:

The objective of this reform is to improve transparency and increase competition in the public procurement process. Milestone 242 requires legislative amendments to the Public Procurement Law (PPL) to reduce the use of negotiated procurement (without prior publication) and single-tender contracts. Notably, these amendments shall ensure:

- regular reporting on such procedures;
- reinforcement of ex-ante and ex-post controls, and controls by the relevant agencies;
- increase in administrative responsibility and sanctions for breaches of the rules for the use of such procedures;
- regular reporting on the use of effective sanctions;
- prohibition of the “reassignment” of tasks from “in-house” contracts to a subcontractor, as well as transparency and effective sanctioning in relation to such contracts.

Milestone 242 is the first step of the implementation of the reform. It will be followed by target 246 (reductions of the proportion of contracts awarded on the basis of a single bidder) and target250 (reduction of the share of negotiated procedures without prior publication). The reform has a final expected date for implementation in Q2 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary note duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Act Amending and Supplementing of the PPL, published in State Gazette No. 84 of 20 October 2023.
iii. Copy of the State Gazette No. 88, of 20 October 2023 (https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=200381), promulgating the legislative amendments to the PPL.

The authorities also provided:

iv. Table explaining the entry-into-force dates for legislative amendments relevant for the elements of the milestone.
v. Copy of the Decision of Council of Ministers No. 322/23, of 27 April 2023, approving the draft law amending and supplementing the PPL.
vi. Copy of the Decision of Council of Ministers No. 562/23, of 21 August 2023, approving the draft law amending and supplementing the PPL.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Entry into force of amendments to the Public Procurement Law (hereinafter referred to as 'PPL'). to reduce the number of contracts without a call for tender and single-call bids.

According to paragraph 105 of the Transitional and Final Provisions of the law amending and supplementing the PPL, the amended PPL entered into force two months after its promulgation in the State Gazette No. 88, on 20 October 2023, with some exceptions. Therefore, most provisions of the amended law entered into force on 22 December 2023. The exceptions, which relate to elements of the milestone, include:

(i) Provisions, which enter into force on the day of the promulgation of the amended PPL in the State Gazette No. 88, on 20 October 2023 (Articles 246, 229(1), point 22);
(ii) Provisions, which enter into force on 1 January 2024 (Articles 237a, 237b);
(iii) Provisions, which enter into force on 22 July 2024 (Articles 229(1), point 2, letter "g", 229(2), 229(3), 232a, 236).

The legislative amendments shall ensure regular (at least once a year) collection of information and reporting on the use of such procedures to assess progress, a justification for the percentage reached each time and an explanation on how progress has been made towards the objective.

This constitutive element is fulfilled by reference to Article 229 (1), point 28, Article 229 (10), and Article 229a (3), and (4). All of these are new provisions.

Article 229 of the PPL satisfies the requirement for the collection and reporting on the use of 'no call for bids' and 'single call' bids, based on the definition of procedures in Article 18(1), point 8 to 10 and 13, and Article 18(1), point 1 to 7 and 12, as well as their justification. Article 229 (1), point 28, requires that an annual published procurement market report shall be submitted by the PPA to the Minister of Finance (hereinafter referred to as 'MF').

As per Article 229 (10) this report shall include information on the share of contracts awarded as a result of negotiated procedures and the share of single-tender contracts as well as a comparative analysis of this data compared to the data for the previous year and justification of the results, addressing the requirement to justify the % reached each time.

By including a comparative analysis with the preceding year on the proportion of 'single use' and 'no call for bids' contracts, Article 229(10) covers the requirement to explain progress made towards the objective of reducing the number of contracts without a call for tender or single call bids. In addition, explanations on the progress made are also provided through the annual checks of the Court of Auditors, the State Financial Inspection Agency and the Commission for the Protection of Competition on the contracting entities with the largest proportion of contracts concluded as a result of 'single use' and 'no call for bids' procedures. In particular, the new Article 229a (3), and (4) introduce an obligation to send a report summarising the results of the infringements found to the PPA, and subsequently be included in the PPA's analytical report to the MF.

The legislative amendments shall ensure reinforcement of the ex-ante and ex-post controls and controls by the relevant agencies.

Reinforcement of ex-ante controls:
The new provisions in Articles 229(1), point 2, letter g, 232a, 236, 237a and 237b of the PPL provide reinforcement of ex-ante controls.

According to Article 229(1), point 2, letter g, of the PPL, the executive director of the PPA has a new power in providing methodical assistance to contracting authorities by carrying out ex-ante controls of all public procurement procedures with a value of more than BGN 5 000 000. This control is categorised as "ex-ante" as it will take place in two stages – pre-publication and post-publication of the tender. Article 232a specifies that the conditions and procedure for carrying out these ex-ante controls shall be laid down in the Rules for the Implementation of the Act. Article 236 lists the items that contracting authorities must submit to the PPA for these controls to be carried out.

Article 237a of the PPL establishes a new form of control carried out by observers. The Minister of Finance may designate persons to participate as observers in the work of the evaluation committee in the conduct of public procurement procedures for the award of public contracts of particular complexity, enhanced public interest and/or critical infrastructure, and whose values exceed the threshold for publication in the EU's Tenders Electronic Daily. Subsequently, the observers shall draw up a report on their work, which they shall submit to the Minister of Finance and the Contracting Authority within 10 days of the completion of the work of the evaluation committee. This ongoing work by the observers, who must have competence over the subject matter of the public contract and/or in the application of public procurement regulations, on these particular types of contracts reinforces ex-ante controls.

In addition, Article 237b introduces a new obligation for contracting authorities. Public procurers

shall ensure a prior control of the legality of a public contract if the estimated value of the contract is BGN 5 000 000 or more; or if the estimated value is equal to or greater than 10 % of the last approved budget of the contracting authority.

Reinforcement of ex-post controls:

The new provision in Article 229(1), point 9 and the amended provision in Article 238 (4) of the PPL provide reinforcement of ex-post controls.

Under Article 229(1), point 9, the PPA is obliged to refer procurement procedures to the ex-post control bodies for compliance with the law, including procurement procedures in respect of which control opinions have been sent (in cases where it is found that the tender documentation does not comply with legal requirements). Control opinions result from random controls of public procurement procedures, controls of negotiated procedures or controls of public procurement procedures with a value more than BGN 5 000 000. The obligation for referral to ex-post control bodies concerns all types of ex-ante controls opinions by the PPA. This means that the selection of procedures for an ex-post control is now enhanced by taking into account issues found during an ex-ante control.

Article 238(4) has been amended to oblige the State Financial Inspection Agency to carry out ex-post checks on awarded contracts where control opinions under Article 229 (1) point 9 (that is where it was found that the tender documentation did not comply with legal requirements) contained findings of infringements. These ex-post checks must be carried out by the State Financial Inspection Agency within one year of the conclusion of the contracts. By including ex-post checks on awarded contracts subject to prior control checks, the State Financial Inspection Agency's work is targeted. In addition, the amended Article 238(4) obliges the State Financial Inspection Agency to carry out periodic ex-post checks on compliance with the public procurement regime of contracting entities not covered by the State Financial Inspection Act and based on an approved annual plan. These entities are those contracting entities other than budgetary organisations, state enterprises, particular commercial companies etc.

Reinforcement of controls by the relevant agencies:

In addition to the reinforced ex-ante controls and ex-post controls to be conducted by the PPA and the State Financial Inspection Agency, the amended Article 246 provides for reinforced control through the permanent Expert Advisory Council to the MF.

To reinforce the controls by the relevant agencies, Article 246(1) of the PPL provides for the setup of a new permanent Expert Advisory Council to the Minister of Finance, in which representatives of the Ministry of Finance, the Public Procurement Agency, the State Financial Inspection Agency and the Executive Agency "Audit of European Union Funds" participate. In addition, Article 246(2) provides that representatives of the Court of Auditors are invited to participate in the work and if necessary, representatives of other institutions with competence in the discussed issues may be invited to the meetings, thereby covering all possibly relevant agencies. The controls are reinforced in particular by the analysis of the correct implementation of the law and the guidelines issued by the Expert Advisory Council, which aim to unify the practice of the methodological, control and audit bodies pursuant to Article 246(3).

Under Article 246 before the amendment, a permanent Expert Council for cooperation existed, which also issued guidelines. However, after the amendment, the composition of the council was extended to include not only representatives of the Court of Auditors, the Public Procurement

Agency, and the State Financial Inspection Agency, but also of the Ministry of Finance and of the Executive Agency "Audit of European Union Funds". In line with Article 5, point 16 of the Rules of Organisation of the Ministry of Finances, approved by a Decree of the Council of Ministers No. 253 of 14 December 2016, last amended on 25 June 2023 and in force as of 1 August 2023, the Minister of Finance implements the state policy in the field of public procurement. Furthermore, in line with Article 21a of the Rules of Organisation of the Executive Agency "Audit of European Union Funds", approved by a Decree of the Council of Ministers No. 346 of 30 December 2008, last amended on 18 August 2023 and in force as of 22 August 2023, the Directorate “Specific Audit Activity” participates in carrying out inspections related to the awarding of public contracts. The amendment ensures that the bodies with relevant competences are represented in the permanent Expert Council, which would allow them to participate and contribute to the guidelines, and as a result, to facilitate the work aiming at a more comprehensive unified practice. In addition, before the amendment, Article 246 did not specify the legal effects of the issued guidelines. After the amendment, Article 246(4) provides that the guidelines are of a mandatory nature for application by all bodies exercising control over the awarding of public contracts, including those included in the system for management and control of funds from the European Union. The mandatory nature of the guidelines further contributes to reinforcing the controls by the relevant agencies in the aim of unifying the practice of the methodological, control and audit bodies, as provided in Article 246(3).

The legislative amendments shall ensure an increase in the scope of administrative responsibility.

In addition, to the reinforced control powers and associated responsibilities by the relevant control agencies, as assessed above, the increase in scope of administrative responsibility is provided by the creation of new administrative criminal provisions in the PPL such as Articles 249a, 251(1) and 256d. These new administrative criminal provisions increase the scope of administrative responsibility by introducing new types of violations and corresponding sanctions.

The newly introduced Article 79(7) of the PPL provides that in a negotiation procedure without prior notice, the contracting authority may not conclude a contract at a price higher than the financial resource that it announced in the previous open or limited procedure. This concerns a negotiation procedure where all participants are invited, whose offers in a previous open or limited procedure meet the requirements of the contracting authority but exceed its financial resources and the originally announced terms of the contract have not been substantially changed. This provision therefore aims to prevent cases where following an unsuccessful open or limited procedure, a negotiation procedure without prior notice takes place resulting in a higher price, thus excluding potential bidders who may have participated in case a new open or limited procedure with the higher price had been announced. In case of non-compliance with Article 79(7), the newly introduced administrative criminal provision of Article 249a provides for a fine in the amount of 2 per cent of the value of the concluded contract with VAT included, but not more than BGN 10 000.

Article 251(1) is a new administrative criminal provision that relates to mandatory environmental requirements. It states that a contracting entity which fails to fulfil its obligation under Article 47(5) or Article 47a(1) shall be liable to a fine of BGN 2000 to BGN 10 000. Article 47a(1) states that for a public procurement of the value referred to in Article 20(1) and (2), the documentation shall contain environmental requirements. The values referred to in Article 20(1) and (2) range from BGN 100 000, to BGN 10 526 116. Article 47(5) states that when awarding a public contract for the supply of road vehicles, and for bus services contracting entities shall lay down requirements ensuring that the criteria for clean vehicles is met.

Article 256d is a new administrative criminal provision, which provides for a fine of BGN 600 if the contracting authority does not fulfil the obligation to provide reasoning for not complying with the

obligations under Article 232(7) and (10), and Article 235(2) of the PPL. Article 232(7) and (10) concern the actions of the contracting authority following control by random selection, in particular providing reasoning for not addressing the recommendations in the controlling authority's interim opinion under Article 232(6) and providing reasoning for not taking into account the findings of the controlling authority's final opinion under Article 232(8). Article 235(2) of the PPL concerns the case when the contracting authority does not fulfil its obligation, before concluding an additional agreement, to provide reasoning, supported by evidence why the amendment of the contract is required.

The legislative amendments shall ensure effective and dissuasive sanctions for breaches of the rules for the use of such procedures.

Sanctions for breaches of the rules regarding the use of 'no call for bids' and/or single-call bids are set out in the new or amended Articles 249a, 250a, 257, which specify sanctions for the breach of rules regarding the use of 'no call for bids' and/or 'single call' bids.

Article 249a is a new provision which states that a contracting authority who infringes the prohibition laid down in Article 79 (7) shall be liable to a fine of 2 % of the value of the contract concluded, including VAT, but not exceeding BGN 10 000. As indicated above, the newly introduced Article 79(7) of the PPL provides that the contracting authority may not conclude a contract at a price higher than the financial resource that it announced in the previous open or limited procedure, where a negotiation procedure without prior notice is concerned.

Article 250a is a new provision which states that a contracting entity which concludes a contract as a result of 'no call for bids' or 'single-call bids' procedures without meeting the conditions for its application set out in the Public Procurement Act shall be liable to a fine of 6% of the value of the contract including VAT. This is up to a maximum of BNG 50 000 (regarding negotiations without prior publication, or negotiation without prior invitation to participate or negotiation without publication of a contract notice) or BNG 24 000 (regarding direct negotiation).

Article 257 is amended to specify that in cases referred to in Articles 255-249 and 256-256b, where a total value is not indicated in the contract or cannot be determined, the amount of the fine shall be determined on the basis of the estimated value set out in the contract notice or in the decision in negotiated procedures, of the expenditure incurred or of the commitment to incur expenditure under the contract or in the absence thereof, by the funds for the activity concerned provided for in the budget of the contracting authority.
These sanctions can be considered effective and dissuasive as they are determined as a significant percentage value of the contract value. The maximum limits of the sanctions should be viewed in comparison to the minimum monthly salary in Bulgaria for 2023 which was BGN 780 and the average which was BGN 1 952, as well as the average gross monthly wage of employees in the public sector of BGN 2 255 (September 2023). Therefore, the sanctions would present a deterrent to breaches of the legislative provisions and would contribute to more effective implementation of the law.

The legislative amendments shall ensure regular reporting on the use of effective sanctions in financial correction procedures for non-compliance with public procurement procedures by authorities responsible for the control and audit of the EU funds.

Articles 229a(5) of the PPL provides for such regular reporting on the use of effective sanctions in the procedures for imposing financial corrections.

Article 229a(5) states that the annual analytical report from the PPA to the MF shall include information received from the 'Audit of European Union Funds Executive Agency' on the use of effective penalties in financial correction procedures. Such information is received annually in the PPA in compliance with the requirements of Article 114 of the Regulations for Implementation of the Public Procurement Law. In this regard, Article 229a, which is a new provision with explicit reference to the Audit of European Union Funds Executive Agency, sets out the reporting mechanism and the content of the annual analytical report including on EU funds. The Audit of European Union Funds Executive Agency is the authority responsible for the audit and control of EU funds in Bulgaria, there are no other authorities responsible for the audit and control of EU funds.

The legislative amendments shall include the prohibition of the "reassignment" of tasks from "in-house" contracts (as defined in Article 12 of the Public Procurement Directive) to a subcontractor.

The new provisions in Articles 14(6), 15(2), 149(7) of the amended PPL provide for the prohibition to subcontract 'in house' contracts.

Article 14(6), which is a new provision, states that in cases of 'in house' contracts, the contractor shall not be entitled to subcontract the subject matter of the contract or parts thereof to other persons. In addition, the contractor shall submit a declaration that it can fulfil the contract with its own resources.

This prohibition applies also to contracts of an affiliated undertaking and to defense and security contracts (Articles 15(2) and 149 (7) respectively – both new provisions).

The legislative amendments shall include a legal requirement for a timely publication of signed "internal" procurement contracts and annexes thereto.

The amended Article 26(1) point 3 and the new Article 36(1) point 18 and point 19 of the PPL provide for a legal requirement obliging the timely (within 30 days upon conclusion) publication of internal (in-house) contracts and the annexes thereto.

Article 26(1) point 3 obliges contracting authorities to publish information for a concluded contract 30 days after the conclusion of the contract that falls within the exceptions from the scope of the PPA. These exceptions include where the contract is of a value of BGN 50 000 and is an 'internal' contract. This is specified in Article 26(1) point 3 by referencing Article 14 on 'internal' contracts, and Article 15 on 'internal' affiliated contracts. The publication obligation concerns the contract award notice.

Article 36(1) point 18 and point 19 state that the Public Procurement Register shall publish contracts for which a contract award notice has been published pursuant to Article 26 (1) point 3 (that is 'internal' contract), together with the annexes thereto, and shall publish the additional agreements on amendments to these contracts together with the annexes thereto.

The legislative amendments shall include a legal requirement to publish information on payments under such contracts, in case these contracts are valued at BGN 50 000 or more.

The new provision in Article 29(2) of the PPL fulfils this requirement.

Article 29(1) states that contracting entities shall send for publication a notice of the end of a public contract or framework agreement containing information on the performance, termination or nullity of the public contract. The new Article 29(2) states that this aforementioned notice shall also

be sent for contracts for which a contract award notice has been published under Article 26(1) point 3. Article 26(1) point 3 refers to 'internal contracts' by reference to Article 14 on 'internal' contracts, and to Article 15 on 'internal' affiliated contracts, and requires that these contracts must be valued at BGN 50 000 or more in order to satisfy the obligation for publication of the contract award notice. Article 29(3) states that the notice of the end of a public contract or framework agreement shall be drawn up in accordance with a standard form, and Article 229(6) states that these notices shall be approved by the Executive Director of the PPA. According to the website of the PPA, Order RD-6 of 31 January 2024 of the Executive Director of the PPA approved Template 11, 'Contract Closure Notice'. This Template 11 includes a section on 'information on the amount paid under the contract', and on 'information on the amount paid under the framework agreement'.

Contract or framework agreement implementation notices under Article 29 contain a field in which information on the amounts paid under the contract needs to be filled in. In this sense, with the reference to Article. 26, para. 1, point 3, of the PPL, the publication of information on payments under in-house contracts is ensured.

Penalty for non-compliance with the requirements for publication of information on signed in-house procurement contracts and annexes thereto is provided for in Article 256a. The said provision covers all cases of failure to publish in due time information subject to publication.

In addition, Article 36(1) point 6 states that notices for the closure of public contracts and framework agreement shall be published in the Public Procurement Register. Article 36 (1) point 18 states that the Public Procurement Register shall publish contracts for which a contract award notice has been published pursuant to Article 26(1) point 3, together with the annexes thereof.

The legislative amendments shall include effective and dissuasive penalties in case of non-compliance with the [three] elements above.

The new Articles 248(3) and 256a of the PPL provide for effective and dissuasive penalties in case of non-compliance with the three elements above.

Where there is an infringement of the prohibition of "reassignment" of tasks from "in-house" contracts to a subcontractor (Article 14(6)), Article 248(3) states that a penalty shall be imposed. This penalty is a fine of 6% of the value of the contract concluded but not exceeding BNG 75 000. This penalty shall also be imposed when there is an infringement of this prohibition in relation to affiliated undertakings (Articles 15(2)) and to defense and security contracts (149(7)).

Failure to fulfil the obligation to publish information on payments under signed 'internal' contracts constitutes an administrative violation under Article 256a. This administrative penal provision includes all cases of non-timely publication of information subject to publication. For such violations, a fine of between BGN 400 and BGN 2 000 is imposed. This provision covers all cases of failure to publish in due time information subject to publication and thus also the timely publication of signed "internal" procurement contracts and annexes thereto.

These sanctions can be considered effective and dissuasive within the context of being a significant percentage value of the contract value and that the maximum limits of the sanctions are high in comparison to salaries in BG. The minimum monthly salary in Bulgaria for 2023 was BGN 780 and the average was BGN 1 952. In addition, the average gross monthly wage of employees in the public sector is BGN 2 255 (September 2023).

Commission Preliminary Assessment: Satisfactorily fulfilled.

Number: 251	Related Measure: C10.R11 Entrepreneurial Bulgaria
Name of the Milestone: Introduction of a procedure and requirements for issuing and revoking a visa for start-up entrepreneurs	
Qualitative Indicator: Provisions in the law indicating the entry into force of the Ordinance on the procedure and requirements for issuing and revoking a start-up visa adopted by the Council of Ministers	**Time:** Q3 2022

Context:

The objective of Reform C10.R11 is to foster the development of the high-tech sector in the country by improving access to capital and talent, improving the business administration environment and promoting entrepreneurship.

Milestone 251 concerns the entry into force of an ordinance establishing a procedure and requirements for issuing and revoking the start-up visa, which has been introduced by Article 24p of the Law on Foreign Citizens. The ordinance shall regulate the establishment of an Expert Council as an advisory body to the Minister of Economy to provide opinion on submitted projects, applying for issuance of a certificate for high-tech and/ or innovative project, called “Start-up visa”, as well as the conditions and procedure for issuance, extension and revocation of the certificate.

Milestone 251 is the first step of the implementation of the reform and it will be followed by milestone 252, 253, 254 and 255, related to the entry into force of the Personal Bankruptcy Law, the entry into force of a new chapter in the Commerce Law for the introduction of a new legal form of a commercial company, the entry into force of amendments to the Commercial Law for creating a legal framework to achieve an accelerated liquidation of legal persons and entry into force of amendments to the Labour Code improving the regulatory conditions for distance working in Bulgaria. The Reform has a final expected date for implementation on 31 December 2023.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Copy of the Council of Ministers’ Decree No. 318 of 07 October 2022 on the adoption of the Ordinance on the requirements and procedure for issuing, extending and revoking a certificate for a high-tech and/or innovative project called a "Startup Visa”, published in the State Gazette No. 82 of 14 October 2022.

The authorities also provided:

iii. Copy of the Law on Foreign Citizens, consolidated version, as last amended by the publication in the State Gazette No. 67 of 4 August 2023.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The Council of Ministers shall adopt an Ordinance to establish the procedure and requirements for issuing and revoking the "Start-up Visa”, which has been introduced by Article 24p of the Law on

Foreign Citizens:

The Ordinance on the requirements and procedure for issuing, extending and revoking a certificate for a high-tech and/or innovative project called a "Start-up Visa" (hereinafter referred to as "the Ordinance"), adopted on 7 October 2022 by the Council of Ministers, and published in the State Gazette No. 82 of 14 October 2022, entered into force three days after publication, on 17 October 2022, in accordance with [provision on the entry into force] of the Ordinance.

The Ordinance has been adopted in accordance with Article 24p(3) of the Law on Foreign Citizens, which provides that the conditions and procedure for issuing, extending and revoking the certificate for a high-tech and/or innovative project shall be determined by an ordinance of the Council of Ministers.

The start-up visa, the procedure and requirements for issuing and revoking of which has been established by the Ordinance (in particular: Articles 5 to 12 on the procedure and on the requirements for issuing and Articles 15 and 16 on the procedure and on the requirements for revoking), has been introduced by Article 24p(1) of the Law on Foreign Citizens, which provides that a long-term residence permit may be obtained by foreigners who hold a visa under Article 15(1) of the Law on Foreign Citizens, have a certificate issued by the Ministry of Innovation and Growth for a high-tech and/or innovative project called "Start-up visa" (hereinafter referred to as "the Start-up visa"), and after the issuance of the long-term residence visa have become partners or shareholders in a Bulgarian commercial company, and who own no less than 50 percent of the capital of the company, whose subject of activity is the one declared when issuing the Start-up visa.

The Ordinance shall regulate the establishment of an expert council as an advisory body to the Minister of Economy to provide opinion on submitted projects, applying for issuance of a certificate for high-tech and/ or innovative project, called 'Start-up visa'. In addition, the further specification in the Operational Arrangements clarifies that the expert council may organically belong to any Ministry:

According to Article 4(1) of the Ordinance, the Minister of Innovation and Growth forms an expert council as an advisory body for the issuance of the Start-up Visa (hereinafter referred to as "the Expert Council"). According to Article 4(4) of the Ordinance, the Expert Council issues an opinion on submitted projects applying for the issuance or extension of a Start-up visa, and requests to make changes to approved projects. Pursuant to Article 4(6) of the Ordinance, the composition of each Expert Council could include representatives of the Ministry of Education and Science, the Patent Office, the academic community, the Bulgarian Academy of Sciences, branch organisations, professional and other business organisations may participate in the composition of each Expert Council, and two representatives of non-profit legal entities uniting and directly related to start-up companies and equity and risk investment funds shall be invited.

The Council Implementing Decision required that the Expert Council shall be established as an advisory body to the Minister of Economy. In addition, the further specification in the Operational Arrangements clarifies that the expert council may organically belong to any Ministry. The Expert Council has been established as an advisory body to the Minister of Innovation and Growth. The establishment of the Expert Council as advisory body to the Minister of Innovation and Growth is linked to changes to the structure of the government. In particular, the amendment to Article 24p of the Law on Foreign Citizens, bringing this competence in the remit of the Minister of Innovation and Growth, was made by the Law to amend and supplement the Investment Promotion Law, published in the State Gazette No. 22 of 18 March 2022, which in paragraph 7 of its final provisions, provided that in the Law on Foreigners everywhere the words "Ministry of the Economy" shall be

replaced by “Ministry of Innovation and Growth”. The Law to amend and supplement the Investment Promotion Law entered into force on 18 March 2022 in accordance with paragraph 8 of its final provisions.

The Ordinance shall regulate the conditions and procedure for issuance of the Start-up Visa:

Articles 5 to 12 of the Ordinance provide for the conditions and procedure for issuance of the Start-up visa. According to Article 5 of the Ordinance, the candidate submits a templated application and the relevant attachments online to the Ministry of Innovation and Growth. The information to be included in the application and the attachments are specified in Article 6 of the Ordinance, which covers information about the identity of the applicant, about the company, and about the high-tech and/or innovative project. Within 30 days of submission, the application and the documents attached are considered by the Expert Council in accordance with the criteria specified in Article 7(5) of the Ordinance, which include sufficient means of subsistence, financial projections and capital, client network, investments, valid patents or utility model registration certificates, business plan and presentation. The Expert Council presents a report to the Minister of Innovation and Growth, which contains a motivated proposal for issuing or refusing to issue a Start-up visa in accordance with Article 8(1) of the Ordinance, after which the Minister of Innovation and Growth takes a decision pursuant to Article 9 of the Ordinance on issuance of a Start-up visa, valid for a year, or on a refusal to issue a Start-up visa. The decision is notified within 7 days of its issuance and is subject to appeal in accordance with the Administrative Procedure Code. An electronic database of all applicants and projects is maintained by the Ministry of Innovation and Growth in accordance with Article 11 of the Ordinance.

The Ordinance shall regulate the conditions and procedure for extension of the Start-up visa:

Articles 13 and 14 of the Ordinance provide for the conditions and procedure for extension of the Start-up visa. In particular, within one month before the expiry of the Start-up visa, the applicant submits online to the Ministry of Innovation and Growth information on the work done so far in accordance with the submitted application and its attachments under Article 6 of the Ordinance. Within one month of receipt of the information, the Expert Council submits to the Minister of Innovation and Growth a report that contains an opinion on the fulfilment of the requirements for issuing the Start-up visa. The Minister of Innovation and Growth issues a decision on extension of the term of the issued Start-up visa by another two years or on a refusal to extend the issued Start-up visa in case of non-compliance with Article 24p of the Law on Foreign Citizens or any of the provisions of the Ordinance. The decision is notified within 7 days of its issuance and is subject to appeal in accordance with the Administrative Procedure Code.

The Ordinance shall regulate the conditions and procedure for revocation of the Start-up visa:

Articles 15 and 16 of the Ordinance provide for the conditions and procedure for revocation of the Start-up visa. In particular, the conditions for revocation include establishing that for the issuance or extension of the Start-up visa, false data has been declared or no notification of changes in data and circumstances was made within 7 days of their occurrence. Another condition for revocation is a change of the circumstances, which hinder the implementation of the project, the implementation of the provisions of Art. 24p of the Law on Foreigners or the fulfilment of the requirements for issuing the Start-up visa. Other established violations of Bulgarian legislation, for which a competent state body has notified the Ministry of Innovation and Growth with a reasoned letter, could also qualify as conditions for revocation if they relate to circumstances that prevent the implementation of the project, the implementation of the provisions of Article 24p of the Law on Foreigners in the Republic of Bulgaria or the fulfilment of the requirements for issuing the Start-up visa. The decision

is notified within 7 days of its issuance and is subject to appeal in accordance with the Administrative Procedure Code. The decision is entered in the electronic database under Article 11 of the Ordinance.
Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 252	Related Measure: C10R.11 Entrepreneurial Bulgaria
Name of the Milestone: Entry into force of the Personal Bankruptcy Law	
Qualitative Indicator: Provisions in the Personal Bankruptcy Law indicating its entry into force	**Time:** Q3 2022

Context:

The reform aims to foster the development of the high-tech sector in the country by improving access to capital and talent, improving the business administration environment and promoting entrepreneurship.

Milestone 252 concerns the introduction of insolvency procedures of natural persons, which shall include a repayment plan, realisation of assets, and insolvency procedures in the absence of income and property of natural persons.

Milestone 252 is the second milestone of the of the reform, and it follows the completion of milestone 251, related to the entry into force of the Ordinance on the procedure and requirements for issuing and revoking a start-up visa, and it is accompanied by milestone 253 in this payment request, related to a new legal form of a commercial company, which shall provide for more flexible instruments for business development, including acquisition contracts, option pools, convertible loans, tag-along and drag along rights, and variable capital. It will be followed by milestone 254 on entry into force of amendments to the Commercial Law for creating a legal framework to achieve an accelerated liquidation of legal persons.

The reform has a final expected date for implementation in December 2023.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Copy of the publication in State Gazette No. 54 of 4 July 2025 of the Personal Bankruptcy Law, adopted by the National Assembly on 19 June 2025, https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=235619.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Entry into force of the Personal Bankruptcy Law. Furthermore, in line with the description of the measure, **[…] adoption of a personal bankruptcy law.**

The Personal Bankruptcy Law was adopted on 19 June 2025 by the National Assembly and

published in State Gazette No. 54 of 4 July 2025. According to Article 5(5) of the Constitution of the Republic of Bulgaria, laws enter into force 3 days after their publication in the State Gazette. Consequently, the Personal Bankruptcy Law entered into force on 7 July 2025.

The Personal Bankruptcy Law shall introduce insolvency procedures of natural persons, […]

According to Article 1(1) of the Personal Bankruptcy Law, it governs insolvency proceedings of natural persons who are in good faith and are unable to pay their debts and who wish for all creditor debts to be settled in a single judicial procedure.

Article 8 defines an unable to pay debtor as someone who has been unable, for over 12 months, to meet, either wholly or partially, one or more outstanding monetary obligations with a total value exceeding 10 minimum wages.

According to Article 9(1), a debtor is deemed to be acting in good faith if they incur obligations in line with their financial situation and income, and do not harm their creditors' interests through their behaviour. Additionally, Article 9(2) outlines circumstances where a debtor is not considered to act in good faith, for instance if they have been convicted of a breach of trust, a crime against creditors, or a crime against the financial, tax, or social security system, unless rehabilitated; or if they are capable of working but have, without valid reasons, not undertaken employment or any income-generating activity in the year before filing for bankruptcy proceedings, irrespective of how it is assigned and executed.

The opening of bankruptcy proceedings is further detailed in Chapter 3 of the Law. Notably, Article 31 states that bankruptcy proceedings may be initiated upon a petition by a debtor who is a natural person and unable to pay, acts in good faith, and for whom there are no reasons to doubt their good faith. Article 25(1) specifies that the district court with jurisdiction over the debtor's current address at the time of initiation is responsible for overseeing personal bankruptcy proceedings. Article 35(1) states that when the court confirms that the aforementioned conditions are fulfilled, it will issue a decision to notably declare inability to pay, open bankruptcy proceedings, enact security measures by imposing a general prohibition and attachment and, if necessary, other precautionary measures; and appoint an insolvency practitioner etc.

Article 20(1) outlines that the insolvency practitioner has, among other responsibilities, the authority to oversee the debtor's transactions; identify and ascertain the debtor's assets; propose a repayment plan with the debtor’s consent; realise the assets in the bankruptcy estate; and perform other actions as prescribed by law or directed by the court.

Article 39(1) stipulates that upon the initiation of insolvency proceedings, civil and arbitration proceedings concerning pecuniary claims against the debtor are suspended, except in specific cases permitted by law.

Article 40(1) notes that upon the initiation of insolvency proceedings, enforcement proceedings against the assets included in the bankruptcy estate are suspended, except in specific situations as defined by law.

[…] which shall include a repayment plan, […]

The insolvency procedures of natural persons shall include a repayment plan. The mechanism to introduce a repayment plan is outlined in Chapter IV. Article 53 states that the repayment plan may provide for the deferral or instalment of payments for up to three years, partial or full debt

forgiveness, and other actions and transactions involving the debtor's assets to satisfy creditors in the insolvency process. Article 54(1) allows the debtor to propose a repayment plan as an attachment to the insolvency petition. The insolvency practitioner may also propose a plan with the debtor's consent.

Article 47(2) mandates that the court approve the compiled list of accepted creditors' claims, and according to Article 47(3), the approval decision is announced in the Insolvency Register. Article 55(1) highlights that the repayment plan should include the degree of satisfaction for claims on the court-approved list, the manner and schedule of creditor payments, and necessary actions for plan execution. If the plan meets the legal requirements summarized above, the court will convene a creditor meeting within one month for further consideration, as stated in Article 56(1). Article 58(3) specifies that the plan is adopted by the meeting of creditors if creditors holding more than half of the total accepted claims and those with voting rights approve it, irrespective of the order of satisfaction. The insolvency court then approves the plan according to Article 61. Article 62(1), item 1, asserts that the court will terminate insolvency proceedings upon plan approval. Article 63(1) states that the court-approved plan is binding for the debtor and creditors with claims originating before the proceedings were initiated. Creditors' claims are adjusted according to the plan's provisions. Article 64(1) indicates that the insolvency practitioner exercises control over the debtor's activities related to fulfilling plan obligations when included in the plan. Article 64(2) requires debtors to immediately inform the insolvency practitioner of all significant circumstances affecting plan execution. Article 67 states that the debtor is deemed acting in bad faith, and the transformative effect of the plan ceases if the obligations under the plan or those related to overseeing its execution are not met, unless due to reasons beyond the debtor's control.

[…] realisation of assets,

The mechanism for asset realisation is detailed in Chapter V, Section 2. Article 68 stipulates that the court declares the debtor insolvent if, within the legal timeframe, no repayment plan is proposed, or the suggested plan is not considered or approved by the meeting of creditors.

Article 69 specifies that when declaring insolvency, the court removes the debtor's right to manage and dispose of assets within the insolvency estate and orders asset realisation and distribution of the realised assets. According to Article 73, both real and personal property, real rights, and other proprietary rights in the insolvency estate are converted to cash as needed to meet the debtor's obligations. Article 74 allows the insolvency practitioner to sell property rights within the insolvency estate with court permission. Article 75(1) indicates distributions occur once sufficient funds are collected in the insolvency estate. Article 75(2) requires the insolvency practitioner to prepare an account for distributing available funds to creditors, following the order, privileges, and guarantees outlined in Article 16(1) of the law. According to Article 81(1), the insolvency court approves the distribution account by order, making necessary changes if it identifies legal discrepancies, either on its own initiative or upon objection. Article 83 specifies that after all obligations are settled, the remaining insolvency estate assets return to the debtor.

Article 86(1) states that insolvency proceedings are terminated by court decision once obligations are paid, or the insolvency estate is exhausted.

Furthermore, Article 1(2) regulates conditions and arrangements for discharging debts for a debtor acting in good faith following the opening of insolvency proceedings.

Article 97(1) specifies that upon completing the repayment plan within the designated timeframe, all obligations for which full or partial forgiveness is provided in the repayment plan are discharged.

Article 97(1) also details that if no repayment plan is approved and the debtor's assets are realised, unsatisfied creditors' claims are discharged upon the court's decision to terminate proceedings due to the exhaustion of the insolvency estate, as per Article 86(1).

[…] and insolvency procedures in the absence of income and property of natural persons.

Article 36 provides for special insolvency proceedings for persons without sequestrable property and income. Article 36(1) stipulates that if a debtor meets the conditions of Article 31, but their disclosed sequestrable property is insufficient to cover initial insolvency proceeding costs, the court will declare the inability to pay and will open the insolvency proceedings. Among others the court will allow security measures by imposing general attachment, injunction, or other measures; and will then suspend the proceedings.

Article 36(2) allows suspended insolvency proceedings to resume by court decision upon the debtor's request within one year of the decision announcement in the Insolvency Register. Resumption is permitted if the debtor demonstrates possession of sequestrable property sufficient to cover initial proceeding costs. A creditor may also request resumption if they verify the earlier stated circumstances or prepay the necessary costs.

Article 36(3) dictates that if resumption is not requested within the specified period, the court declares the debtor insolvent and terminates insolvency proceedings.

According to Article 98, the obligations of an insolvent debtor to satisfy the claims listed in the appendix to the petition for the initiation of insolvency proceedings are discharged upon the expiration of a three-year period from the date the decision declaring the debtor enters into force.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 253	Related Measure: C10R11 Entrepreneurial Bulgaria
Name of the Milestone: Entry into force of a new chapter in the Commerce Law for the introduction of a new legal form of a commercial company	
Qualitative Indicator: Provisions in the Commerce Law indicating the entry into force of the amendments	**Time:** Q4 2022

Context:

The reform aims to foster the development of the high-tech sector in the country by improving access to capital and talent, improving the business administration environment and promoting entrepreneurship.

Milestone 253 concerns the introduction of a new legal form of a commercial company, which shall provide for more flexible instruments for business development, including acquisition contracts, option pools, convertible loans, tag-along and drag along rights, and variable capital.

Milestone 253 is the third milestone of the of the reform, and it follows the completion of milestone 251, related to the entry into force of the Ordinance on the procedure and requirements for issuing and revoking a start-up visa, and it is accompanied by milestone 252 in this payment request, related to related to the entry into force of the Personal Bankruptcy Law. It will be followed by milestone 254 on entry into force of amendments to the Commercial Law for creating a legal framework to achieve an accelerated liquidation of legal persons.

The reform has a final expected date for implementation in December 2023.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
ii. Copy of the publication in State Gazette No. 66 of 1 August 2023 of the Law amending and supplementing the Commerce Law, adopted by the National Assembly on 20 July 2023, https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=197682.

The authorities also provided:

iii. Copy of the Commerce Law;
iv. Copy of the publication in State Gazette No. 67 of 6 August 2024 of the Law amending and supplementing the Civil Procedure Code adopted by the National Assembly on 31 July 2024 and published on the State Gazette No 67 of 9 August 2024, https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=224080.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Entry into force of a new chapter in the Commerce Law for the introduction of a new legal form of a commercial company. The amendments shall introduce a chapter in the Commerce Law for a new legal form of a commercial company [...]. Furthermore, in line with the description of the measure, introduction of a more flexible type of a commercial company into the Commerce Law.

The amendments to the Commerce Law were adopted on 20 July 2023 by the National Assembly and published in State Gazette No. 66 of 1 August 2023. According to Article 5(5) of the Constitution of the Republic of Bulgaria, laws enter into force 3 days after their publication in the State Gazette. Consequently, the amendments to the Commerce Law entered into force on 5 August 2023, and introduced, through the new Chapter fifteen, the Commercial Company with Variable Capital as a new legal form of commercial company. According to §107 of the Law amending the Commerce Law, as amended further by §3 of the Law on Amendment and Supplement of the Civil Procedure Code from 31 July 2024, the technical possibility to register such a company was made available by 31 March 2025.

The Commercial Company with Variable Capital is more flexible, as unlike the Limited Liability Company, the Commercial Company with Variable Capital does not have a fixed capital that needs to be registered in the Commercial Register. Furthermore, the new more flexible instruments introduced through the amendments include acquisition contracts, option pools, convertible loans, tag-along and drag along rights, as follows:

[...] which shall provide for more flexible instruments for business development, including acquisition contracts, option pools, convertible loans, tag-along and drag along rights, and variable capital.

The amendments introduced a chapter in the Commerce Law for a new legal form of a commercial company. Prior to the amendments the only options were creating a Limited Liability Company or a Joint Stock Company. The new Articles 260a-260ab introduced the option of creating a Commercial Company with Variable Capital, combining some of their advantages and eliminating cumbersome requirements. The purpose of the introduced instruments is to modernise the legal framework in the field of current company law by adapting the legal framework to the changing public relations in the field of entrepreneurship. The new more flexible instruments introduced through the amendments include acquisition contracts, option pools, convertible loans, tag-along and drag along rights, and variable capital, as follows:

Acquisition contracts

In the case of the Limited Liability Company, acquiring shares is a strictly formalised process requiring the involvement of a notary, which makes it slow and expensive. Within the Company with Variable Capital, this process occurs seamlessly through the introduction of acquisition contracts, diminishing administrative burdens and costs linked to capital adjustments.
According to Article 260h(1), the company share may be inherited, transferred and pledged. Article 260h(2) stipulates that the transfer of company shares is carried out freely, unless otherwise agreed in the company agreement and that the contract for the transfer (acquisition) of a company share may be concluded in written form without the need for notarisation of the signatures if provided by the company agreement.

Additionally, in accordance with Article 260h(4), the transfer (acquisition) must be entered in the book of partners to become effective.

Finally, according to Article 260h(5), the Company may acquire its own company shares under the terms and conditions stipulated in the company agreement. The total nominal value of the own shares cannot exceed 50 percent of the total value of the shares. The company is obliged to transfer within three years the owned own shares that exceed this amount.

Option pools

The Limited Liability Company, the most commonly used legal form for starting a business to date, does not provide the possibility to issue shares and other fundraising tools, nor does it provide ways to provide company shares as employee retention incentives. Option pools are commonly recognised as a portion of company equity set aside for employees. The amendments to the Commerce Law introduce option pools through Article 260i[1]. Article 260i[1](1) states that the general meeting may establish for persons employed by the company, regardless of the type of contract or legal relationship, the right to acquire shares, which shall be exercised only by transferring the company's own shares. According to Article 260i[1](2), the general meeting may authorise the board of directors or the manager, as the case may be, for a period not exceeding three years, to adopt resolutions on the granting of shares.

Convertible loans

The amendments to the Commerce Law introduced the possibility for convertible loans. Convertible loans are commonly known as loans that will be converted into shares of the company later, a possibility that was not available before the amendments. Article 260i(7) states that the company may, by decision of the general meeting, issue rights to acquire company shares, including to conclude loan agreements, that may be converted into company shares. The issuance and exercise of rights to acquire company shares, including for loans which may be converted into company

shares, shall be carried out in accordance with the terms and conditions agreed in the company agreement.

Tag-along and drag-along rights

The amendments to the Commerce Law introduced the possibility for tag-along and drag along rights, a possibility that was not available before the amendment.

Tag-along rights commonly refer to provisions enabling shareholders to join a larger shareholder or a group of shareholders when selling their shares to a third party. According to the new Article 260i(2) the company agreement may provide for special rights and obligations of the partners, such as the right of one or more of the partners to pre-emptively purchase shares offered for sale by a partner or issued by the company, the right of one or more of the partners to sell all or part of the shares held by him on the same terms as those, on which another partner transfers his shares, and other rights.

A "drag-along" clause is a provision obliging a shareholder to sell his shares to a third party. According to Article 260i(3) the company agreement may stipulate the conditions, under which, by a decision of the general meeting, partners may be required to transfer their shares, as well as stipulate an obligation that until the transfer is carried out, the partners cannot exercise their right to vote in the general meeting, if the company shares are subscribed under this condition. In case of no transfer of company shares within one month of the notification, the shares may be bought by the company under the conditions specified in the company agreement, unless otherwise provided for in the company agreement.

Variable capital

The amendments to the Commerce Law introduced the possibility for variable capital. Unlike the Limited Liability Company, the Commercial Company with Variable Capital does not have a fixed capital that needs to be registered in the Commercial Register. Article 260e(1) states that the capital of the company shall be variable and shall not be subject to entry in the Commercial Register. The amount of capital at the end of the financial year and its change in relation to the previous financial year shall be determined by a decision of the regular annual general meeting, convened to consider the annual financial statement.

According to Article 260e(2), the capital of the company with variable capital shall be divided into shares. Pursuant to Article 260e(4), partners make contributions against the assumed shares. The term for making the contributions shall be determined in the company agreement, or by decision of the general meeting.

Article 260f(1) states that the rights that the ownership share provides are proportional to the nominal value of the shares, unless otherwise agreed in the company agreement. The rights to the company share arise upon payment of the contribution to the capital.
Pursuant to Article 260f(2), if agreed in the company agreement, the company may issue shares with special rights (privileges).

Pursuant to Article 260f(3), preferred company shares may provide for more than one vote in the general meeting of the members, a guaranteed or additional dividend or an additional liquidation share, a right of redemption of the company shares as well as other rights provided for in this Act or in the company agreement (variable capital).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 256	Related Measure: C10.R12: Economic analysis council
Name of the Milestone: Institutionalisation of the Economic Analysis Council	
Qualitative Indicator: Economic Analysis Council and its Secretariat established and operational	**Time:** Q3 2022

Context:

The objective of the measure is to lay the foundations for a process of gradual and sustainable provision of in-depth academic economic expertise to the Bulgarian government.

Milestone 256 consists of four points: i) The Economic Analysis Council is established as an advisory body; ii) it is supported by a secretariat; iii) it is expected to provide the Bulgarian government with in-depth academic economic expertise; and iv) its main output consists of an annual report on the state of the Bulgarian economy identifying the challenges and risks it faces and proposing solutions to them.

Milestone 256 is the first step of the implementation of the reform, and it will be followed by milestone 257, related to the adoption of the first annual report on the state of the Bulgarian economy. The reform has a final expected date for implementation on 31 December 2023.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Council of Ministers Decree No. 28 of 20 February 2023 establishing the Economic Analysis Council , hereinafter referred to as "Decree establishing the Economic Analysis Council". *https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=187188*
ii. Rules on the Structure of the Council of Ministers and its Administration *(УСТРОЙСТВЕН ПРАВИЛНИК НА МИНИСТЕРСКИЯ СЪВЕТ И НА НЕГОВАТА АДМИНИСТРАЦИЯ)*, first adopted by Council of Ministers Decree No. 229 of 23 September 2009, with relevant amendments from 24 February 2023, hereinafter referred to as "Rules on the Structure and its Administration". https://lex.bg/laws/ldoc/2135646627
iii. Order No. P-49 of 10 March 2023 *(Заповед P-49/10.03.2023)* determining the composition of the Economic Analysis Council, hereinafter referred to as "Order on the composition of the Economic Analysis Council". https://saveti.government.bg/c/document_library/get_file?p_l_id=2220609&folderId=2220615&name=DLFE-11714.pdf
iv. Copy of the job descriptions *(Длъжностна характеристика)* of one state expert and the head of department "Monitoring of implementation" at the Council of Ministers, Directorate "Strategic Planning" assisting the Economic Analysis Council.
v. Copy of the order of re-appointment No. H-1237 of 3 November 2022 *(Заповед за преназначаване)* of one state expert and order of re-appointment No. H-1235 of 3 November 2022 of the head of department "Monitoring of implementation" at the Council of Ministers, Directorate "Strategic Planning".

The authorities also provided:

vi. Council of Ministers Decision No. 151 of 1 March 2023 appointing the chairman of the Economic Analysis Council *(Решение No. 151/1.03.2023)*, hereinafter referred to as Council

of Ministers decision, appointing the chairman of the Economic Analysis Council. https://saveti.government.bg/c/document_library/get_file?p_l_id=2220609&folderId=2220615&name=DLFE-11713.pdf

vii. Protocol No. 1 of Economic Analysis Council meeting on 15 March 2023 (at which the Secretary was elected and the Internal Rules were adopted), hereinafter referred to as the Protocol on the election the Secretary and adoption of the Internal Rules.

viii. Internal Rules for the Organisation of Activities of the Economic Analysis Council adopted on 15 March 2023 *(ВЪТРЕШНИ ПРАВИЛА ЗА ОРГАНИЗАЦИЯ НА ДЕЙНОСТТА НА СЪВЕТА ЗА ИКОНОМИЧЕСКИ АНАЛИЗИ)*, hereinafter referred to as internal rules of the Economic Analysis Council. https://saveti.government.bg/c/document_library/get_file?p_l_id=2220609&folderId=2220616&name=DLFE-11716.pdf

ix. Copy of the first adopted report on the state of the Bulgarian economy on 21 March 2024. https://cea.egov.bg/wps/portal/cea-web-en/annual-reports-en

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The Economic Analysis Council shall be established as an advisory body and be operational:

The Council of Ministers through the Decree establishing the Economic Analysis Council established on 20 February 2023 the Economic Analysis Council, setting its goals and tasks as well as some principal rules regarding its functioning. Specifically, Article 1 established the Economic Analysis Council, entrusting advisory functions to assist the state authorities in making strategic and long-term economic decisions.

The steps on making the Economic Analysis Council operational are laid down in Article 4 (2)-(4) and Article 5 of the Decree establishing the Economic Analysis Council. Following these steps, on 1 March 2023 the chair of the Economic Analysis Council was designated through a Council of Ministers decision, appointing the chair of the Economic Analysis Council. On 10 March 2023 the chair selected the members of the Economic Analysis Council through the Order on the composition of the Economic Analysis Council. Subsequently, on 15 March 2023, the Economic Analysis Council adopted the internal rules and elected the Secretary, as evidenced by the Protocol on the election the Secretary and adoption of the Internal Rules. The Secretary of the Economic Analysis Council is Plamen Nenov (https://cea.egov.bg/wps/portal/cea-web-en/council.members-en). On this basis the Council is considered to have become operational.

The Economic Analysis Council shall be supported by a secretariat that is operational:

The requirement for a Secretariat to support the Economic Analysis Council is laid down in article 4(9) of the Decree establishing the Economic Analysis Council. The changes in the Rules on the Structure and its Administration, made in the transitional and final provisions of the Decree establishing the Economic Analysis Council, stipulate that the Strategic Planning Directorate within the Council of Ministers Administration will perform, among other things, the functions of a secretariat for the Economic Analysis Council.
In Art. 76 of the Rules of Procedure of the Council of Ministers and its Administration, adopted by Resolution No. 229 of the Council of Ministers of 2009, point 12 is created:
"12. perform the functions of the secretariat of the Council for Economic Analysis.'

To consider that the Secretariat is operational, it is necessary that the duties of providing support for

the Council are ascribed to the respective positions and these positions are staffed. To this end, the job descriptions of one state expert and his head of department were amended on 22 February 2023 to include the responsibilities of a secretariat to the Economic Analysis Council. The two employees that form the Secretariat acknowledged the receipt of their amended job descriptions on 27 February 2023. They were re-appointed to the respective positions on 3 November 2022. The Secretariat is considered operational because the positions with the amended job descriptions are filled in.

It is expected to provide the Bulgarian government with in-depth academic economic expertise.

Article 1 of the Decree establishing the Economic Analysis Council creates it as an advisory body, supporting the state authorities in making strategic and long-term economic decisions. Article 2 stipulates the mandate of the Council, which explicitly includes providing in-depth academic economic expertise. The Council is required to elaborate independent analyses containing an assessment of the challenges and medium- and long-term risks and opportunities facing the Bulgarian economy, as well as formulating recommendations, possible solutions and measures to overcome problems and crises.
The ability of the Council to provide in-depth academic economic expertise is supported by its independence *(article 3)* and by the high requirements for its members, such as holding a PhD degree in economics, finance, statistics, or econometrics and working either in the academia or at research departments of public institutions, as provided for in Article 4 (5).

Its main output shall be an annual report on the state of the Bulgarian economy identifying the challenges and risks it faces and proposing solutions to them.

Article 2 of the Decree establishing the Council of Economic Analysis lists the tasks of the Council of Economic Analysis. The preparation of the annual report is laid down in Article 2(4). This annual report is the only output that is explicitly specified in Article 2, hence it can be considered as the main output of the Economic Analysis Council. Article 2(4) also prescribes that the annual report should be presented to the Council of Ministers no later than 31 March of the year following the year of the analysis and that it is put for public discussion at an annual forum.

The description of *Reform 12 (C10.R12): Economic Analysis Council* in the Council Implementing Decision required that the annual report shall be on the state of the Bulgarian economy. The milestone description further specified this requirement as amounting to "identifying the challenges and risks the economy faces and proposing solutions to them". Although the Decree establishing the Economic Analysis Council does not explicitly specify the scope of the report in Article 2(4), this can be inferred from the preceding paragraphs (1) to (3) that specify the tasks of the Council of Economic Analyses. Notably, Article 2(1) lists as one of the tasks of the Council for Economic Analysis "*producing independent analyses that assess the challenges and medium- and long-term risks and opportunities of the Bulgarian economy and formulate recommendations, possible solutions and measures".* Since the annual report is the only published output of the Economic Analysis Council, it can be inferred that the report contains the analyses on the challenges and risks of the Bulgarian economy and the proposed solutions referred to in Article 2(1), which according to the milestone description amounts to the report on the state of the Bulgarian economy.

Moreover, the first annual report was adopted by the Economic Analysis Council on 21 March 2024 and was submitted to the Council of Ministers on 28 March 2024. Chapter 1 of this annual report is titled *The Bulgarian economy in 2023: Opportunities and challenges.* On pages 3-14, the annual report describes the state of the economy: It presents the recent macroeconomic developments (pages 3-6), focuses on the investment activity in Bulgaria (pages 7-9) and discusses in short three of

the identified topics – regional economic disparities, euro adoption and health workforce shortages (pages 10-13). Each of the three topics are then discussed in dedicated chapters that discuss the risks, challenges and opportunities and propose solutions to them. Subsection 2 of chapter 1, explains that the Economic Analysis Council identified "*topics of importance for the countries' medium and long-term economic development*" through a series of internal discussions, as well as through discussions "*with representatives of the executive branch and the administration*" (in line with Article 2(3) of the Decree establishing the Economic Analysis Council). Subsection 2 then explains that the identified topics will be analysed over the next three years. Three of the identified topics are analysed in the 2023 annual report. Subsection 3 lists another six of the identified topics that are to be analysed in 2024.

The three topics chosen for the 2023 annual report constitute indeed key challenges and risks. Both regional economic disparities and health workforce shortages are among the challenges recognized by the European Commission. For example, the 2023 Country Report for Bulgaria discusses regional disparities and shortages of healthcare personnel both in the main body of the report and in annex 17 and annex 16, respectively. The topic of euro adoption is also relevant given that it is a declared political priority and Bulgaria has been participating in the ERMII since 2020.

Given that the report is the main output of the Council, its scope can be derived from the Economic Analysis Council's tasks. The actual publication of the 2023 annual report also demonstrates that its scope coincides with the milestone description.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 283	Related Measure: C10.I11: Ensuring an adequate information and administrative environment for the implementation of the recovery and resilience plan		
Name of the Target: Members of staff trained on procurement			
Quantitative Indicator: Number	**Baseline:** 0	**Target:** 800	**Time:** Q4 2022

Context:

Target 283 is part of investment C10.I11. The objective of this investment is to improve the information and administrative capacity for the delivery of key projects in the context of performance-based funding, with a focus on the recovery and resilience plan of Bulgaria.

Target 283 consists of trainings on setting selection criteria in public procurement and trainings on checking the selection criteria covering operational, financial and administrative capacity for the winning tenderers. The trainings shall include staff from municipalities, budget operators, and state owned or controlled companies, in particular those taking part in the implementation of Bulgaria's recovery and resilience plan. In addition, in line with the related elements in the further specifications in the Operational Arrangements, it is required that an administrative capacity map of implementing bodies is published

Target 283 is the second target of the investment that has seven milestones and targets in total. It follows the completion of milestone 279, target 280 and milestone 281, related to the set-up of the Management and Control system, including the repository system, in the context of the recovery and resilience plan. It will be followed by targets 284 and 285, related to updating video guides for the repository system and providing specialized training for final recipients to ensure they have the necessary capacity to implement the RRP. The investment has a final expected date for implementation in Q4 2025.

Evidence Provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled;
ii. Annex 3- List of the individuals who received a certificate after completing a training in public procurement procedures;
iii. Annex 4- Copy of an Analytical Report on the capacity for management and coordination of the implementing bodies (developed within the project "General Technical Support for the Implementation of Bulgaria's Recovery and Resilience Plan REFORM/SC2021/140"), including a link where it can be accessed: https://www.minfin.bg/upload/55804/D3.1+-+Analytical+report_to-be_transition+plan_final+from+ECORYS+01.11.22.pdf;
iv. Annex 5- Copy of an Analytical Report on the monitoring capacity of the implementing bodies (developed within the project "General Technical Support for the Implementation of Bulgaria's Recovery and Resilience Plan REFORM/SC2021/140"), including the link where it can be accessed: (https://www.minfin.bg/upload/55805/D4+Analitical+Report_Final_16.02.2023.pdf);
v. Management and Control System, Annex 18: Carrying out ex ante verification through IT systems, including ARACHNE (June 2023)
vi. Order of Ministry of Finance on approving the procedure for managing access to the European System ARACHNE Commission for Fraud and Irregularities Risk Measurement with Annex (22 November 2023)
vii. Annex 3.1: Checklist to determine whether the contract was awarded lawfully
viii. Annex 3.2: Checklist for verification of public contracts awarded following a restricted procedure under Article 18 (1) (2) of the Public Procurement Act
ix. Annex 3.3: Checklists for verification of public contracts awarded following a competitive procedure with negotiation in accordance with Article 18 (1) (3) of the Public Procurement Act
x. Annex 3.4: Checklist for verification of a public contract awarded following a negotiated procedure with prior invitation to participate under Article 18 (4) (1) of the Public Procurement Act
xi. Annex 3.5: Checklist for verification of public contracts awarded after negotiation with publication of a contract notice under Article 18 (1) (5) of the Public Procurement Act
xii. Annex 3.6: Checklist for verification of a public contract awarded following a competitive dialogue under Article 18 (6) (1) of the Public Procurement Act
xiii. Annex 3.7: Checklist for verification of public contracts awarded following an innovation partnership procedure under Article 18 (1) (7) of the Public Procurement Act
xiv. Annex 3.9: Checklist for verification of documentation for the award of a negotiated procedure without prior invitation to participate under Article 18 (1) (9) of the Public Procurement Act
xv. Annex 3.10: Checklist for verification of public contracts awarded following a design contest under Article 18 (1) (11) of the Public Procurement Act
xvi. Annex 3.11: Checklist for verification of public contracts awarded following a public competition under Article 18 (1) (12) of the Public Procurement Act
xvii. Annex 3.12: Checklist for verification of public contracts awarded after direct negotiation in accordance with Article 18 (1) (13) of the Public Procurement Act
xviii. Annex 3.13: Checklist for verification of award after the collection of tenders with a notice under Articles 20 (3) and 187 of the Public Procurement Act
xix. Annex 3.14: Checklist for verification of the commissioning of project activities by final recipients of RRF funds through a public call under Council of Ministers Decree No 80 of

2022

xx. Annex 3.15: Checklist for checking the performance of a contract awarded on the basis of Article 14 (1) (5) to (7) and Article 15 of the Public Procurement Act

xxi. Sampling evidence: 60 issued training certificates with names of participants, dates of training, course name and a unique certificate number and code

The authorities also provided:

xxii. Annex 1- Program of the e-module and presentations and print screens of the training in our information system

xxiii. Annex 2- Invitation letter sent to administrations for submission of applications

xxiv. A copy of the audit report 26 April 2023 issued by Grant Thornton assessing the organisation, administrative and technical capacity of the Ministry of Transport and Communications (MTC) and the National Railway Infrastructure Company (NRIC) to prepare and implement TEN-T railways projects in line with EU objectives included in TEN-T Regulation and RRP targets.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the target.

The trainings shall be completed with a certificate and include staff from municipalities, budget operators, and state owned or controlled companies, in particular those with responsibilities related to the implementation of the RRP.

An electronic self-learning module entitled 'Current Changes in the Implementation of the Law on Public Procurement' was created for the Institute of Public Administration. This module requires approximately four hours to be competed and concludes with a final test as was verified via reviewing the e-module (Annex 1).

In total, 824 participants completed the programme (Annex 3). All individuals received a certificate upon completing the training in public procurement procedures and a sample of 60 certificates, as requested by the Commission, was submitted as supporting evidence.

The list of individuals who received a certificate after completing the training in public procurement procedures contains for each individual the following information: a unique identifier, the official reference of the certificate, hours completed, and the specification whether it was obtained by staff from municipalities, budget operators, and state owned or controlled companies, with responsibilities related to the implementation of the recovery and resilience plan.

Two more elements were requested in the Operational Arrangements - reference to the number of training actions and the type of training provided with a description of its content. As the there is only one type of training, the above-mentioned self-learning module, the number of training actions for all participants is by default one. Additionally, all participants finished the same module, and a detailed description of the programme was provided as supporting evidence (Annex 1). The name of the course (2022 – OP-12 – Recent changes in the implementation of the Public Procurement Act) is printed on the certificates of completion on all the sample certificates that were checked.

The Commission selected, based on the provided cover note and Annex 3 uploaded in FENIX, which includes the list of 824 certificates, a total of sixty certificates to be verified. In response to this selection, the authorities were requested to provide copies of the certificates for the trainings.

These certificates correspond to each of the selected units as per the identified sample. The aim of this sampling exercise was to ensure that the selected individuals have completed the necessary training. The evidence provided for a sample of sixty units confirmed that the requirements of the target have been met. All the certificates contain the necessary elements to demonstrate that participants took part in public procurement training: name and family name of the participant, certificate code and unique number, name, and date of training.

On 11 October 2022, the authorities sent an invitation letter (Annex 2) to relevant administrations and bodies for submission of applications, including budget operators, state owned or controlled companies and municipalities. The letter requests assistance in identifying the most relevant staff from various structures to complete the training. It emphasizes that all staff involved in the implementation of measures included in the recovery and resilience plan, as well as those responsible for preparing and conducting public procurement procedures, should undergo this training.

Based on the list of 824 participants provided by the authorities (Annex 3), the distribution of participants across types of employers is as follows:

- Budget Operators: 484
- Municipalities: 316
- State-Owned Enterprises: 24

This provides further assurance that staff from municipalities, budget operators, and state owned or controlled companies was indeed prioritised.

In line with the description of the measure, this target covers the provision of trainings on public procurement members of staff of entities conducting public procurement procedures.

In the invitation letter (Annex 2), the following members of staff of entities conducting public procurement procedures were invited to the training: Ministry for Labour and Social Policy, Ministry for Transport and Communications, Ministry for the Interior, Ministry of Finance, Ministry of Health, Ministry for Regional Development and Public Works, Ministry for Energy, Ministry of Education, Ministry of Justice, Ministry for Culture, Ministry for the Environment and Water, Ministry for Agriculture, Ministry for Innovation and Growth, Ministry for E-Government, National Statistical Institute, State Road Safety Agency, National Culture Fund, Supreme Judicial Council, Supreme Administrative Court, Office of the Chief Prosecutor of the Republic of Bulgaria, Bulgarian Academy of Sciences, Electricity System Operator EAD, Bulgarian Post EAD, National Railway Infrastructure Company, Metropolitan EAD, Bulgarian WSS Holding EAD, Ministerial Council's Secretary General, Public Institute's Executive Director, Central Coordination Unit Directorate in the Administration of the Council of Ministers, National Fund Directorate of the Ministry of Finance, and Economic and Financial Policy Directorate of the Ministry of Finance.

The Council Implementing Decision states that the trainings shall prioritise staff from municipalities, budget operators, and state owned or controlled companies. The list of beneficiaries thus includes staff from the public administration. This is in line with the purpose of the corresponding measure, which, as provided in the measure description, states that the objective of the investment is to improve information and administrative capacity for the delivery of key projects in the context of performance-based funding, with a focus on the recovery and resilience plan of Bulgaria. In addition, the Staff Working Document, accompanying the Commission proposal for the Council Implementing Decision, also stresses the need to further strengthen the administrative capacity in Bulgaria, in particular what concerns the institutions responsible for the implementation of the

plan. Finally, the name of the target is: 'Final recipients trained to strengthen their procurement capacity, including the one of contracting entities'. As such, the name of the target indicates that staff from the 'contracting entities' is also covered by the target. Given these circumstances, 'beneficiaries' referred to in the description of the measure should be understood as denoting staff of public authorities (in particular, of municipalities and budget operators), of state-owned or controlled companies and of contracting entities.

On this basis, it is considered that this constitutive element of the target is satisfactorily fulfilled.

Based on the list of 824 participants provided by the authorities (Annex 3), 316 out of 484 participants from budget operators, come from beneficiaries with weaknesses in organising public procurement, distributed as follows:

Ministry of Agriculture: 44 participants
Ministry of Energy: 15 participants
Ministry of Health: 9 participants
Ministry of Regional Development and Public Works: 43 participants
Ministry of Transport and Communications: 28 participants
Ministry of Labour and Social Policy: 31 participants

The highest number of participants from other organizations not explicitly mentioned in the Analytical Report comes from the National Railway Infrastructure Company SE, with 64 participants, and the Road Infrastructure Agency, with 49 participants and both deal with important RRP investments. Overall, clear identified weaknesses in the transport sector include the frequent lack of eligible bidders and extended delays in the process, which can also be attributed to the heightened workload and lack of sufficient staff and resources, as identified in the Independent Audit of the capacity of the Ministry of Transport and communication and the National Railway Infrastructure Company for management and coordination of activities relating to the preparation and implementation of rail projects to develop the Trans-European Transport Network.

Furthermore, in line with the description of the measure, an administrative map analysing the capacity of beneficiaries has been published. The target is further specified in the Operational Arrangements, which requires that the administrative capacity map shall contain analyses on the administrative capacity of implementing bodies involved in the delivery of key projects in the recovery and resilience plan of Bulgaria.

The further specifications of the Operational Arrangements state that ''the administrative capacity map shall contain analyses on the administrative capacity of implementing bodies (…)''. With this, the map and the analyses are jointly considered as an administrative map. In line with this, two analyses were developed, which include a mapping, in the form of tables and charts, of the administrative capacity of the implementing bodies. Together, the analyses constitute an administrative map to evaluate the capacities of beneficiaries, within the project 'General Technical Support for the Implementation of Bulgaria's Recovery and Resilience Plan REFORM/SC2021/140'. Both were published on the website of the Ministry of Finance:

- Analytical Report on the capacity for management and coordination of the implementing bodies (Annex 4), published in October 2022.
- Analytical Report on the monitoring capacity of the implementing bodies (Annex 5), published in October 2022.

The authorities provided two analyses that describe the weaknesses in administrative capacity and

the shortcomings of the monitoring and control systems in place for implementing bodies involved in the delivery of key projects in the recovery and resilience plan of Bulgaria. The analysis covers ten Monitoring and Reporting Structures (bodies that oversee implementation and ensure the rules and procedures concerning the provision of financial support to final recipients are followed correctly) responsible for 21 RRP investments out of 57 in total: Ministry of Education, Ministry of Labour and Social Policy, Ministry of Innovation and Growth, Ministry of Regional Development and Public Works, Ministry of Energy, Ministry of Agriculture, Ministry of Transport and Communications, Ministry of Health, and additionally National Culture Fund and Bulgarian Academy of Sciences. For instance, the Ministry of Energy and the Ministry of Regional Development oversee key projects under the low-carbon component, which addresses the critical challenge of decarbonizing the energy sector, given that Bulgaria's economy stands as the most resource- and carbon-intensive within the EU. The Ministry of Innovation and Growth oversees all projects in the Smart Industry component, which aims to create favourable conditions and provide incentives for private investment and is one of the biggest in terms of funding. The Ministry of Education and Ministry of Labour and Social Policy are in the lead for several key reforms and investments in components on education and skill and social inclusion. This includes the reforms of the minimum income scheme and reforms in preschool and school education and lifelong learning.

Analytical Report on the capacity for management and coordination of the implementing bodies (Annex 4):
As of the end of July 2022, most Monitoring and Reporting Structures had not formally organized their units or developed organization charts and job descriptions for RRP investment implementation. The report concludes that the risk management and human resources were significant areas of concern. Many structures were understaffed, with delayed recruitment processes and a lack of mechanisms to identify training needs for staff, posing risks of delays and insufficient information management.

Analytical Report on the monitoring capacity of the implementing bodies (Annex 5):
The report identifies several weaknesses in the ten Monitoring and Reporting Structures. Regarding milestones and targets, it highlights a critical lack of specified supporting documents and unclear guidelines for verifying achievements, along with ambiguity in developing technical reports for non-material harm compliance. Structurally, many bodies were missing a formally established data distribution service, coupled with an unclear division of responsibilities among experts. In terms of human resources, there was uncertainty about their sufficiency, a lack of estimates for experts needed for monitoring and on-the-spot checks and outdated job descriptions. Additionally, there were deficiencies in the instruments used, evidenced by incomplete internal rules for implementing RRP activities.

Moreover, as further specified in the Operational Arrangements the trainings on public procurement capacity include training on (i) the setting of selection criteria covering operational, financial, and administrative capacity of the bidders and (ii) the checking of such elements for the winning tenderers, as follows:

The third segment of the self-learning module, detailed above, covers the essential requirements for demonstrating operational, financial, and administrative capacity of the bidder. This segment (Annex 1) outlines three primary types of selection criteria, as prescribed in the Directives that address the specific requirements, as follows:

- **Operational Capacity**: The module outlines criteria for professional suitability, ensuring bidders possess necessary certifications and capabilities for specific professional activities.
- **Financial Capacity**: It outlines criteria for assessing bidders' financial health, such as by

analysing balance sheets and turnover related to the contract scope, to ensure financial stability.

- **Administrative Capacity**: Finally, the module outlines criteria for assessing bidders' technical and professional abilities, focusing on qualified staff and technical resources availability.

The program also highlights potential discriminatory selection criteria, such as unjustifiable restrictions on foreign companies, disproportionate technical specifications, and the requirement of experience in reference projects limited to specific programs or types of financing.

Moreover, the third segment of the self-learning module, covering the responsibility by the contracting authority, clearly articulates the selection criteria in all public communications associated with the procedure. This includes announcements on the commencement of the procedure, invitations to confirm interest, and the specific provisions laid out under Article 18, paragraph 1, points 8, 9, and 13 of the Public Procurement Act, especially in relation to invitations for negotiation participation.

Concerning the checking of such elements for the winning tenderers, this aspect is addressed in the same segment of the self-learning module (Annex 1). It includes information on how to assess the suitability, economic and financial standing, as well as technical and professional ability of the winning tenderers. The module provides guidance on how to assess the economic and financial standing of candidates or tenderers. This includes considering aspects like minimum overall turnover, professional indemnity insurance, and positive asset-liability ratios. It outlines the criteria for ensuring that candidates or tenderers possess the necessary human and technical resources and experience to perform the contract to an appropriate quality standard.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 287	Related Measure: C11.R1 Reform of the minimum income scheme
Name of the Milestone: Finalisation of a report on the minimum income scheme	
Qualitative Indicator: Final report issued by the Ministry of Labour and Social Policy and published on the website of the Ministry	**Time:** Q4 2022

Context:

Measure C11.R1 aims to improve the adequacy and coverage of the minimum income scheme.

Milestone 287 requires issuance and publication of a final report on the minimum income scheme, which shall provide evidence-based recommendations on how to expand effective coverage and enhance targeting of the minimum income scheme, improve employment incentives and activation measures, and reduce administrative burden.

Milestone 287 is the second step of the implementation of the reform, and it follows the completion of milestone 286, related to amendments to the Social Assistance Act regarding the increase of the adequacy and coverage ratio of the minimum income scheme, specifically, the computation of the income threshold. It will be followed by milestone 288, related to the entry into force of the relevant legislation, and by target 289, related to number of recipients of the monthly minimum income support. The reform has a final expected date for implementation in Q2 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i) Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii) Link to the website of the Ministry of Labour and Social Policy where the final report has been published: https://www.mlsp.government.bg/reforma-na-sistemata-za-minimalen-dokhod. The report reflects the situation as of 31 December 2022.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The analysis shall make evidence-based recommendations to expand effective coverage, enhance the targeting of the minimum income scheme, incentivise the take-up of gainful employment, improve linked activation measures through the PES and significantly reduce the administrative burden for the individuals and for the administration in the application procedures.

Part 7. of the Report "Conclusions and Recommendations" (pp. 51-52) provides the following recommendations, in line with the descriptions of the milestone:

to expand effective coverage:

- recommendation 3. Relaxation of the eligibility criteria for social benefits. As evidenced by the OECD report (January 2021) quoted in the analysis, Bulgaria lags when it comes to the share of the poor eligible for the minimum income scheme. As such, it is recommended to review and relax certain restrictions for application, for example, the income criterion. It should help expanding the coverage of people at-risk-of-poverty eligible for minimum income support.
- recommendation 8. Shortening the deadline for mandatory registration in the Labour Office Directorate for unemployed persons of working age applying for a monthly allowance from six to three months. According to the data collected by the Social Security Institute, the six-month registration period limits access to the minimum income scheme over a relatively long period of time. It is also one of the main reasons for refusal to grant monthly social assistance. Based on the analysis, shortening the registration period to 3 months would allow to maintain the incentive to take up gainful employment, while providing the necessary and timely financial assistance in critical times.
- recommendation 9. Fine-tuning the income coverage to be taken into account when applying the income criterion, with a view to social inclusion of individuals and their retention in the labour market. The current definition of gainful income is rather broad, including, for example, family and childcare allowances. Revising it would allow to expand the scope of people at-risk-of-poverty eligible for minimum income scheme.
- recommendation 13. Waiving the requirement of the size of the dwelling of applicants for monthly social benefits as a condition for their receipt. The size of the dwelling is among some of the most common reasons for refusal of the social assistance. Removing this restriction would allow to expand the scope of people at-risk-of-poverty eligible for monthly financial assistance.

to enhance the targeting of the minimum income scheme:

- recommendation 3. Relaxation of the eligibility criteria for social benefits. As evidenced by the OECD report (January 2021) quoted in the analysis, Bulgaria lags when it comes to the share of the poor eligible for the minimum income scheme. As such, it is recommended to review and relax certain restrictions for application, for example, the income criterion. It

should help enhancing the targeting of people at-risk-of-poverty eligible for social minimum income scheme.

- recommendation 9. Fine-tuning the income coverage to be taken into account when applying the income criterion, with a view to social inclusion of individuals and their retention in the labour market. The current definition of gainful income is rather broad, including, for example, family and childcare allowances. Revising it would allow to expand the scope of people at-risk-of-poverty eligible for minimum income scheme.

to incentivise the take-up of gainful employment:

- recommendation 4. Strengthening the Centre for Employment and Social Assistance to achieve effective inter-institutional interaction for the inclusion of inactive people in the labour market. The Centre draws on staff from the Employment Agency and the Social Assistance Agency and thus it is recommended that inter-institutional coordination is further strengthened and streamlined to provide informed and quality assistance.
- recommendation 7. Develop regulatory changes to support, for a certain period of time, those who received monthly social benefits at the time of taking up employment as an incentive to enter and remain in the labour market. Based on the data collected by the Social Assistance Agency and other evidence, for example, in the forms of letters and complaints, it has been identified that in cases where employment contracts are not extended after the probationary period, in combination with the 6-month registration period for social assistance, many people find themselves in a critical situation, often more challenging than prior to taking-up employment and at the time when they were supported by the social assistance scheme. As such, it is recommended, that social assistance support is extended, for a certain period, beyond the time of taking up gainful employment. It should strengthen the incentive to seek lasting employment.

to improve linked activation measures through the public employment services:

- recommendation 1. Stimulating people's participation in the labour market while constantly improving their suitability for labour market requirements by improving the quality of the services provided. The analysis identifies that insufficient education, knowledge or skills needed in the modern labour market are one of the key barriers to taking up gainful employment. This recommendation thus aims to ensure that social service institutions provide targeted and quality support, also in this regard. To that end, social services institutions are thus to offer advice and training on improving and enhancing relevant knowledge and skills.
- recommendation 4. Strengthening the Centre for Employment and Social Assistance to achieve effective inter-institutional interaction for the inclusion of inactive people in the labour market. The Centre draws on staff from the Employment Agency and the Social Assistance Agency and thus it is recommended that inter-institutional coordination is further strengthened and streamlined to provide informed and quality assistance.
- recommendation 6. The priority consideration and adoption of Regulations for the Implementation of the Social Assistance Act, as a natural extension of legislative change, is a prerequisite for achieving these objectives. The analysis identifies that amending the legal framework is a necessary step to transform the social assistance scheme, including the improved activation measures.
- recommendation 10. Strengthen proactive action on the labour market inclusion of those on social assistance in order to increase the targeting of support measures. The analysis identifies that insufficient education, knowledge or skills needed in the modern labour market are one of the key barriers to taking up gainful employment. With this

recommendation the aim is to encourage people to not only enter the labour market but also to help them continue acquiring skills and enhancing their education to achieve lasting employment.

- recommendation 11. Improve coordination and interaction between the territorial structures of the Social Assistance Agency and the Employment Agency in the context of a one-stop-shop in order to find adequate and sustainable solutions for specific cases. This recommendation aims at ensuring that the 76 established Social Assistance Centres act as an intermediary between the two agencies, providing comprehensive and targeted employment services.
- recommendation 12. Reduction of the period for community service to no more than 40 hours per month, in cases where the person is not included in programmes and measures under the Employment Promotion Act. Given the high number of people sanctioned for refusal to carry out community services, according to the data collected by the Social Assistance Agency, it is recommended to reduce the hours of community service per month. It should help to maintain the incentive to work, while at the same time reduce the number of refusals for minimum income support.

to significantly reduce the administrative burden for the individuals and for the administration in the application procedures:

- recommendation 2. Easing the administrative procedures for granting social benefits. The analysis identifies that the current administrative procedures are rather outdated and often pose obstacles for easy and timely submission of social assistance application, including, for example the requirement to submit the declaration at the current address. This recommendation aims at ensuring that the administrative process is made simplified for the application as well as the institutions.
- recommendation 14. Enabling the filing of an application for declaration in each Social Assistance Department using all possible communication channels – on-site, electronic, licensed postal operator or other appropriate means. This recommendation further aims at ensuring that the application process is faster, more open, and accessible to a larger scope of people, including from various social backgrounds and age groups, and at optimizing the administrative procedures and inter-institutional cooperation.
- recommendation 15. Carrying out an ex officio examination of the facts and circumstances relevant to the granting of the aid through an interinstitutional information exchange, without requiring applicants to submit documents, references, etc. The analysis identifies that the current application process requires that applicants submit various forms of evidence at the time of submitting their declaration, often needing to consult various institutions, and rending the submission process long and ineffective. This recommendation thus aims to significantly limit the administrative burden for the application and the institutions as well as it should help to encourage greater inter-institutional cooperation.

The analysis shall review the eligibility and working criteria of the minimum income scheme:

- Part 5 (page 15) cites the number of unemployed persons in 2021 receiving social benefits that were sanctioned by deregistration due to non-compliance with the conditions as an indication of potential issues with the eligibility criteria for the minimum income scheme.
- Part 6 (page 21) reviews the income criterion of entitlement to the monthly allowance. It recalls that support shall be granted on the basis of an assessment of income of the person or family, immovable and movable property, marital status, state of health, age, employment or pursuit of an economic activity, existence of savings and other

circumstances. This is part of the eligibility criteria for the minimum income scheme. The analysis suggests that the range of income should be amended.

- Part 6 (pages 33 – 39) presents the number of refusals over 2019 – 2022 to grant monthly social assistance and quotes the income from the previous month being higher than the defined differentiated minimum income as the main reason for refusing to grant monthly aid. This serves as an indication of the where and how revise or improve the eligibility criteria.
- Part 6 (page 39) discusses the impact of the income test for access to monthly allowances on persons eligible for assistance and reviews the relevance of the different elements of the income test (for example, the inclusion of family and child allowance as part of gainful income).

including ownership criteria:

- Part 6 (pages 35 – 39) indicates that the number of refusals for targeted heating aid (an element of the social protection scheme) over 2019 – 2022 to grant monthly social assistance, including where the refusal was based on noncompliance with the condition of no transfer of ownership of properties in the last 5 years, was relatively high.
- Part 6 (pages 41 – 42) indicates that the number of refusals over 2019 – 2022 to grant targeted aid for heating, including where the refusal was based on noncompliance with the condition of no ownership of a commercial company or a real estate, was relatively high.

public employment services registration:

- Part 5 (pages 18 – 19) quotes Article 12b of the Social Assistance Act in providing that unemployed persons who refuse to participate in employment programmes approved by the Minister for Labour and Social Policy shall be deprived of monthly allowances for a period of one year. It states that, under the Law on the promotion of the employment of unemployed, persons who have refused to accept the appropriate job offered to them and/or inclusion in programmes and measures for adult employment and training, have their registration with the employment office suspended and the registration cancelled for after 6 months. Persons whose participation in subsidised employment is terminated by disciplinary dismissal are entitled to registration no earlier than 12 months after the dismissal.
- Part 5 (page 19) recaps that monthly social assistance is granted to unemployed persons if they are registered with the Labour Office Directorates at least 6 months prior to the application for social assistance declaration and have not refused to offer them the job or inclusion in training for literacy, vocational training or key competences and/or upskilling, and the exceptions to the 6 months' period.
- Part 6 (pages 35 – 39) presents the number of refusals over 2019 – 2022 to grant monthly social assistance, including where the refusal was based on noncompliance with the condition of registration with the Labour Office Directorates at least 6 months prior to the submission of the application for social assistance.
- Part 6 (pages 39 – 40) discusses the impact of the requirement of 6-month registration in the Labour Office Directorate on access to the minimum income scheme and on the amount of monthly allowance received. The length of the 6-month registration period is considered as the reason for depriving a large number of individuals and families of benefits.
- Part 6 (page 47) recaps that on the basis of the data, one of the two the main factors limiting access is the deadline for registration with the Labour Office Directorate.
- Part 6 (pages 35 – 39) presents the number of refusals over 2019 – 2022 to grant monthly social assistance, including where the refusal was based on noncompliance with the

condition of registration with the Labour Office Directorates at least 6 months prior to the submission of the application for social assistance.

community work requirements:

- Part 1 (page 6) lists the requirements subjecting the receipt of monthly social benefits, including the carrying out of community work by unemployed persons.
- Part 6 (pages 40 - 41) presents the number of cases of imposing administrative sanctions over 2019 – 2022, on the grounds of refusal to perform community work. It details the provisions on community work and discusses the option of reducing the time limit for carrying out the work to no more than 40 hours per month.

implementation of activation measures:

- Part 5 (page 14 – 15, 16 – 17) summarises the employment services that are used to activate disadvantaged groups and economically inactive people.
- Part 5 (pages 15 – 20) reports number of unemployed persons receiving social benefits that were subject to activation measures in recent years, especially in 2021 and 2022. It informs about the number of persons that had been subject to activation measures and were then provided with employment.
- Part 5 (pages 17 and 19) suggests that the activation measures provided are not yet able to overcome the dynamics of the economic and demographic evolution of the labour force in Bulgaria, with the result that the services and measures offered are more geared towards solving the difficulties and problems that have already arisen in terms of employability, and less prevention. It suggests that data on persons involved in labour market measures and programmes show insufficient provision of employment programmes and measures targeting persons on social assistance.

The analysis shall review

employment incentives:

- Part 1 (pages 4 – 5) recaps the purpose of minimum income schemes. It acknowledges that by giving access to services and incentives to enter the labour market, these schemes act as a factor in improving inclusion and employment prospects.
- Part 5 (pages 16 - 17) lists public employment services providing specialised support to unemployed people with difficulties in accessing the labour market, including by living in regions with no demand for work, family or personal specific barriers to successful employment. These include digital access to job centres through electronic administrative services, an incentive for people to register as jobseekers.
- Part 5 (page 18) mentions measures to incentivise employers to recruit registered unemployed persons receiving social benefits. Recruitment is incentivised by providing wage resources as well as social security contributions payable by the employer. The long-term unemployed, including those receiving social benefits, are channelled to all relevant employment programmes and measures financed by the state budget for active labour market policy. The long-term unemployed are also among the target groups of regional employment programmes and employment and training projects implemented by national employers' and employees' organisations.
- Part 6 (page 47) argues that one of the challenges faced by the minimum income scheme - in making it an employment incentive mechanism in the context of tackling poverty - is to ensure promotion of personal and parental responsibility, and limiting the risks of long-term exclusion from the labour market. It alleges that the current mechanism is more

penalising than incentivising.

including the tapering out of benefits for the recipients of the minimum income support who uptake gainful employment:

- Part 6 (pages 39 – 40) discusses the impact on the monthly social assistance (an element of the minimum income scheme, for example, in the form of heating allowance) of, after taking up permanent employment, an increase in the income earned as a result of the remuneration received, including in cases where an employment contract is not extended after the end of the probationary period.
- Part 6 (page 48) suggests that it is necessary to develop a regulatory change to support, for a certain period of time, persons who were in receipt of monthly social assistance at the time of taking up gainful employment. In this way, they will continue to be supported by the State even after taking up gainful employment.

The analysis shall analyse

the administrative burden of the process:

- Part 1 (page 6) lists the requirements subjecting the receipt of monthly social benefits, including maintaining registration with the Labour Office Directorate, carrying out of community service, regular attendance at a kindergarten or school by children, and compulsory immunisation and preventive examinations of children. It states that social support shall be granted on the basis of an assessment of the income of the person or family, family status, state of health, age, employment, education or economic activity, existence of savings, immovable and movable property and other circumstances.
- Part 5 (pages 17 – 18) mentions that in order to facilitate access for unemployed persons and people receiving social assistance, 76 Centres for Employment and Social Assistance have been set, bringing together employees of the Employment Agency and the Social Assistance Agency. These Centres for Employment and Social Assistance are presented as a priority model of effective inter-institutional interaction, which should continue to be applied in order to reduce the administrative burden.
- Part 6 (pages 48 - 49) notes the elements of the administrative procedure of granting social benefits including the minimum income scheme. It recaps requirements emanating from the procedure for both the applicants and the Social Assistance Directorate. It asserts that the emergence of new technologies has created opportunities not to require so many documents where they can be collected administratively, and argues for changes both in law and in application.

and take this into account in its recommendations with a view to achieving a significant reduction

- Part 7 (pages 51 – 52) includes evidence-based recommendations to significantly reduce the administrative burden for the individuals and for the administration in the application procedures:
    - recommendation 2. Easing the administrative procedures for granting social benefits.
    - recommendation 14. Enabling the filing of an application for declaration in each Social Assistance Department using all possible communication channels – on-site, electronic, licensed postal operator or other appropriate means.
    - recommendation 15. Carrying out an ex officio examination of the facts and circumstances relevant to the granting of the aid through an interinstitutional information exchange, without requiring applicants to submit documents, references, etc.

For the elements above, the analysis shall provide references to the challenges identified in the context of the European Semester and to analysis from international organizations with relevant expertise

to expand effective coverage

- Part 4 (pages 13 – 14) quotes the OECD 2021 Economic Assessment of Bulgaria with a direct quote of one of the recommendations from the OECD report - "*relaxing the eligibility criteria and increasing the amount of social benefits.*".
- Part 2 (page 8 - 9) refers to the European semester. On p.8 the report quotes the 2019 Semester Country Report observation that the social security system does not cover all people in employment and self-employed persons are not subject to compulsory insurance against unemployment and accidents at work and occupational diseases. It adds that the restrictive conditions for claiming social benefits even after short-term employment constitute a problem. On p.9 the report quotes an observation from the 2020 European Semester Country Report that the overall adequacy and coverage of the minimum income scheme remains weak and indexation is not foreseen.
- Part 2 (page 9) refers to Council recommendations from 2019, 2020 and 2022. They include quotes of recommendations to address social inclusion through improved access to integrated employment and social services, as well as ensure adequate social protection and basic services for all.

enhance the targeting of the minimum income scheme

- The report contains to reference to a challenge in the field of enhancing the targeting of the minimum income scheme identified by the European Semester.
- The report contains no references to recommendations from international organisations in the field of enhancing the targeting of the minimum income scheme
- In part 2 there are quotes of multiple recommendations and observations from the European Semester reports and Council recommendations that suggest and include by meaning enhanced targeting. Some of these quotes on p.9 are "address social inclusion through improved access to integrated employment and social services and more effective minimum income support" and "address the shortcomings in the adequacy of the minimum income scheme".

incentivise the take-up of gainful employment

- Part 2 (page 8 - 9) refers to the European semester. In particular, the report quotes an observation from the 2020 European Semester Country Report that lack of mechanisms for a smooth transfer from social assistance to employment, among other factors, make the support ineffective and unattractive.
- The report contains no references to recommendations from international organisations in the field of incentivising the take-up of gainful employment.

improve linked activation measures through the PES

- Part 2 (page 8 - 9) refers to the European semester. In particular, the report quotes an observation from the 2020 European Semester Country Report that the right mix of active labour market policies and support services, among other factors, make the support ineffective and unattractive.

- Part 4 (pages 13 – 14) quotes the OECD 2021 Economic Assessment of Bulgaria with an concluding that overcoming the dependence on social benefits for people of working age is linked both to the promotion of their work activity and to their continued inclusion in the labour market. The word 'promotion' implies the involvement of PES.

eligibility and working criteria of the minimum income scheme, including ownership criteria, PES registration and community work requirements

- Part 2 (page 8 - 9) states the weak overall adequacy and coverage of the minimum income scheme as one of the main findings of the 2020 European Semester. It quotes the 2019 Council Recommendation to Bulgaria to address social inclusion through more effective minimum income support. It quotes the 2020 Council Recommendation to Bulgaria to ensure adequate social protection and address the shortcomings in the adequacy of the minimum income scheme.
- Part 4 (pages 13 – 14) quotes the OECD 2021 Economic Assessment of Bulgaria in saying that the low share of aid to the lowest income households combined with the limited and inefficient determination of the income criterion reflect the low effectiveness of such expenditure.

employment incentives and implementation of activation measures, including the tapering out of benefits for the recipients of the minimum income support who uptake gainful employment

- Part 2 (page 8 - 9) states as one of the main findings of the 2020 European Semester the lack of mechanisms for a smooth transfer from social assistance to employment, with the right mix of active labour market policies and support services, making the support ineffective and unattractive. It mentions also the eligibility criteria for minimum income benefits having no income disregard with the exception of one-day contracts, which affects transitions to the primary labour market.
- Part 2 (page 9) quotes the 2019 Council Recommendation to Bulgaria to address social inclusion through improved access to integrated employment and social services and more effective minimum income support as well as strengthening employability by reinforcing skills, including digital skills. It quotes the 2020 Council Recommendation to Bulgaria to strengthen active labour market policies, promoting digital skills and ensuring equal access to education.
- The report contains no references to recommendations from international organisations in the field of employment incentives and implementation of activation measures, including the tapering out of benefits for the recipients of the minimum income support who uptake gainful employment

reduce administrative burden of the process for the individuals and for the administration

- Part 4 (pages 13 – 14) quotes the OECD 2021 Economic Assessment of Bulgaria in recommending rationalising and simplifying the numerous and complex social benefit schemes based on an income criterion, in particular for families with children.
- The report contains to reference to a challenge in the field of administrative burden of the process identified by the European Semester.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 297	Related Measure: C11.I2 Provision of assisting devices to persons with permanent disabilities
Name of the Milestone: Methodology for the selection of persons with permanent disabilities	
Qualitative Indicator: Adoption by the Ministry of Labour and Social Policy	**Time:** Q4 2022

Context:

The measure aims to improve the social inclusion of persons with permanent disabilities by promoting personal mobility and accessibility.

Milestone 297 requires adoption by the Ministry of Labour and Social Policy of a methodology determining the selection procedure to assign assisting devices to persons with permanent disabilities which shall consider health and specific needs as well as socio-demographic characteristics.

Milestone 297 is the first step of the implementation of the investment, and it will be followed by target 298, related to providing assisting devices to at least 2040 persons with permanent disabilities based on the specific needs of the beneficiaries. The investment has a final expected date for implementation on 30 June 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Justification (Annex 2 of the summary document) that the methodology for the selection of persons with permanent disabilities has been developed on the basis of health and specific needs as well as socio-demographic characteristics of the persons with permanent disabilities;
iii. Copy of Order No. 428 of 16 December 2022 of the Minister of Labour and Social Policy adopting the methodology for the selection of persons with permanent disabilities, published in State Gazette No. 102 on 23 December 2022.

The authorities also provided:

iv. Methodology for the selection of persons with permanent disabilities approved by Order No. 428 of the Minister of Labour and Social Policy of 16 December 2022, including the following annexes:
    - Application and self-assessment questionnaire - Annex 1
    - Evaluation map - Annex 2
    - Supporting tools and evaluation questions - Annex 3
    - Expert recommendation - Annex 4
    - List of advanced aids - Annex 5

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

A methodology determining the selection procedure to assign assisting devices to persons with permanent disabilities shall be adopted.

The Methodology for the selection of persons with permanent disabilities (hereinafter referred to as “Methodology”) was adopted by Order No. 428 of the Minister of Labour and Social Policy on 16 December 2022 and published in State Gazette No. 102 on 23 December 2022.

Articles 2, 4, 5, 12, 13, 14, 16, 20, 21, 22, 23 and 24 of the Methodology, and section 1 of the Supplementary provisions of the Methodology, lay down rules for selecting persons with permanent disabilities who should be provided with assisting devices.

The Methodology and Supplementary provisions specify the definition of persons with permanent disabilities, those being persons who have a long-term physical, mental, intellectual or sensory impairments, which may hinder their full and effective participation in public life and who have medically reported and established type and degree of disability.

The evaluation of applications for assistive devices is drawn up at the request of the person with disability by submitting an application stating the medically approved i) type and degree of disability; ii) the specific design of the requested assisting device; iii) a document attesting that the person is physically and mentally capable of operating high-tech devices, if applicable; and iv) other supporting documents that testify the persons general health and functioning as well as ability to integrate into a social, employment or educational context. The application shall be assessed by an evaluation committee composed of three members with the right level of education and professional experience in the field of social work and support for children and adults with disabilities. The evaluation committee prepares the assessment by completing an evaluation map, based on the information provided in the application, and qualifying the applicant as a person with permanent disabilities, as stated in the definition. The evaluation process is then carried out based on the assessment of the following elements: i) the functioning at the level of the individual and the activity limitations they experience; ii) the functioning of a person as member of society and the participation restrictions they experience; iii) the environmental factors that affect this experience.
The evaluation involves the issuance of an expert recommendation, which approves to provide assisting devices under two conditions: 1. the evaluation indicates that the use of the assisting devices reduces the level of limited functionality in everyday activities and capacity for work and 2. the evaluation does not demonstrate the existence of serious barriers which affect the effectiveness and usefulness of the use of the assisting devices.

Furthermore, the Methodology also requires ranking of all applicants, carried out based on the estimated usefulness of the assisting device for the applicants. Finally, the selection ends with the compilation of the lists of approved users per type of assisting device.

The methodology shall be built considering health and specific needs as well as socio-demographic characteristics of the persons with permanent disabilities.

Articles 13, 14, 19 and 20 of the Methodology and its Annexes 1 and 2 lay down rules for evaluating and selecting persons with permanent disabilities who should be provided with assisting devices. The following rules include considerations of health and specific needs of the persons with permanent disabilities.

- Annex 1 contains a self-assessment questionnaire, which requires the applicant to specify their health and specific needs, such as related to difficulties with viewing, listening, focusing, reading, speaking, keeping the body in the same position, driving, fundamental interpersonal relationships, education or employment. The self-assessment questionnaire also requires the applicant to specify their health and specific needs related to factors of their environment, such as family, friends, personal care providers, buildings or communication products and technologies.
- Article 13 stipulates that the preparation of the assessment of the need and usefulness of assisting devices provision shall include submission by the applicant of an application for assessment in accordance with the form in Annex 1 to the Methodology. The filled in self-

assessment questionnaire is to be attached to the application.

- Article 19 states that the assessment of the need and usefulness of assisting devices provision is carried out by completing the evaluation map, as set out in Annex 2. Article 14 specifies that the evaluation map shall be completed based on the data requested by the person in the application, including the self-assessment questionnaire, as set out in Annex 1.
- Article 20 defines the calculation of usefulness of providing assisting device (see above).

Articles 13, 14 and 19 of the Methodology and its Annex 1 lay down rules for evaluating persons with permanent disabilities who should be provided with assisting devices. The following rules include considerations of socio-demographic characteristics of the persons with permanent disabilities.

- Article 1 states that the Methodology will select persons with permanent disabilities to be provided with assisting devices, taking into account their socio-demographic characteristics.
- Annex 1 contains the form 'Application for high-tech assisting devices', which requires the applicant to provide the following socio-demographic characteristics: age, gender, education and employment.
- Article 13 stipulates that the preparation of the assessment of the need and usefulness of assisting devices provision shall include submission by the applicant of an application for assessment in accordance with the form in Annex 1 to the Methodology.
- Article 19 states that the assessment of the need and usefulness of assisting devices provision is carried out by completing the evaluation map. Article 14 specifies that the evaluation map shall be completed based on the data requested by the person in the application as set out in Annex 1.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 299	Related Measure: C11.I3 Development of the social economy		
Name of the Target: Building and equipping 6 regional focus centres			
Quantitative Indicator: Number	**Baseline:** 0	**Target:** 6	**Time:** Q4 2022

Context:

The investment aims to promote the social economy by providing assistance to the development of social and solidarity economy enterprises and organisations.

Target 299 requires the finalisation of construction and/or renovation works for six regional focus centres. In addition, equipment, including furniture, shall be delivered and installed.

Target 299 is the first step of the implementation of the investment and it will be followed by milestone 302, related to the publication of a report outlining the activities of the focus centres. The investment has a final expected date for implementation on 31 December 2025.

Evidence Provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled
ii. A list of the six constructed or renovated regional focus centres and for each centre: the location and the level two of the nomenclature of territorial units for statistics classification of the location; a list of new equipment and furniture which was delivered and installed and its classification;

- Regional focus centre in Plovdiv
    1. Location: Plovdiv city, South District, Alexander Stamboliyski Blvd. No. 113, floor 1
    2. Level two of the nomenclature of territorial units for statistics classification: BG42 South Central Region
    3. New equipment:
        a. Laptops: four portable computers HP ProBook 450 15.6" G9 Notebook PC
        b. Projectors: two projectors BenQ MW550
        c. Projector screens: one projector screen LUMI 200 X 200 cm 96 inch stand, one projector screen Hama 18746
        d. 3D-scanners: one 3D-scanner EinScan Pro 2X 2020
        e. 3D-printers: one 3D-printer Form HV +
        f. Software: 12 months Adobe Creative Cloud license for teams
    4. Office furniture: 14 desks, four shelves, one meeting table, seven office containers, 30 chairs, three clothes hangers

ii.Regional focus centre in Gabrovo

1. Location: Gabrovo town, Uspeh Street No.1, floor 1 and floor 5
2. Level two of the nomenclature of territorial units for statistics classification: BG32 North Central Region
3. New equipment:
    a. Laptops: four portable computers HP ProBook 450 15.6" G9 Notebook PC
    b. Projectors: two projectors BenQ MW550
    c. Projector screens: one projector screen LUMI 200 X 200 cm 96 inch stand, one projector screen Hama 18746
    d. 3D-scanners: one 3D-scanner EinScan Pro 2X 2020
    e. 3D-printers: one 3D-printer Form HV +
    f. Software: 12 months Adobe Creative Cloud license for teams
4. Office furniture: 14 desks, four shelves, one meeting table, seven office containers, 30 chairs, three clothes hangers

iii.Regional focus centre in Burgas

1. Location: Burgas city, g.k. Zornitsa, block 44, entrance 1, floor 0
2. Level two of the nomenclature of territorial units for statistics classification: BG34 South-East Region
3. New equipment:
    a. Laptops: four portable computers HP ProBook 450 15.6" G9 Notebook PC
    b. Projectors: two projectors BenQ MW550
    c. Projector screens: one projector screen LUMI 200 X 200 cm 96 inch stand, one projector screen Hama 18746
    d. 3D-scanners: one 3D-scanner EinScan Pro 2X 2020
    e. 3D-printers: one 3D-printer Form HV +
    f. Software: 12 months Adobe Creative Cloud license for teams
4. Office furniture: 14 desks, four shelves, one meeting table, seven office containers, 30 chairs, three clothes hangers

iv.Regional focus centre in Varna

1. Location: Varna city, Tsar Simeon I street No. 26, floor 1
2. Level two of the nomenclature of territorial units for statistics classification: BG33 Northeast
3. New equipment:
    a. Laptops: four portable computers HP ProBook 450 15.6" G9 Notebook PC
    b. Projectors: two projectors BenQ MW550
    c. Projector screens: one projector screen LUMI 200 X 200 cm 96 inch stand, one projector screen Hama 18746
    d. 3D-scanners: one 3D-scanner EinScan Pro 2X 2020
    e. 3D-printers: one 3D-printer Form HV +
    f. Software: 12 months Adobe Creative Cloud license for teams
4. Office furniture: 14 desks, four shelves, one meeting table, seven office containers, 30 chairs, three clothes hangers

v.Regional focus centre in Lovech

1. Location: Lovech town, Targovska St. No. 55, 3nd floor
2. Level two of the nomenclature of territorial units for statistics classification: BG31 North-West
3. New equipment:
    a. Laptops: four portable computers HP ProBook 450 15.6" G9 Notebook PC
    b. Projectors: two projectors BenQ MW550
    c. Projector screens: one projector screen LUMI 200 X 200 cm 96 inch stand, one projector screen Hama 18746
    d. 3D-scanners: one 3D-scanner EinScan Pro 2X 2020
    e. 3D-printers: one 3D-printer Form HV +
    f. Software: 12 months Adobe Creative Cloud license for teams
4. Office furniture: 14 desks, four shelves, one meeting table, seven office containers, 30 chairs, three clothes hangers

vi.Regional focus centre in Blagoevgrad

1. Location: Blagoevgrad town, Hristo Botev Square No. 2, 1st floor
2. Level two of the nomenclature of territorial units for statistics classification: BG41 South-Western
3. New equipment:
    a. Laptops: four portable computers HP ProBook 450 15.6" G9 Notebook PC
    b. Projectors: two projectors BenQ MW550
    c. Projector screens: one projector screen LUMI 200 X 200 cm 96 inch stand, one projector screen Hama 18746
    d. 3D-scanners: one 3D-scanner EinScan Pro 2X 2020
    e. 3D-printers: one 3D-printer Form HV +
    f. Software: 12 months Adobe Creative Cloud license for teams
4. Office furniture: 14 desks, four shelves, one meeting table, seven office containers, 30 chairs, three clothes hangers

iii. Copies of the certificates of work completion issued in accordance with the national legislation demonstrating that the construction/renovation works were completed or, where relevant, that the acquisition of premises has been finalised;

i.Regional focus centre in Plovdiv

1. Handover report of 27 February 2023 between BILDE ENGINEERING V.V.R. OOD and the Ministry of Labour and Social Policy
2. Notarial deed No. 68, Volume 4, Reg. No. 4545, Case No. 668 of 23.12.2022

ii.Regional focus centre in Gabrovo

1. Handover report of 1 March 2023 between BILDE ENGINEERING V.V.R. OOD and the Ministry of Labour and Social Policy
2. Notarial deed No. 148, Volume IX, Reg. No. 11538, Case No. 930 of 29.12.2022

iii.Regional focus centre in Burgas

1. Handover report of 27 February 2023 between BILDE ENGINEERING V.V.R. OOD and the Ministry of Labour and Social Policy
2. Notarial deed No. 5, Volume V, Reg. No. 5529, Case No. 740 of 23.12.2022

iv.Regional focus centre in Varna

1. Handover report of 28 February 2023 between BILDE ENGINEERING V.V.R. OOD and the Ministry of Labour and Social Policy
2. Notarial deed No. 12, Volume XVI, Reg. No. 21204, Case No. 2558 of 20.12.2022

v.Regional focus centre in Lovech

1. Handover report of 2 March 2023 between BILDE ENGINEERING V.V.R. OOD and the Ministry of Labour and Social Policy
2. Notarial deed No. 18, Volume I, Reg. No. 256, Case No. 10/2023 of 18.1.2023

vi.Regional focus centre in Blagoevgrad

1. Handover report of 7 March 2023 between BILDE ENGINEERING V.V.R. OOD and the Ministry of Labour and Social Policy
2. Notarial deed No. 58, Volume I, Reg. No. 723, Case No. 52 of 26.1.2023

iv. Copies of the certificates issued in accordance with the national legislation demonstrating that the new equipment and furniture was delivered and installed, which may include acceptance and transmission protocols.

i.Regional focus centre in Plovdiv

1. Laptops: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
2. Projectors: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of Labour and Social Policy
3. Projector screens: Acceptance protocol No. 2362459/20.03.2023

between Railway Computers – Central Priel and the Ministry of Labour and Social Policy

4. 3D-scanners: Acceptance protocol or the supply, testing and commissioning of 3D printers and 3D scanners of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
5. 3D-printers: Acceptance protocol or the supply, testing and commissioning of 3D printers and 3D scanners of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
6. Software: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
7. Office furniture: Acceptance protocol No. SF01NSH00689317/14.02.23 between COOPERATIVE PANE and the Ministry of Labour and Social Policy

ii.Regional focus centre in Gabrovo

1. Laptops: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
2. Projectors: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of Labour and Social Policy
3. Projector screens: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of Labour and Social Policy
4. 3D-scanners: Acceptance protocol or the supply, testing and commissioning of 3D printers and 3D scanners of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
5. 3D-printers: Acceptance protocol or the supply, testing and commissioning of 3D printers and 3D scanners of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
6. Software: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
7. Office furniture: Acceptance protocol No. SF01NSH00689143/15.02.2023 between COOPERATIVE PANE and the Ministry of Labour and Social Policy

iii.Regional focus centre in Burgas

1. Laptops: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
2. Projectors: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of Labour and Social Policy
3. Projector screens: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of

Labour and Social Policy

4. 3D-scanners: Acceptance protocol or the supply, testing and commissioning of 3D printers and 3D scanners of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy 3D-printers: Acceptance protocol or the supply, testing and commissioning of 3D printers and 3D scanners of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
5. Software: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
6. Office furniture: Acceptance protocol No. SF01NSH00689318/10.02.23 between COOPERATIVE PANE and the Ministry of Labour and Social Policy

iv.Regional focus centre in Varna

1. Laptops: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
2. Projectors: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of Labour and Social Policy
3. Projector screens: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of Labour and Social Policy
4. 3D-scanners: Acceptance protocol or the supply, testing and commissioning of 3D printers and 3D scanners of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
5. 3D-printers: Acceptance protocol or the supply, testing and commissioning of 3D printers and 3D scanners of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
6. Software: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
7. Office furniture: Acceptance protocol No. SF01NSH00689316/09.02.23 between COOPERATIVE PANE and the Ministry of Labour and Social Policy

v.Regional focus centre in Lovech

1. Laptops: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
2. Projectors: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of Labour and Social Policy
3. Projector screens: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of Labour and Social Policy
4. 3D-scanners: Acceptance protocol of 22 December 2022 between

Ai Ti Ex Kom and the Ministry of Labour and Social Policy
5. 3D-printers: Acceptance protocol of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
6. Software: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
7. Office furniture: Acceptance protocol No. SF01NSH00689148/15.02.23 between COOPERATIVE PANE and the Ministry of Labour and Social Policy

vi.Regional focus centre in Blagoevgrad

1. Laptops: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
2. Projectors: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of Labour and Social Policy
3. Projector screens: Acceptance protocol No. 2362459/20.03.2023 between Railway Computers – Central Priel and the Ministry of Labour and Social Policy
4. 3D-scanners: Acceptance protocol of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
5. 3D-printers: Acceptance protocol of 22 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
6. Software: Acceptance protocol for the supply, testing and putting into service of computer equipment of 21 December 2022 between Ai Ti Ex Kom and the Ministry of Labour and Social Policy
7. Office furniture: Acceptance protocol No. SF01NSH00689126/13.02.23 between COOPERATIVE PANE and the Ministry of Labour and Social Policy

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities cover all constitutive elements of the target.

Construction and/or renovation works shall be finalised for 6 regional focus centres.

The copies of handover reports evidence that construction and/or renovation works were completed for each of the 6 regional focus centres (see Evidence Provided, part iii). The evidence duly states the type of work completed, its execution quantity and value.

Furthermore, in line with the description of the measure, the location of the focus centres shall ensure that every region in Bulgaria (6 in total), as identified by the level two of the nomenclature of territorial units for statistics classification, shall be served by one focus centre. The list of the location of the focus centres, supported by copies of notarial deeds evidence that each region is served by one focus centre (see Evidence Provided, part ii).

The target in the Council Implementation is further specified in the Operational Arrangements, which requires that construction works include the acquisition of premises. The copies of notarial deeds provide evidence for the acquisition of the property for each centre (see Evidence Provided, part iii).

Equipment, including furniture, shall be delivered and installed.

The copies of acceptance protocols and handover reports evidence that equipment and furniture was delivered and installed in the 6 regional focus centres.

The target in the Council Implementation is further specified in the Operational Arrangements, which requires that equipment and furniture for each centre shall be defined as including: laptops; projectors; projector screens; 3D-scanners; 3D-printers; software; and office furniture. The copies of handover reports evidence that the listed equipment, including furniture, was delivered and installed (see Evidence Provided, part iv).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 316	Related Measure: C12.R1. Upgrading the strategic framework of the healthcare sector
Name of the Milestone: National Map of the Long-Term Needs of the Healthcare Sector	
Qualitative Indicator: Adoption by the Council of Ministers	**Time:** Q3 2022

Context:

The measure aims to increase the resilience of the health system to shocks, as well as to increase the population's access to quality and timely healthcare by providing the strategic underpinning of future investments and reforms and identifying relevant actions.

Milestone 316 requires the adoption of the National Map on the Long-Term Needs of the Healthcare Sector, which shall provide recommendations on how to promote a balanced distribution of healthcare services in Bulgaria, based on an analysis on the needs of the healthcare system across the territory of Bulgaria.

Milestone 316 is one of six milestones to upgrade the strategic framework for healthcare. It follows the completion of milestone 315 related to the adoption of the National Strategy for the Mental Health of Citizens of the Republic of Bulgaria 2021-2030. It is accompanied by milestone 317 related to the adoption of the National Health Strategy 2030 and its action plan, milestone 318 related to the adoption of the National Strategy for Child and Adolescent Health and Paediatric Care in the Republic of Bulgaria 2030 and its action plan and milestone 319 related to the adoption of the National Plan for Combating Cancer in the Republic of Bulgaria 2021-2027. It is followed by milestone 320 related to the adoption of the National Strategy for Healthy Geriatric Care and Ageing in the Republic of Bulgaria 2030 and its action plan. The reform has a final expected date for implementation in Q2 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the National Map of the Long -Term Needs of the Healthcare Sector, adopted by the Council of Ministers with Decision No. 1073 on 29 December 2022;
iii. Link to the website where the National Map may be accessed: https://www.strategy.bg/StrategicDocuments/View.aspx?lang=bg-BG&Id=1592;
iv. Copy of the Decision No. 1073 from 29 December 2022 of the Council of Ministers adopting

the National Map.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Adoption of the National Map of the Long-Term Needs of the Healthcare Sector by the Council of Ministers:

The National Map of the Long -Term Needs of the Healthcare Sector was adopted by the Council of Ministers with Decision No. 1073 on 29 December 2022.

The National Map of the Long-Term Needs for Healthcare Sector shall include an analysis on the needs of the healthcare system across the territory of Bulgaria:

The National Map of the Long-Term Needs for Healthcare Sector (hereinafter referred to as "the Map") in its Part IV, Chapters IV.1, IV.2 and IV.3, and in its Annexes No. 2 to 7, includes an analysis on the needs of the healthcare system across the territory of Bulgaria.

- Part IV (pages 19 – 20) states that the analysis has been prepared through the integrated application of three models for mapping long-term needs for health services and investments: a health-policy oriented model, a spatially oriented model and a community oriented model.
    - The health-policy oriented model provides a one-size-fits-all approach to addressing the main problems and challenges related to both the health and demographic status of the population and the state of the health care system and its supporting infrastructure, which are common to all regions and areas of the country and require uniform approaches.
    - The spatially oriented model ensures that planned interventions and investments in health services contribute to achieving balanced and sustainable territorial development, improving access to health services and finding a balance in the development of the national space on the principle of equality of regions, municipalities and localities.
    - The community oriented model, based on a bottom-up approach, complements and adapts the results of the other two models with results and conclusions that take into account the specificities of the areas and regions concerned.
- Part IV (page 20) stipulates that the Map has been developed through the aggregated application of the three models, and through the analysis of information including:
    - Demographic and medico-statistical information;
    - Information on the territorial units' geographical characteristics, road infrastructure, industry;
    - Data from the health questionnaires;
    - Data from the National Health Map of the Republic of Bulgaria 2018 adopted by the Decision No. 361 from 29 May 2018 of the Council of Ministers
    - The annual report on the health of citizens and the implementation of the National Health Strategy 2020 for 2019, adopted by the Council of Ministers with Protocol No. 15 of 10 March 2021.
    - The annual report on the health of citizens and the implementation of the National Health Strategy 2020 for 2020, adopted by the Council of Ministers with Protocol No. 60 of 1 December 2021.
    - Health profile of Bulgaria published in the publication State of Health in the EU of 13 December 2021

- Chapter IV.1 (pages 21 – 39) contains analysis of needs for health services and investments in outpatient care across the territory of Bulgaria. It identifies the minimum number of healthcare professionals that is needed in primary outpatient medical care both at national and regional level (page 21).
    - Chapter IV.2 (pages 39 – 115) includes analysis of needs for health services and investments in hospital care across the territory of Bulgaria. Section IV.2.1 includes analysis of needs for hospital services to diagnose and treat diseases of blood organs.
    - Section IV.2.2 includes analysis of needs for health services and investments in hospital paediatric care.
    - Section IV.2.3 includes analysis of needs for health services and investments in cancer diagnostics and treatment.
    - Section IV.2.4 includes analysis of needs for health services and investments in the diagnosis and treatment of mentally ill patients.
    - Section IV.2.5 includes analysis of long-term care and rehabilitation needs.
    - The analysis spans across the whole territory of Bulgaria. Indeed, Annexes No. 2 to 7 (pages 136 – 207) present analysis on the availability and needs for hospital health services and investments in all the six Bulgaria's planning regions, that is North-western, Northern Central, North-eastern, South-eastern, South-western and Southern Central.
- Chapter IV.3 (pages 115 – 135) comprises analysis of needs for health services and investments in emergency care across the territory of Bulgaria. It contains an analysis mapping the availability of emergency care teams against the number that would be needed to achieve different standards across all provinces.

The analysis shall cover:
- availability of hospital and outpatient care across the territory,

Part IV, Chapters IV.1 and IV.2 of the Map, and its Annexes No. 2 to 7, include an analysis of availability of hospital and outpatient care across the territory of Bulgaria.

- Chapter IV.2 (pages 39 – 115) includes analysis of availability of hospital care. The analysis covers number of hospital beds across districts, the average day-length of stay in hospital facilities, the utilisation of hospital beds, the type of health services (basis, specialised, highly specialised) provided by the existing 3 levels of hospital care and by type of hospital beds (active treatment, rehabilitation, long-term care, psychiatric).
- The overall conclusion is that there is sufficient hospital capacity, including at regional level, to cover the needs of the population for active hospital treatment, including basic hospital care and specialised hospital care. The analysis suggests insufficient capacity to carry out hospital rehabilitation and long-term care activities (page 49).
- Chapter IV.1 (pages 21 – 39) contains analysis of needs for health services and investments in outpatient care. Data from the register of non-hospital care establishments show significant inequalities in availability of general practitioners in different areas of the country (page 24). There is no significant problem in ensuring that the population has access to a planned specialised outpatient care. There is some inequality of access for the population in some smaller cities and areas of the country to certain specialists, but this is offset by sufficient capacity at regional and provincial level (page 29).
- Annexes No. 2 – 7, in parts 5 'Hospital beds assurance analysis on key medical specialties in the different districts', provide data on availability of hospital and outpatient care in each planning region and its districts.

- the need for new health care facilities, including outpatient care facilities,

- Chapter IV.2 (pages 41 – 42) presents methodology defining the need for hospital services, and the capacity needed to satisfy them. Table 4 (pages 61 – 67) contains an overview of long-term needs for health services and investment in hospital care by type of health services.
- Table 2 (pages 29 – 39) includes an overview of long-term needs for health services and investment in outpatient care by type of health services.
- Section IV.2.1 includes analysis of needs for hospital services to diagnose and treat diseases of blood organs. The analysis shows that the optimum number of newly constructed 'stroke' centres by 2030 is ten. Table 4.2 (page 73) presents the needs for 'stroke' centres on the basis of population and size of the territory served.
- Annexes No. 2 – 7, in parts 4 'Programmes, projects and activities that have a significant impact on the problems identified', and in parts 8 'Opportunities to improve healthcare and address identified shortages' provide information on the needs to construct new facilities in each planning region, by medical field and by type of facility (hospital or outpatient).

- shortages of medical professionals,

- Chapter IV.1 (pages 21 – 39) includes analysis of shortages of medical professionals in outpatient medical care. Based on a methodology presented on page 22, the Map states the minimum number of healthcare professionals by type – general practitioners, dentists and medical specialists – needed in the outpatient medical care (Table 1, pages 22 – 23).
- Chapter IV.1 (page 24) presents a method for determining the optimal number of doctors and dentists in primary outpatient medical care, and principles and standards for planning the specific location of their practices and their distribution per locality.
- Annexes No. 2 – 7, in parts 6 'Analysis of assurance with medical professionals', provide data on number, distribution and shortage of medical professionals in each planning region and its districts, by medical field and by type of facility (hospital or outpatient).

- renovation and equipment needs of the healthcare facilities, including outpatient care facilities

- Chapter IV.1 (pages 29) states lack of investment by local authorities in refurbishing equipment and buildings so they are no longer able to provide high-quality and complex medical care. This has a particularly negative effect in smaller cities.
- Chapter IV.2, Section IV.2.4 (pages 105 – 106) asserts that refurbishing medical devices, equipment and furniture, in addition to benefitting patients, will directly increase the motivation of healthcare professionals and will be a prerequisite for attracting young doctors and healthcare professionals.
- Annexes No. 2 – 7, in parts 4 'Programmes, projects and activities that have a significant impact on the problems identified', and in parts 6 'Analysis of assurance with medical professionals', provide information on renovation and equipment needs in each planning region, by medical field and by type of facility (hospital or outpatient).

- relevant information on Bulgarian municipalities including demographic characteristics of the population,

- In Chapter IV.1, Table 2 (pages 29 – 40) shows localities, including municipalities, in which primary outpatient medical care and outpatient dental care practices must be planned. According to information given on page 24, Table 2 is based on an analysis of optimum number of doctors and dentists in primary outpatient care according to, among others, population figures by municipalities and settlements. In addition, according to information

given on page 24, the location of the planned primary care structures must be planned in each of the settlements between 1 and 5 levels inclusive, where level 4 and 5 corresponds to municipalities. Particular attention is paid to the smallest and most numerous towns and villages of the level 5. These are 139 (38 villages and 101 very small towns) municipal centres.

- In Chapter IV.2, Table 4 (pages 61 – 67) contains an overview of long-term needs for health services and investment in hospital care by type of health services, including in settlements of level 4, which corresponds to municipalities.
- In Chapter IV.3, Table 14 (pages 130 – 134) and Table 15 (pages 134 – 135) present overview of long-term needs for health services and interventions in the emergency system, including in settlements of level 4 and 5, which correspond to municipalities.
- Annexes No. 2 – 7, in parts 1 'Mapping of areas', provide information on pharmacies registered in the six planning regions, on municipalities without an open pharmacy, and on number of people without direct access to pharmacy.
- Section IV.2.1 (page 69) informs that more than 50 000 people in the country receive a stroke each year, and that according to expert estimates, strokes are expected to increase by 34 % by 2035, mainly due to an ageing population.
- Annex No. 10 provides data on population numbers at 13.12.2021, at the level of municipalities, broken down by place of residence and by gender, and on the number of deaths broken down by gender.

- health insurance coverage,

- Chapter IV.1 (page 21) includes information on health insurance coverage. It states that primary care within the scope of compulsory health insurance in Bulgaria is provided by general practitioners who are registered as natural or legal persons with a private practice. Primary care dentists provide a limited amount of activities within the scope of compulsory health insurance that are free of charge for patients. Bulgarian citizens who are compulsorily insured have the right to free access to specialised outpatient care without restriction in Bulgaria. To benefit from their health insurance rights for access to specialised outpatient care, patients must receive a referral from the general practitioner for both specialist and laboratory testing.
- Annex No. 9 provides data on health-insured persons by district.

- morbidity and mortality rates,

- Part II (pages 16 - 17) states that each Regional Health Map shall contain data on population structure, morbidity rates by disease group and by age and hospitalisation of the population in the territory of the region.
- Chapter IV.1 (page 28) states that the results on distribution of medical professionals obtained at regional level shall be subject to analytical adjustment in the light of, among others, local specificities such as morbidity, prevalence and demographic characteristics.
- Chapter IV.2 (page 43) states that the distribution of beds by medical activity is subject to analytical correction based on the data on hospitalised morbidity.
- Section IV.2.1 (page 72) states that in Bulgaria, 50 000 - 51 000 ischaemic strokes are registered annually, resulting in a morbidity rate of 7, 4 per 1 000 inhabitants.
- Section IV.2.2 (page 78) states that data on hospitalised morbidity rates in children up to the age of 18 show that 168 675 children, or 142 hospitalisations per 1 000 children, were treated in hospital in 2021.
- Annex No. 12 includes data, at the level of the six planning regions and at the level of districts, on mortality due to four classes of diseases identified by the National Centre for

Public Health and Analysis as the leading cause of death in Bulgaria.

Furthermore, in line with the description of the measure, the map shall also provide recommendations on how to promote a balanced distribution of health services in Bulgaria, based on an analysis covering health facilities in each region

- Chapter IV.1 (page 28) recommends:
  - To bring together the practices of individual professionals within a University hospital or a Medical centre.
  - To maintain medical facilities of university hospitals or a medical centres type, capable of carrying out medico-diagnostic tests including image diagnostics, which carry out activities in close communication with general practitioners.
- Chapter IV.2 recommends:
  - (page 44) That hospital care facilities be maintained in settlements with at least 15 000 inhabitants
  - (page 45) That opportunities for consolidation be sought by bringing together existing hospitals or structures with a view to ensuring integrated treatment of patients and maximising the effective use of available hospital resources. This process should, to the greatest extent, cover public hospitals (state and municipal), which have administrative and management mechanisms in place for implementation and subsequent sustainable development
  - (page 47) To carry out an analysis, in the remaining cities of the 4th and 5th level in which there are opened hospitals for active treatment, of the available local capacity to provide basic medical care. To carry out, in these cities, an analysis of trends for demographic and socio-economic development, and preparation of plans for the restructuring of part of the beds for active treatment in beds for long-term care, or for a complete restructuring of the medical facilities in medical facilities of another type - hospitals for long-term treatment, medical centres, hospices or facilities providing medical and social services. The opening of new hospitals or new activities in the scope of active treatment in these cities is not supported.
  - (page 50) In North-western planning region, a balanced restructuring of the hospital network by reducing both active care beds and the number of hospitals, and by transforming part of them into long-term care beds and structures, outpatient activities and community-based care.
- Section IV.2.3 (page 94) recommends:
  - That oncology structures have a capacity exceeding 100 patients per day, with effective use of the facilities for ambulatory procedures without prolonged hospitalisation.
- Section IV.2.4 recommends:
  - (page 102) That child psychiatrists provide counselling or be included in the houses of certain drug structures working with adolescents and children, as well as in structures specialised in eating disorders.
  - (page 105) Functional integration and collaboration of psychiatric structures with other somatic treatment hospital structures within regional active care hospitals, as well as with the structures of the social care system. An important priority is the development of services for elderly people with mental and somatic illnesses.

All these recommendations aim at implementing a rationalisation and at achieving a better match between available resources and existing need across the country. In this sense they promote a balanced distribution of resources. Further, the analytical underpinning of the recommendations in the Map is the analysis of availability of health services and their provision, thus of health facilities,

across all the six planning regions of the country.
Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 317	Related Measure: C12.R1: Upgrading the strategic framework of the healthcare sector
Name of the Milestone: National Health Strategy 2030	
Qualitative Indicator: Adoption of the strategy	**Time:** Q3 2022

Context:

The measure aims to increase the resilience of the health system and increase the population's access to quality and timely healthcare by providing the strategic underpinning of future investments and reforms in the field of healthcare by identifying relevant recommendations and actions. The reform includes the adoption of several strategies and plans, covering relevant healthcare areas.

Milestone 317 requires the adoption of the National Health Strategy 2030 and of an action plan covering for the period 2023-2026 for the implementation of the strategy. These cover structural challenges of the Bulgarian healthcare system such as regional imbalances, shortages of health professionals, allocation of services between hospital and outpatient care and measuring the performance of the healthcare system.

Milestone 317 is one of six milestones to upgrade the strategic framework for healthcare.
It follows the completion of milestone 315 related to the adoption of the National Strategy for the Mental Health of Citizens of the Republic of Bulgaria 2021-2030.
It is accompanied by milestone 316 related to the adoption of the National Map of the long-term Needs of the Healthcare Sector, milestone 318 related to the adoption of the National Strategy for Child and Adolescent Health and Paediatric Care in the Republic of Bulgaria 2030 and its action plan and milestone 319 related to the adoption of the National Plan for Combating Cancer in the Republic of Bulgaria 2021-2027.
It is followed by milestone 320 related to the adoption of the National Strategy for Healthy Geriatric Care and Ageing in the Republic of Bulgaria 2030 and its action plan. The reform has a final expected date for implementation in Q2 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the adopted National Health Strategy 2021-2030 and a link to the website where it may be accessed;
iii. Copy of the adopted Action Plan for the period 2023-2026 for the implementation of the National Health Strategy 2030 and a link to the website where the Action Plan may be accessed;
iv. Copy of the publication in the State Gazette, 37 of 26 April 2024, with the adopted National Health Strategy 2030 and a link to the website where the decision can be accessed.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Adoption of the strategy

The National Health Strategy 2030 (hereinafter referred to as "the National Strategy") was approved by the National Parliament on 18 April 2024, which according to the Bulgarian legislation (art. 3(2) of the Health Act) makes the document officially adopted, in force and actionable.

The National Health Strategy 2030 shall set out the strategic goals and priorities over a ten-year period

The strategic goals and priorities are listed in the National Strategy in the introduction, under sub-heading "Our Strategy – Vision, Objectives, Priorities and Policies" (pages 4 – 5). The strategic goals are specified as follows:

- Sustainable health improvement and health-supportive environment;
- Effective management of resources with a focus on health outcomes;
- Ensuring health security and reducing inequalities.

The priorities are specified as follows:

- Building a healthier nation;
- Establishing a health system focused on people's needs;
- Apply focused strategies to tackle specific public health problems.

… and provide recommendations to address the existing structural challenges of the health system.
The recommendations shall address regional imbalances of healthcare service provision; the allocation of services between hospital and outpatient care, concerning prevention, rehabilitation activities, as well as long-term care; the development of performance indicators to evaluate service provision and its management; and the shortages and distribution of health professionals on the basis of the analysis in the National Map (milestone 316).

Each strategic goal and priority in the National Strategy is flanked by several policies designed for its implementation. Further, background sections under each of these policies provide the analytical underpinning of the underlying structural challenges. Based on this, policy recommendations are provided under "Main policy orientations" for each policy. At the end of each policy section, a set of summary recommendations is presented under "Targeted policy recommendations by 2030".

The Action Plan formulates measures and actions to implement the recommendations of the National Strategy, including their timeline. Indeed, through a mapping it was verified that each recommendation that relates to the four areas listed in the milestone is supported by one or more measures for its implementation over the time horizon 2023-2026 in the Action Plan. For each of the four areas the following sections present one example of a dedicated recommendation from the National Strategy together with implementing measures from the Action Plan, including their timeline.

Regional imbalances of healthcare provision

Under Policy 2.1 "Capacity development of outpatient care with a focus on primary care" (pages 10-11) the National Strategy recommends creating real conditions to overcome regional imbalances in outpatient care by introducing a system of incentives to attract and retain medical personnel (page 11). To implement this recommendation, the Action Plan envisages several actions focused on tackling regional imbalances. One of them is the introduction of a comprehensive system based on population and geographical criteria to organise healthcare provision at five basic levels of supply of

services by 2026 (Measure 7 on page 18 of the Action Plan) organised over five levels, ranging from a population of up to 1000 people to a population above 110 000. Among others, the first and second levels, covering settlements of up to 5 000 people, ensure access to primary, outpatient and emergency care, including through the potential of emergency care by air; in medium-sized settlements with a population of up to 25 000 people, access will be provided to so-called regional healthcare facilities with beds for monitoring and treatment up to 48 hours (daily inpatient), 24-hour emergency surgery and long-term care facilities (hospices); for the largest settlements, the fourth and fifth level, facilities would include hospitals, where largest centres would also include highly-specialised ones.

Allocation of services between hospital and outpatient care, concerning prevention, rehabilitation activities, as well as long-term care.

Under Policy 2.8. "A long-term, sustainable and predictable financing mechanism based on health outcomes" (pages 17-18) the National Strategy recommends improving the spending structure by type of care. This is supposed to be implemented through a gradual balanced increase in resources allocated to primary and specialised outpatient care, matched by a higher share of expenditure, and through a corresponding reduction in the relative share of expenditure allocated to hospital care and medicinal products. To implement the recommendation, the Action Plan envisages the creation of models and financial mechanisms for redirecting funds towards preventive activities, long-term treatment, long-term care and palliative care as well as a sustained increase of funds for disease promotion, prevention and control by 2026 (page 45). This is also more broadly supported by other measures not explicitly linked to this recommendation and featuring in the Action Plan, such as the measure aiming at broadening the range of health promotion and disease prevention services offered by healthcare institutions. This is to be achieved by actions such as introducing modules into the curricula of the different medical specialties to advise, prevent and control risk factors and promote health or developing manuals and materials for methodological support for healthcare professionals (pages 2-3). One other measure aims at improving the organisation, outreach, and adequate financing of the activities under prevention, diagnosis, treatment and rehabilitation of stroke and other cerebrovascular diseases. This is to be achieved by actions such as a periodic analysis of the scope and volume of funding of these activities to be adjusted in line with policy priorities.

Development of performance indicators to evaluate service provision and its management

Under Policy 2.5. "Development of eHealth and digitalisation of the health system" (pages 15-16) the National Strategy recommends putting in place a system for assessing the quality and safety of medical care based on a system of validated indicators to assess the effectiveness of the healthcare services provided and their management (page 16). The National Strategy envisages the use of indicators to monitor the successful implementation of the policies in the Action Plan. To implement the recommendation, the Action Plan envisages the implementation, development and upgrading of the National Health Information System by 2030. This entails the introduction of a hospital information collection sub-system to collect data on hospitalisation and de-hospitalisation events, activities carried out and costs incurred for treatment by type by 2023. Another example targeting this element of the milestone, although formally supporting different policies and recommendations, aims at enhancing the capacity of institutions to carry out quality and safety control of health services. Amongst others, this entails making full use of the National Health Information System as a tool for analysing patient safety data and improving controls through the development of systems of indicators to assess the quality and safety of health services by 2026 (page 40).

Shortages and distribution of health professionals on the basis of the analysis in the National Map (milestone 316)

Concerning shortages and distribution of health professionals, under Policy 2.7 “Better planning and motivating the health workforce” (pages 16-17), the National Strategy contains seven recommendations corresponding to issues and recommendations from the National Map. While there is no direct reference in the National Strategy to the National Map, content analysis demonstrates that recommendations follow the analysis and findings of the Map.

One example is the sixth recommendation in policy 2.7 of the National Strategy Provide funding for staff training in emergency, psychiatric and paediatric care, long-term health care, donation and transplantation". It corresponds to the part of the analysis in the Map arguing that the “creation of conditions for continuous improvement of the competence of health professionals” (page 33 of the Map).
The Action plan includes three specific actions to support training and human development in healthcare. They are projects under the Human resource development programme 2021-2027. Action 6.3 envisages "Increasing the competencies and skills of medical and non-medical health care professionals through training on specific issues and/or target groups" in the period 2023-2027.

The seventh recommendation in policy 2.7 of the National Strategy “To create conditions, including by introducing financial incentives, for the work of medical specialists in areas with an established shortage of specialists" is based on the text of the Map analysing how health professionals can be incentivised to work in remote regions with staff shortages:
"Of particular importance is the development of incentive procedures for medical professionals who will serve the population in remote areas, including:

- Incentivizing doctors to open primary care clinics in hard-to-reach and remote areas through an initial one-time incentive for opening a practice, a certain amount and for the doctor's family, rental and/or transport costs and/or monthly provision of funds for a term for 5 years.
- Stimulating general practitioners (GPs) who have opened primary care clinics in hard-to-reach and remote areas to hire an additional number of medical specialists (doctors, nurses, midwives, paramedics and/or physician assistants) to provide more accessible medical care on-site patient service in the populated areas, by monthly provision of funds to GPs, necessary for the payment of additional hired staff.
- Incentivizing the opening of health care dispensaries in hard-to-reach and remote areas through an initial one-time incentive for opening a health care dispensary and/or monthly provision of funds."(page.30)

To implement the recommendation to create the conditions for health professionals to select areas with identified shortages, both in terms of specialties and territorial distribution, the Action Plan envisages the development of a single information system for the registration and monitoring of healthcare staff in terms of numbers, structure, territorial distribution and migration of health workers to support effective planning by 2026 as well as the establishment of state-funded health scholarships for specialties with declining numbers of professionals (annually up to 2026). Indeed, the National Strategy mentions that the channelling of state funding in specialist training to disciplines that show negative trends is a specific policy designed by the Ministry of Health to tackle imbalances (page 40).

Another example is the second recommendation in policy 2.7 of the National Strategy "To invest in creating conditions to increase the number of admitted students by categories of medical personnel, with priority for the specialty "Nurse". It is based on the conclusion of the analysis

(identical for each of the six NUTS2 regions) in the National Map that "it is necessary to make targeted efforts and invest in creating conditions for increasing the number of the admitted students in the specialty "nurse" and increasing the interest of young people in acquiring this professional qualification, so that the education system in the medium and long term can begin to respond to the identified needs of the health system for this type of medical specialists." (pages 153, 167, 180, 194, 207, 221).

The Action Plan envisages increasing the capacity of higher education institutions to train in medical professions with identified shortages by giving priority to places for nurse specialties and reducing the number of places in other specialties for which the stock is sufficient (on a yearly basis) (page 41). It also sets out the provision of financial support for vocational training of staff that assist nurses and doctors, such as priority carers, health assistants or paramedics, to reduce the overburden of healthcare professionals with identified shortages (mainly nurses) and enable them to focus on activities specific to their professional qualifications by 2026 (page 42).

On this basis it can be considered that this constitutive element of the milestone is fulfilled.

An action plan covering for the period 2023-2026 shall be adopted by the Council of Ministers. It shall formulate measures and actions, including their timeline, to implement the recommendations of the strategy.

The Action Plan for the period 2023-2026 for the implementation of the National Health Strategy 2030 (hereinafter referred to as “the Action Plan”) were adopted by decision of the Council of Ministers No. 662 from 29 September 2023. The National Strategy envisages a process for evaluating its implementation through an interim and a final evaluation (page 28). The mid-term evaluation is to be carried out in 2026 at the end of the time horizon of the Action Plan. The results of the evaluation are to feed into the development of the 2027-2030 Action Plan (page 28), which would ensure that the follow-up actions needed to reach the targets set in the National Strategy are more accurately assessed, and that the recommendations of the Strategy are implemented in a comprehensive manner. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 318	Related Measure: C12.R1: Upgrading the strategic framework of the healthcare sector
Name of the Milestone: National Strategy for Child and Adolescent Health and Paediatric Care in the Republic of Bulgaria 2030	
Qualitative Indicator: Adoption of the strategy	**Time:** Q4 2022

Context:

The measure aims to increase the resilience of the health system and increase the population’s access to quality and timely healthcare by providing the strategic underpinning of future investments and reforms by identifying relevant actions. As such, the reform includes the adoption of several strategies and plans, covering relevant healthcare areas.

Milestone 318 requires the adoption by the Council of Ministers of the National Strategy for Child and Adolescent Health and Paediatric care in the Republic of Bulgaria 2030 and an action plan covering for the period 2023-2025 for its implementation. The National Strategy is expected to set out the strategic goals and priorities over a ten-year period and provide recommendations covering various topics such as, for instance, accessibility of diagnosis and treatments targeting children and adolescents and awareness raising and prevention initiatives. The action plan then formulates

measures and actions, including their timeline, to implement the recommendations of the strategy.

Milestone 318 is one of six milestones to upgrade the strategic framework for healthcare. It follows the completion of milestone 315 related to the adoption of the National Strategy for the Mental Health of Citizens of the Republic of Bulgaria 2021-2030. It is accompanied by milestone 316 related to the adoption of the National Map of the long-term Needs of the Healthcare Sector, milestone 317 related to the adoption of the National Health Strategy 2030 and its action plans and milestone 319 related to the adoption of the National Plan for Combating Cancer in the Republic of Bulgaria 2021-2027. It is followed by milestone 320 related to the adoption of the National Strategy for Healthy Geriatric Care and Ageing in the Republic of Bulgaria 2030 and its action plan.

The reform has a final expected date for implementation in Q2 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

v. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
vi. Copy of the National Strategy for Child and Adolescent Health and Paediatric Care in the Republic of Bulgaria 2021-2030 and a link to the website where the decision can be accessed;
vii. Copy of the Action Plan for the Implementation of the National Strategy for Child and Adolescent Health and Paediatric Care in the Republic of Bulgaria 2021-2030 and a link to the website where the Action Plan may be accessed;
viii. Copy of the decision by the Council of Ministers No. 674 from 29 September 2023 with a view to adopting a National Strategy for Child and Adolescent Health and Paediatric care 2030 and an Action Plan for the implementation of the National Strategy for Child and Adolescent Health and Paediatric care 2030 for the period 2023-2025 and a link to the website where the decision can be accessed.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The National Strategy for Child and Adolescent Health and Paediatric Care in the Republic of Bulgaria 2030 has been adopted by the Council of Ministers.

The National Strategy for Child and Adolescent Health and Paediatric care in the Republic of Bulgaria 2030 (hereinafter referred to as "National Strategy") was adopted on 29 September 2023 by decision of the Council of Ministers No. 674.

The National Strategy for Child and Adolescent Health and Paediatric care in the Republic of Bulgaria 2030 shall set out the strategic goals and priorities over a ten-year period and provide recommendations…

The National Strategy defines a vision for 2030 and specifies one strategic and two specific objectives to achieve that vision up to 2030. The strategic objective is "Sustainably improving children's health" and the specific objectives are "Put the child and his needs at the centre of an integrated system of paediatric care" and "Reducing health inequalities for children" (pages 5-6 of the National Strategy). It further identifies four specific policy priorities that are expected to

contribute to achieving the objectives up to 2030. These are specifically focused on children and families: Priority 1. “Promoting healthy lifestyles”; Priority 2. “Effective prophylaxis and prevention of disease and disability”; Priority 3. “Building an integrated system of complex paediatric care”; Priority 4. “Development of human resources for children’s health” (page 8 of the National Strategy).

It then sets out recommendations by policy priority both in the sections “Targeted recommendations to implement the priority by 2030”, where policy recommendations are formulated as text, and in the sections “Summary of recommendations”, which summarise the main elements of the targeted recommendations.

…covering the accessibility of diagnosis and treatments targeting children and adolescents, including specialized paediatric medical equipment in health facilities;

The National Strategy sets out recommendations concerning this element of the milestone under Priority 3. “Building an integrated system of comprehensive paediatric care” on page 19 in the section “Targeted recommendations to implement the priority by 2030”. These targeted recommendations are summarised on page 23. For example, the following summary recommendations relate to on the accessibility of diagnosis and treatment targeting children and adolescents:

- Recommendation 3.1.: Ensure universal access to basic health care for all pregnant women and children in outpatient care.

As another example, the following summary recommendations cover specialised paediatric medical equipment in health facilities:

- Recommendation 3.2.: Develop the capacity and ensure the integrity and coordination of the paediatric inpatient care system.

Notably, Recommendation 3.2 refers to the capacity in terms of infrastructure and equipment, alongside organisational features (see examples of measures below).

Concerning the coverage of adolescents by the recommendations, the use of the term “paediatric” notably covers both children and adolescents. Among others, on page 32, the National Strategy provides an analysis of the evolution of the paediatric population, which is broken down into 0-19 and 15-19, thereby encompassing both children and adolescents. As such, Recommendations 3.4 and 3.2 are relevant for adolescents.

awareness raising and prevention initiatives, including for parents and in relation to pregnancy;

The National Strategy sets out recommendations concerning this element of the milestone under Priority 1. “Promoting healthy lifestyles” on page 11 in the section “Targeted recommendations to implement the priority by 2030”. These targeted recommendations are summarised on page 13. For example, the following summary recommendations relate to awareness raising and prevention initiatives, including for parents and in relation to pregnancy:

- Recommendation 1.1.: Plan and implement systematic preventive health information campaigns targeting children and their parents.

Notably, Recommendation 1.1 covers prevention initiatives targeting pregnancy. Indeed, in the “Targeted recommendations” section of Priority 1, on page 11, the National Strategy clearly spells out the importance of interventions on all three stages of childhood, namely 0-6/7 years of age (including both early childhood and pregnancy), 7-13 years of age (including both childhood and early adolescence) and 14/15-18 years of age (adolescence). As such, pregnancy is considered as the first stage of early childhood. This is clarified by the nature of the measures that were designed

to implement the recommendation as discussed below.

regional patronage care and supply of counselling health services.

The National Strategy sets out a recommendation concerning patronage care under Priority 3. "Building an integrated system of comprehensive paediatric care", namely, under "Targeted recommendations to implement the priority by 2030" the National Strategy specifies that: "An important complementary element of paediatric care at this level is patronage care for pregnant and childcare, which should be developed as an integral part of the primary care system" (page 20). Formally, in the National Strategy, this falls under the following high-level summary recommendation (page 23):

- Recommendation 3.1. Ensure universal access for all pregnant and children to basic healthcare in non-hospital care.

The National Strategy formulates the following recommendation related to the supply of counselling health services (page 13):

- Recommendation 1.2. Increase the commitment and competences of health professionals in the areas of children's health, development and emotional well-being, development of counselling skills.

An action plan covering for the period 2023-2025 shall be adopted by the Council of Minister.

The Action Plan for the Implementation of the National Strategy for Child and Adolescent Health and Paediatric Care in the Republic of Bulgaria 2030 (hereinafter referred to as "Action Plan") was adopted on 29 September 2023 by decision of the Council of Ministers No. 674.

The Action Plan covers the period 2023-2025. Through a mapping it was verified that it contains measures and actions, including their timeline, to implement each of the recommendations in the National Strategy (as illustrated in the corresponding subsections of the present Analysis). As mentioned in the National Strategy (page 30), the first mid-term evaluation of the strategy's implementation will analyse the results achieved under the key indicators as well as the indicators for individual measures and activities and, based on the findings, it will assess the follow-up actions needed to reach the targets set. This will be reflected in a Strategy Action Plan for 2026-2030, thereby committing to implementation of the National Strategy over its entire lifespan. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

It shall formulate measures and actions, including their timeline, to implement the recommendations of the strategy.

The Action Plan formulates measures and actions, including their timeline, to implement the relevant recommendations of the National Strategy. The following paragraphs provide examples of measures implementing the recommendations as illustrated in the corresponding subsections of the present Analysis.

To implement the recommendation to ensure universal access to basic health care for all pregnant women and children in outpatient care (Recommendation 3.1), the Action Plan envisages by 2025 (pages 27-31):

- To conduct a periodic review of the adequacy of volume and scope of the publicly funded package of health services for pregnant women and children with a view to broadening their scope;
- to create conditions to improve access to basic health care for all pregnant and childcare, with a focus on hard-to-reach and remote areas;

- deliver trainings to expand the competences and motivation of primary care professionals to advise parents on early childhood development, as well as on early identification of the risk of development issues and on the need for early intervention.

One further example focuses on paediatric medical equipment and highlights the coverage by measures of both children and adolescents. Specifically, to implement the recommendation to develop the capacity and ensure the integrity and coordination of the paediatric inpatient care system (Recommendation 3.2), the Action Plan, on pages 31-32, envisages, by 2025 and up until 2030 to:

- build and equip a children's multi-profile University Hospital in Sofia;
- modernise services and equipment of paediatric hospital structures providing specialised paediatric care of regional and national importance according to the needs identified in the National Map of the Long-Term Needs of the Healthcare Sector.

To implement Recommendation 1.1 to plan and implement systematic preventive health information campaigns targeting children and their parents, the Action Plan envisages by 2025 (pages 2-7):

- that the Ministry of Health develops a communication strategy for the promotion of maternal and child health to inform the population, with a focus on young people and families, on reproductive health and family planning, pregnancy, childbirth and newborn care and to implement this strategy;
- that the Ministry of Health conducts information campaigns and other communication activities related to raising awareness of maternal and childcare during pregnancy, childbirth, the benefits of breastfeeding and early childhood care;
- to inform children and families to promote healthy lifestyles and reduce health risk behaviours;
- to implement initiatives to attract public interest and involve all stakeholders in health promotion activities.

To implement the recommendation to develop patronage care for pregnant and childcare as an integral part of the primary care system, the Action Plan envisages to create conditions to improve access to basic health care for all pregnant and childcare, with a focus on hard-to-reach and remote areas, thus with a focus on regional characteristics. This measure relies on concrete actions including the analysis of the volume, type and manner of provision of patronage care and the development of an up-to-date model for its national provision, including a specific financing mechanism and the necessary financial resources by 2025 (Activity 3.1.2.1. on page 30). Concerning the recommendation to increase the commitment and competences of health professionals including in counselling, the Action Plan envisages including in the curriculum of students and specialists in the different medical specialties modules for counselling, prevention and control of risk factors and health promotion, with a focus on working with children by 2025, as well as the development of methodological guides for child and maternal health promotion activities for outpatient and hospital healthcare professionals by the same year (Activities 1.2.1.2 and 1.2.1.1, respectively, under Measure 1.2.1 on page 7).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 319	Related Measure: C12.R1: Upgrading the strategic framework of the healthcare sector
Name of the Milestone: National Plan for Combating Cancer in the Republic of Bulgaria 2021-2027	
Qualitative Indicator: Adoption by the Council of Ministers	**Time:** Q4 2022
Context:	

The measure aims to increase the resilience of the health system and increase the population's access to quality and timely healthcare by providing the strategic underpinning of future investments and reforms by identifying relevant actions. As such, the reform includes the adoption of several strategies and plans, covering relevant healthcare areas.

Milestone 319 requires the adoption by the Council of Ministers of the National Plan for Combating Cancer in the Republic of Bulgaria 2021-2027, which shall outline measures enhancing detection, diagnostics, treatment, as well as well-being of cancer patients and survivors.

Milestone 319 is one of six milestones to upgrade the strategic framework for healthcare.
It follows the completion of milestone 315 related to the adoption of the National Strategy for the Mental Health of Citizens of the Republic of Bulgaria 2021-2030.
It is accompanied by milestone 316 related to the adoption of the National Map of the long-term Needs of the Healthcare Sector, milestone 317 related to the adoption of the National Health Strategy 2030 and its action plan and milestone 318 related to the adoption of the National Strategy for Child and Adolescent Health and Paediatric care in the Republic of Bulgaria 2030 and of the action plan for its implementation.

It is followed by milestone 320 related to the adoption of the National Strategy for Healthy Geriatric Care and Ageing in the Republic of Bulgaria 2030 and its action plan. The reform has a final expected date for implementation in Q2 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

ix. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
x. Copy of the adopted National Plan for Combating Cancer in the Republic of Bulgaria 2021-2027 and a link to the website where it may be accessed;
xi. Copy of the decision by the Council of Ministers No. 3 from 4 January 2023 adopting the National Plan for Combating Cancer in the Republic of Bulgaria 2021-2027 and a link to the website where the decision can be accessed.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

Adoption by the Council of Ministers

The National Plan for Combating Cancer in the Republic of Bulgaria 2021-2027 (hereafter referred to as the "National Plan") was adopted on 4 January 2023 through Council of Ministers Decision No. 3 Adopting the national beating cancer plan in the republic of Bulgaria 2027.

The National Plan for Combating Cancer in the Republic of Bulgaria 2021-2027 shall outline measures to enhance early detection of cancer through screening activities;

Objective 3 (page 38) of the National Plan "Improving the early detection process" devises measures to put in place more effective and modern screening programmes and to increase coverage by target group. To achieve this, the National Plan foresees educational campaigns and a

more active involvement of general practitioners (pages 43-46). The aim is to ensure appropriate processes and to bring screening methods in line with European and global standards. The measures encompass the identification of modern screening methods and the definition of case-specific early detection programmes, accompanied by a target-based implementation timeline (pages 47-50). Among others, the authorities envisage seven specific measures to meet Objective 3 covering the following elements (pages 43-46):

i. Colorectal cancer early detection programme;
ii. Breast cancer early detection programme;
iii. Cervical cancer early detection programme;
iv. Prostate cancer early detection programme;
v. Lung cancer early detection programme;
vi. Tumour marker screening programme;
vii. Development of an integrated documentation and management system for population-based care programs.

Each of these early detection programmes includes a set of measures on an "educational programme" and another on the "screening programme". Such as, concerning the lung cancer early detection programme, measures in the first group include raising public awareness of the risks posed by lung cancer and the importance of early diagnosis as well as training healthcare professionals on newly introduced screening methods and their correct application; measures focusing on the second group include collecting and investigating studies and data from other countries, aligning the screening programmes with international guidelines and ensuring that the programme is properly documented for follow-up and subsequent analysis (page 45).
Each of these measures is accompanied by one single target or a set of targets, each with a planned date for completion. For example, the measure on early detection of colorectal cancer is associated to the indicator "Increased rate of newly diagnosed cases in Phase I and II", with a set target of 50%, to be achieved by 2025 for the first 25% and by 2027 for the remaining 25%.

…the availability and accuracy of cancer diagnostics;

Objective, 4 (page 51) "Ensuring high standards of oncology care in the area of diagnosis" identifies advanced diagnostic options for patients and devises actions to support equal access to diagnostic methods, centres and leading specialists. The National Plan designed by the authorities envisages six measures to meet Objective 4, more specifically (pages 55-58):

i. Establishment of a leading reference centre for innovative hybrid imaging and therapy with radiopharmaceuticals in Bulgaria – the "Center of excellence";
ii. "Cancer diagnostics and treatment for all" initiative;
iii. Setup of a programme for the updating of histopathological and molecular diagnostics;
iv. Setup of a programme to modernise the approach to genetic research and counselling;
v. Updating and ensuring equal access to standard diagnostic methods;
vi. Introduction of a standard of care (based on European or American diagnostic guidelines).

Measures i., ii. and v. have a focus on both availability and accuracy. Among others, the National Plan envisages the establishment of a Centre of Excellence, which will expand the set of available diagnostic centres and also increase the quality of diagnostics thanks to modernised equipment, as well as an initiative (the "Cancer diagnostics and treatment for all") to introduce state-of-the-art diagnostics for cancer patients across the country and enable remote access to results, medical advice, assistance in reading and interpreting the test results. With a particular relevance for accuracy, the initiative will provide both a new and improved AI software and telemedicine tools allowing specialists to obtain "second opinion" consultations with other specialists.

Measures iii, iv and vi mostly focus on accuracy of diagnostics by enhancing their quality. The National Plan envisages programmes to improve histopathological and molecular diagnostics, by means of regulatory changes, post-graduate trainings, periodic update of diagnostic protocols. Concerning programmes to enhance genetic research and counselling, actions include, amongst others, the establishment of a register of inherited cancers in Bulgaria and of persons with high inheritance risk and their blood relatives as part of the national cancer register and of the Electronic Patient Register (NZIS). Each of these measures is accompanied by one single target or a set of targets, each with a planned date for completion. For example, the measure on the modernising the approach to genetic research and counselling is associated to the indicator "number of individuals targeted for genetic counselling", with a set target of 200 000 individuals, to be reached the first 100 000 by 2025 and the second by 2027.

…access to and effectiveness of treatments;

Objective 5 (page 61) of the National Plan "Ensure high standards of cancer care in treatment" identifies measures to support equitable access to state-of-the-art treatment for patients and to integrate a multidisciplinary approach and systemic cancer care into clinical practice in the country. Concretely, Objective 5 envisages eight measures to achieve these goals, namely (pages 63-66):

i. Improving the multidisciplinary approach to European and global patient recommendations and requirements (for example by providing a regulatory framework to implement a proper multidisciplinary approach to oncology and monitoring of compliance);
ii. Improving systemic oncology treatment (for example by establishing reference laboratories for pathohistological and molecular diagnosis of malignant tumours in the country according to adopted European standards);
iii. Optimising the processes for updating the Pharmaco-Therapeutic Manual on Medical Oncology against the developed "National medical standards for systemic medication, assessment of curative effects and monitoring of malignant solid tumours in adults";
iv. Create a system/analytical solution to support the work of healthcare professionals in deciding on the treatment of a range of diseases, as well as accelerate diagnostic processes and improve patient treatment;
v. Setup of enhanced training programmes for specialists;
vi. Accelerating access to effective innovative cancer treatment through regulatory change;
vii. Ensuring accessible, modern and safe radiation in the country (for example by accelerating the implementation of scientific findings in clinical practice or by administering most of the treatment in outpatient settings or by monitoring treatment outcomes through follow-ups);
viii. Participation in research activities to develop and access targeted therapies

Several measures under Objective 5 of the National Plan include both actions that are related to access and to effectiveness. Measure i. envisages that all healthcare facilities at regional and national level providing complex treatment for cancer patients should set up multidisciplinary cancer teams and standardise the requirements for presenting a cancer patient to the team, which may lead to improved access to treatments. The same measure includes actions such as the creation of an electronic environment for multidisciplinary discussions with external multidisciplinary teams, including outside the country, which has the potential to improve effectiveness. Measure ii. includes actions such as the establishment of reference laboratories for histopathological and molecular diagnosis in the country in accordance with accepted European standards, which, through more efficient diagnostics could enhance access to treatment. At the same time, actions such as promoting contracts between different hospitals, to provide all necessary steps in the way patients are diagnosed and treated may improve effectiveness through process integration. Lastly, measure iv. envisages improving IT tools, including by developing systems that will process health data from multiple sources, like hospital information systems,

registries, etc., and will provide fast, aggregated real-time analyses. This includes the development of artificial intelligence and machine learning algorithms which could all reduce time-to-treatment for patients, which improves access. Supporting digital solutions allows doctors to work more efficiently, improves exchanges between them, and likely improves clinical outcomes in general and hence effectiveness.

Each of these measures is accompanied by one single target or a set of targets, each with a planned date for completion (pages 68-70). For example, the measure on setting up trainings for specialists is associated to the indicator "number of ongoing GP trainings carried out", with a set target of five, of which three will be carried out by 2025 and the remaining two by 2027.

the well-being of cancer patients and cancer survivors;

Objective 6 (page 73) "Improve quality of life for cancer patients, survivors and caregivers" identifies measures to improve quality of life and satisfaction with medical and non-medical care and reintegration by building an effective network of units, specialists and forms of meaningful communication with patients and their families. The National Plan envisages sixteen specific measures to achieve the objective is, ranging from psychological care to social care, rehabilitative care and palliative care, including amongst others infrastructural improvements (such as the construction of structures for palliative care structures under measure iii), professional training and medical protocols (pages 79-82):

i. Psycho-oncological treatment programme;
ii. Rehabilitation and social support programme, both for patients and for survivors;
iii. Palliative Care Programme;
iv. Optimising the system for the efficient supply of pain relief drugs;
v. Developing a unified policy on palliative care and pain management;
vi. Improving the training of health professionals;
vii. Professional training of health care providers;
viii. Creation of a single online information platform;
ix. Integrated health care and patient support programmes;
x. Introduction of rules for non-medical care of cancer patients (concerning the work of psychologists and social workers, dieticians and nutritionists, physical medicine and rehabilitation specialists);
xi. Establish a network of support for non-medical care (patient-orientation, personal assistance, information and referral) for cancer patients, in accordance with the stages of care for cancer patients;
xii. Implementation of a long-term media project to change public attitudes and build a new health culture regarding cancer;
xiii. Outsourcing some of the services to maintain/enhance the quality of life of cancer patients to NGOs/patient organizations;
xiv. Easing the administrative burden;
xv. Introduce criteria for assessing the quality of life of cancer patients and conduct periodic surveys on this indicator;
xvi. Integrating pharmaceutical care into a multidisciplinary approach.

Out of these, a few examples can be drawn to highlight measures with a focus on the wellbeing of cancer patients. These include for example measure vii, which includes actions such as the development of an algorithm to screen, assess and monitor pain and the organisation of trainings of medical teams assisting cancer patients to actively screen for pain on each visit routinely and to treat moderate-to-high pain as a condition requiring immediate treatment. Another example focusing on cancer patients comes from measure xi, with actions to create a support network for

cancer patients including by organising trainings for mentors as part of a programme co-created and approved by patient organisations, medical scientific societies and health institutions. With a focus on the wellbeing of palliative care patients, the most relevant is measure iii. Under the Palliative Care Programme, actions are envisaged, amongst others, to organise trainings in palliative care, both for professionals and informal carers, such as family members, as well as to create a platform for patients with all the necessary information on the options palliative care in the country. Each measure is accompanied by one single target or a set of targets, each with a planned date for completion (pages 83-86). For example, the measure on optimising the system for the efficient supply of pain medications is associated to the indicator "ePrescription introduced for medicines containing narcotic substances" which is set to be achieved by 2025".

Furthermore, in line with the description of the measure, the National Plan for Combating Cancer in the Republic of Bulgaria 2021-2027… shall outline measures aiming to reduce cancer incidence and mortality, targeting screening activities for early detection of cancer, as well as cancer treatment therapies…

The analysis of the measures aiming to reduce mortality targeting screening activities for early detection of cancer, as well as on cancer treatment therapies, are covered above under the previous points, notably related to all the measures supporting early detection and the availability and accuracy of diagnostics, and the measures covering access to and the effectiveness of treatments. Concerning the measures aiming to reduce cancer incidence, Objective 2 (page 28) "Saving lives through sustainable cancer prevention" is expected to improve health awareness and culture and to implement timely preventive measures to eliminate and reduce exposure to harmful effects caused by modifiable risk factors that limit morbidity in the population and lead to a higher health culture and a healthier lifestyle. Following, it contributes to reducing cancer incidence. Related to Objective 2, the National Plan envisages measures ranging from prophylactic vaccination to actions targeting behavioural risk drivers by promoting daily physical activity, healthy eating, quitting smoking, restricting alcohol use including with a focus on vulnerable groups, as well as measures to reduce exposure to carcinogens. More specifically, the National Plan envisages five concrete measures as follows, together with a timeline for implementation and success indicators (pages 31-37):

- Promoting healthy eating habits and regular physical activity (such as through public awareness campaigns);
- Preventing cancer by reducing the harmful effects of smoking (such as through public awareness campaigns);
- Preventing cancer by reducing the harmful effect of excessive alcohol consumption (such as for example through public awareness campaigns);
- Preventing and reducing the risk of cancer caused by infections (such as by providing evidence-based medical-based vaccination recommendations for persons at risk of infection);
- Preventing cancer by reducing the level of risk caused by lifestyle and work environment risk factors (such as through public awareness campaigns).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 321	Related Measure: C12.R2: Development of e-health and of the National Health Information System
Name of the Milestone: Entry into force of the amendments to the e-Health regulatory framework	
Qualitative Indicator: Provision in the law indicating the entry into force of the amendments to the eHealth regulatory framework	**Time:** Q4 2022
Context:	

The reform aims to foster the development of e-Health. As such, it includes the adoption of the National Strategy for e-Health and Digitalisation of the Health System 2021-2030 and of an action for its implementation, the update of the legal framework on e-Health and the establishment of a single digital environment for the collection and exchange of medical information (the National Health Information System (NHIS)).

Milestone 321 requires the entry into force of amendments to the eHealth regulatory framework that shall introduce the legal basis for online prescriptions and dispensation of medicinal products; telemedicine, including telediagnostics and telemonitoring; the registration of medical information via electronic health records and their maintenance. The amendments shall also regulate the organisation of the work processes of the National Health Information System.

Milestone 321 is the first step of the implementation of the reform to develop e-health and the National Health Information System and it will be followed by milestone 322, related to the upgrade of the National Health Information System. The reform has a final expected date for implementation in Q2 2023.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of Regulation No. H-6 of 21 December 2022 on the functioning of the National Health Information System published in issue No. 103 of the State Gazette on 24.12.2022 and a link where it can be accessed;
iii. Copy of Regulation amending and supplementing Regulation No 4 of 2009 laying down the procedures for prescribing and dispensing medicinal products and a link where it can be accessed;
iv. Copy of Regulation No. 4 of 4 March 2009 (as supplemented by the State Gazette No. 51 of 13 June 2023) on the conditions and procedure for prescribing and dispensing medicinal products and a link where it can be accessed;
v. Copy of Decision No. 181 of 18 March 2024 by the Council of Ministers adopting the National Strategy for e-Health and Digitalisation of the Health System 2030 and a link where it can be accessed;
vi. Copy of the National Strategy for e-Health and Digitalisation of the Health System 2030 and a link where it can be accessed;
vii. Action plan implementing the National Strategy for e-Health and Digitalisation of the Health System 2030 and a link where it can be accessed.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The amendments to the e-Health regulatory framework have entered into force.

Regulation No. 4 of 4 March 2009 (hereinafter referred to as the "2009 Regulation") has been amended by issues of the State Gazette No. 107 of 18 December 2020 (entry into force on 18 December 2022 according to Article 2), No. 53 of 8 July 2022 (entry into force on 1 November 2022 according to Article 6), No. 85 of 25 October 2022 (entry into force on 25 October 2022 according to Article 2) and No. 51 of 13 June 2023 (entry into force on 13 June 2023 according to Article 22). Regulation No. H-6 of 21 December 2022 on the functioning of the National Health Information

System (hereinafter referred to as “Regulation”) has entered into force on 1 January 2023 in accordance with Article § 7 of the “Transitional and Final Provisions” of the Regulation [..].

The amendments to the e-Health regulatory framework develop further access to e-Health services by introducing the legal basis for online prescriptions and dispensation of medicinal products, as follows:

To ensure the electronic prescribing of medicines, an addition has been made to the existing 2009 Regulation by subsequent issues of the State Gazette. The introduction of the legal basis for online prescriptions and dispensation of medicinal products was introduced by State Gazette No. 107 of 18 December 2020, with the introduction of Chapter VII "Electronic prescription of medical products. Dispensing of medicinal products and execution of electronic prescriptions”. In the subsequent amendments made in State Gazette No. 53, No. 85 of 2022 and No. 51 of 2023, the text of the 2009 Regulation was updated and supplemented to extend the scope of electronic prescription of medicinal products. For example, the changes introduced by State gazette No. 53 of 2022 stipulated that the prescription of medicinal products classified in the pharmacological group "Antibacterial medicinal products for systemic use", according to the anatomical-therapeutic-chemical classification in accordance with the requirements of the World Health Organization shall only be carried out by electronic prescription."

Further, the amendments from the State Gazette No. 51 of 13 June 2023 amend Article 70(1) of the 2009 Regulation and expand the compulsory use of online prescriptions by excluding narcotic drugs from the list of exceptions. As a result, both medicinal products paid in full or part by the National Health Insurance Fund and narcotic drugs must be prescribed through an online prescription. The amendments also apply mutatis mutandis the rules governing paper prescriptions to the relevant categories of abovementioned drugs that need to be prescribed electronically. The introduction of the obligation to prescribe certain categories of drugs electronically started with amendments to the 2009 Regulation published in the State Gazette No. 107/2020 which entered into force on 18 December 2020. These introduced the provisions in Chapter VII, which regulates the electronic prescription of medicinal products. dispensing of medicinal products and execution of electronic prescriptions. Articles 73 and 74 of the 2009 Regulation, as amended and supplemented, regulate dispensation, covering the procedure the pharmacist must follow to be authorised to execute a prescription.

The amendments to the e-Health regulatory framework develop further access to e-Health services by introducing the legal basis for telemedicine, including telediagnostics and telemonitoring, as follows:

The legal basis for telemedicine, telediagnostics and telemonitoring is enshrined in Regulation No. H-6 of 21 December 2022 on the functioning of the National Health Information System (hereinafter referred to as “Regulation”). More specifically, Article 2 of the Regulation provides that “the National Health Information System can be used […] to provide remote medical services, including telemedicine, telediagnostics and telemonitoring, in accordance with the rules laid down by law”.

The amendments to the e-Health regulatory framework develop further access to e-Health services by introducing the legal basis for the registration of medical information via electronic health records and their maintenance, as follows:

The recording of medical information via electronic health records and their maintenance is regulated in Section III “Electronic health records” of the Regulation. This element of the milestone is covered by Articles 13 – 17 of the Regulation. Article 13 regulates the nature and function of

electronic health records, including the rules concerning its generation by medical and non-medica professionals Further, Article 14 covers aspects such as the admissible format of the electronic health record and Article 15 covers the automatic creation of the electronic health record at birth and its content, such as *name; SSN/ID number, records of medical examinations etc.* Lastly, Articles 16 and 17 regulate the maintenance of electronic health records. Articles 23 – 27 in Section V of the Regulation regulate access rights. More generally, Articles 18- 21 cover the conditions and procedures for keeping registers, information databases and systems in the National Health Information System and rules for maintaining the system. Articles 22-27 cover the conditions and procedures for making information available in the electronic health recording of citizens; Articles 28-30 regulate the exchange of information. For example, Article 28(1) stipulates that he National Health Information System must be set up in a way that allows the exchange of information for the management of the healthcare system, medical science, funding and statistics. Lastly, Articles 31 and 32 regulate the protection of personal data and Articles 33 to 40 regulate cybersecurity. Articles 1-13 regulate the remit and the structure of the National Health Information System as per the point below.

The amendments also include the organisation of the work processes of the National Health Information System (NHIS), as follows:

The organisation of the work processes of the National Health Information System (hereafter referred to as "NHIS") is covered in the Regulation. According to Article 1, the Regulation governs the type of information and the conditions and procedure under which this can be shared by the medical and healthcare facilities under the Ministry of Health for the purpose of the creation and maintenance of the citizens' electronic health records in the National Health Information System (NHIS), where the latter is managed by the Ministry of Health. The Regulation also covers the conditions and procedures for managing the registers, information databases and systems included in the NHIS; the conditions and procedures for making the information available in the electronic health record; information security and personal data protection in the NHIS as well as how the information is exchanged across registers, information databases and systems. The Regulation also governs the structure of the NHIS and the content of the citizens' electronic health record. These topics constituting the work processes of the NHIS are covered in the Regulation under different sections. Section II covers the structure of the NHIS, section III the electronic health record (as discussed above), section iv focuses on the conditions and procedures for keeping registers, information databases, section v the procedures to grant citizens access to the information in the electronic health record. Lastly, sections vi, vii and viii cover, respectively, issues related to exchange of information, protection of personal data and cybersecurity.

Further, in line with the description of the measure, the entry into force of the amendments to the e-Health regulatory framework fosters the development of e-Health by creating the legal basis for a broader scope of e-Health, covering, for instance, online prescriptions and telemedicine.

In line with the description of the measure, the reform includes the **adoption of the National Strategy for e-Health and Digitalisation of the Health System 2021-2030 and of the action plan for its implementation**. These shall provide, respectively, recommendations on the digitalisation and integration of health services to increase the efficiency and coverage of eHealth and measures to implement the recommendations as follows:

The National Strategy for e-Health and Digitalisation of the Health System 2021-2030 (hereafter referred to as "National Strategy") was adopted through Protocol Decision No. 181 of the Ministry of Health on 18 March 2024.

The National Strategy is structured around seven strategic objectives, each further detailed through a set of sub-objectives specifying recommendations on how to achieve it. An Action Plan outlining the measures to implement the recommendations of the sub-objectives of the National Strategy up to 2030 was also adopted by the Ministry of Health on 17.01.2024 through Protocol Decision No. 4 and approved by the Ministry of e-Governance on 11.07.2024. It includes a timeline for implementation, main stakeholders, sources of funding and expected outcomes by measure. Through a mapping, between the two documents, it was verified that the National Strategy and the Action Plan contain, respectively, recommendations and measures to implement them covering each relevant dimension of the milestone, namely digitalisation of health services and integration of health services.

Concerning the digitalisation of health services, several sub-objectives of the National Strategy contain recommendations as follows: the recommendation to create regulatory preconditions for effective and secure access to and exchange of health data and other information (sub-objective 2.2 on page 53) and the recommendation to develop national systems to support clinical decision-making for personalised diagnostics and treatments (sub-objective 7.3 on page 57). To implement the recommendation to create regulatory preconditions for effective and secure access and exchange data (sub-objective 2.2) the Action Plan envisages the development, implementation and certification of an ISO 27001 information security management system at the Ministry of Health and in the National Health Insurance Fund by 2025 (page 6); to implement the recommendation to develop national systems to support clinical decision-making (sub-objective 7.3) the Action Plan envisages to develop and implement a national digital platform for medical diagnostics by 2026 (page14). Other relevant recommendations on the digitalisation of health services to increase the efficiency and coverage of eHealth in the National Strategy include: establishing appropriate and effective arrangements to ensure the use of ICT for the provision of health and administrative services, ensuring quality and timely provision of healthcare to citizens through ICT (sub-objective 2.1 on page 53); developing procedures and measures to ensure that patients' rights are respected in an electronic health system (sub-objective 2.4 on page 54); developing requirements, procedures and measures to ensure the cybersecurity of the National Health Information System and other eHealth systems, as well as data protection compliance systems, including anonymised and pseudonymised health data (sub-objective 4.1 on page 55); setting up a platform to monitor the operation and effectiveness of the eHealth system, network traffic, system files and incident management (sub-objective 4.2 on page 56); creating analytical capabilities and additional services in the field of eHealth (sub-objective 5.2 on page 56); developing eHealth education and vocational training (sub-objective 6.1 on page 57); developing and implement a telemedicine model (sub-objective 7.1 on page 57); use of big data in the health sector (sub-objective 7.2); introducing new types of data from emerging health technologies to enable the development of personalised medicine (sub-objective 7.4 on page 58).

Concerning the integration of health services, several sub-objectives of the National Strategy contain recommendations as follows: the recommendation to set up an eHealth interoperability system as a single point of access to all health information and health registers (sub-objective 3.1 on page 53), the recommendation to develop e-services and to achieve full integration with healthcare providers' systems (sub-objective 5.1 on page 55) and the recommendation to introduce advanced eHealth modules on health resources and statistical surveillance (Sub-objective 5.3 on page 55). To implement the recommendation on setting up a eHealth interoperability system as a single point of access (sub-objective 3.1), the Action Plan envisages the optimisation of electronic registers and information systems by applying agreed common security and functionality standards by 2026 (page 8); to implement the recommendation on the development of e-services and full integration with healthcare providers' systems healthcare providers' systems (sub-objective 5.1) the Action Plan envisages to build on the Information system for recording and tracking calls received (IPRP),

currently used for triage, to automate data exchanges and achieve interoperability between the IPRP the emergency calls service 112 and the NHIS by 2026 (page 10); to introduce advanced eHealth modules on health resources (sub-objective 5.3) the Action Plan envisages the upgrade of the system for the purchase of medicinal products for the needs of health institutions by 2026 (page 12). Other relevant recommendations on the integration of health services to increase the efficiency and coverage of eHealth in the National Strategy include: defining the model of the national eHealth architecture by re-using the single access point to health sector information assets and resources (sub-objective 3.2 on page 54); developing requirements, procedures and measures to ensure interoperability for data exchange in the health sector (sub-objective 3.3 on page 55); ensuring cross-border interoperability of eHealth services and data exchange in the EU (sub-objective 3.5 on page 55).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 328	Related Measure: C12.R6: Plan for modern health education in schools
Name of the Milestone: National Plan for Health Education in the Bulgarian Schools 2021-2027	
Qualitative Indicator: Adoption by the Council of Ministers	**Time:** Q4 2022

Context:

The measure aims to contribute to the reduction of preventable health diseases by providing healthcare education in schools.

Milestone 328 requires the adoption by the Council of Ministers of the Plan for Health Education in the Bulgarian Schools 2021-2027 that shall specify measures to foster health education in schools.

Milestone 328 is the only milestone of this reform.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
ii. Copy of the adopted National Plan for Health Education in the Bulgarian Schools 2021-2027 (hereinafter referred to as: 'National Plan') adopted by the Council of Ministers with Decision No. 673 from 29 September 2023 (published on the same date) and a link to the website where it may be accessed;
iii. Copy of the Decision by the Council of Ministers No. 673 from 29 September 2023 adopting the National Plan for Health Education in the Bulgarian Schools 2021-2027 and a link to the website where the decision can be accessed.

Analysis:

The justification and substantiating evidence provided by the Bulgarian authorities covers all constitutive elements of the milestone.

The National Plan for Health Education in the Bulgarian Schools 2021-2027 was adopted by the Council of Ministers.

The National Plan for Health Education in the Bulgarian Schools 2021-2027 (hereinafter referred to as the "National Plan") was adopted on 29 September 2023 through Council of Ministers Decision

No. 673.

The National Plan for Health Education in the Bulgarian Schools 2021-2027 shall specify measures to foster health education in schools covering topics such as reproductive health, nutrition and harmful consumption of alcohol and other psychoactive substances.

The National Plan contains a dedicated part outlining overarching measures and steps to be taken to improve health education in schools. These measures are set out in Section 7. "Working steps and stages for the implementation of the plan" on page 20. They are divided in three successive stages.

The first stage envisages the creation of an inter-institutional mechanism for the planning and implementation of promotion, prevention and preventive care activities and for the development of a conceptual framework for promotion, prevention and preventive care activities. The second stage envisages an overview of the current content and means of delivery of health education in schools and the development of prevention programmes and interactive resources. Lastly, the third stage envisages the development of actual learning modules and educational resources on various health topics, involving community and youth organisations to promote health awareness, including by means of a peer-to-peer approach (page 20 of the National Plan).

Other measures of a more targeted nature and organised by thematic area are presented in Section 8. of the National Plan ("Roadmap") on page 21. The measures included in Section 8. address the elements of the milestone as follows:

- Measures covering reproductive health

The National Plan examines the current needs for fostering health education covering reproductive health. This is presented in Section 6. "Analysis of the health condition of adolescents", subsection "Sexual and reproductive health" on page 18. Amongst others, the subsection identifies issues such as a relatively high rate of abortions at a young age, a relatively high number of maternities amongst teenagers as well as a relatively high prevalence of venereal diseases.

Based on the identified needs, the National Plan envisages, over the period 2024-2026, the development of specific programs and the organisation by the Ministry of Health of dedicated talks with students to raise awareness focusing on sexual health education, pregnancy, childbirth and raising children. These are included in Section 8. "Roadmap" on page 21.

- Measures covering nutrition

The National Plan examines the current needs for fostering health education in the area of nutrition. This is presented in Section 6. "Analysis of the health condition of adolescents", subsections "Intake of Energy and Nutrients" on page 15 and "Nutritional status" on page 17. Amongst others, the subsections identify issues in the nutrition of children aged 10-13 and 14-18 years such as a lower-than-recommended caloric and carbohydrates, high fat and sodium consumption and a risk of deficiency of vitamin A, folate, calcium and iron.

Based on the identified needs, the National Plan envisages, over the period 2024-2026, the development of educational resources aimed at implementing healthy eating patterns to fight obesity. The National Plan also envisages the development of specific programmes and actions to further promote physical activity with the goal to raise awareness amongst students concerning opportunities for sport and physical activity beyond physical education and sport school classes.

These are included in Section 8. “Roadmap” on page 21. These measures are expected to result in achieving a lower proportion of overweight and obese children and in an increased number of sports events offered to pupils.

- Measures covering harmful consumption of alcohol and other psychoactive substances

The National Plan examines the current needs for fostering health education covering the harmful consumption of alcohol and other psychoactive substances. This is presented in Section 6. “Analysis of the health condition of adolescents”, subsection “Statistical information on abuse of nicotine products, alcohol and other psychoactive substances” on page 10. Amongst others, the subsection highlights the fact that the use of new psychoactive substances in Bulgaria is mainly related to the use of synthetic cannabinoids, which are the most common entry points to these substances for adolescents.

Based on the identified needs, the National Plan envisages, over the period 2024-2026, the development of educational resources on the risks of smoking, alcohol consumption and drug use, to be put in place in at least 2000 schools. These are included in Section 8. “Roadmap” at pages 21-22. The development of these resources and their availability in schools are expected to contribute to lowering the proportion of adolescents who abuse nicotine products, alcohol and psychoactive substances.

Furthermore, in line with the description of the measure, the objective of the reform is to contribute to reducing preventable health diseases via the provision of healthcare education in schools.

The National Plan identifies the main risk factors for preventable health diseases and recognises that enhancing health education at a very young age can have a positive impact on the reduction of preventable health diseases (Section 6. “Analysis of the health status of adolescents”, on pages 10-19). The abovementioned measures envisaged in the National Plan, which focus on strengthening health education in schools, represent a first step in the direction of achieving a well-functioning health-education system that can contribute to reducing preventable health diseases over time.

Commission Preliminary Assessment: Satisfactorily fulfilled