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**NOTE**

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From:	General Secretariat of the Council
To:	Permanent Representatives Committee
No. Cion doc.:	ST 8173/20 - COM(2020) 502 final
Subject:	Recommendation for a COUNCIL RECOMMENDATION on the 2020 National Reform Programme of Bulgaria and delivering a Council opinion on the 2020 Stability Programme of Bulgaria

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Delegations will find attached the above mentioned draft Council Recommendation, as revised and agreed by various Council committees, based on the Commission Proposal COM(2020) 502 final.

## COUNCIL RECOMMENDATION

of ...

**on the 2020 National Reform Programme of Bulgaria and delivering a Council opinion on the 2020 Convergence Programme of Bulgaria**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 148(4) thereof,

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies<sup>1</sup>, and in particular Article 9(2) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances<sup>2</sup>, and in particular Article 6(1) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

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<sup>1</sup> OJ L 209, 2.8.1997, p. 1.

<sup>2</sup> OJ L 306, 23.11.2011, p. 25.

- (1) On 17 December 2019, the Commission adopted the Annual Sustainable Growth Strategy, marking the start of the 2020 European Semester for economic policy coordination. It took due account of the European Pillar of Social Rights, proclaimed by the European Parliament, the Council and the Commission on 17 November 2017. On 17 December 2019, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the Alert Mechanism Report, in which it identified Bulgaria as one of the Member States for which an in-depth review would be carried out.
- (2) The 2020 country report for Bulgaria was published on 26 February 2020. It assessed Bulgaria's progress in addressing the country-specific recommendations adopted by the Council on 9 July 2019<sup>3</sup> ('the 2019 country-specific recommendations'), the follow-up given to the country-specific recommendations adopted in previous years and Bulgaria's progress towards its national Europe 2020 targets. It also included an in-depth review under Article 5 of Regulation (EU) No 1176/2011, the results of which were also published on 26 February 2020. The Commission's analysis led it to conclude that Bulgaria is no longer experiencing macroeconomic imbalances. In previous years, vulnerabilities in the financial sector were coupled with high indebtedness and non-performing loans (NPLs) in the corporate sector. Bulgaria has been found to no longer have imbalances because consistent policy action and a favourable macroeconomic environment have reduced risk and vulnerabilities further.
- (3) On 11 March 2020, the World Health Organization officially declared the COVID-19 outbreak a global pandemic. It is a severe public health emergency for citizens, societies and economies. It is putting national health systems under severe strain, disrupting global supply chains, causing volatility in financial markets, triggering consumer demand shocks and having negative effects across various sectors. It is threatening people's jobs and incomes as well as companies' business. It has delivered a major economic shock that is already having serious repercussions in the Union. On 13 March 2020, the Commission adopted a communication calling for a coordinated economic response to the crisis, involving all actors at national and Union level.

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<sup>3</sup> OJ C 301, 5.9.2019, p. 8.

- (4) Several Member States have declared a state of emergency or introduced emergency measures. Any emergency measures should be strictly proportionate, necessary, limited in time, and in line with European and international standards. They should be subject to democratic oversight and independent judicial review.
- (5) On 20 March 2020, the Commission adopted a communication on the activation of the general escape clause of the Stability and Growth Pact. The general escape clause, as set out in Articles 5(1), 6(3), 9(1) and 10(3) of Regulation (EC) No 1466/97 and Articles 3(5) and 5(2) of Council Regulation (EC) No 1467/97<sup>4</sup>, facilitates the coordination of budgetary policies in times of severe economic downturn. In its communication of 20 March 2020, the Commission considered that, given the expected severe economic downturn resulting from the COVID-19 pandemic, the conditions for the activation of the general escape clause had been met and asked the Council to endorse this conclusion. On 23 March 2020, the ministers of finance of the Member States agreed with the assessment of the Commission. They agreed that the severe economic downturn requires a resolute, ambitious and coordinated response. The activation of the general escape clause allows for a temporary departure from the adjustment path towards the medium-term budgetary objective, provided that this does not endanger fiscal sustainability in the medium term. For the corrective arm, the Council may also decide, on a recommendation from the Commission, to adopt a revised fiscal trajectory. The general escape clause does not suspend the procedures of the Stability and Growth Pact. It allows Member States to depart from the budgetary requirements that would normally apply while enabling the Commission and the Council to undertake the necessary policy coordination measures within the framework of the Pact.

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<sup>4</sup> Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6).

- (6) Continued action is required to limit and control the spread of the COVID-19 pandemic, strengthen the resilience of the national health systems, mitigate the socioeconomic consequences of the pandemic through supportive measures for business and households, and ensure adequate health and safety conditions at the workplace with a view to resuming economic activity. The Union should fully use the various tools at its disposal to support Member States' efforts in those areas. In parallel, Member States and the Union should work together to prepare the measures necessary to bring about a return to the normal functioning of our societies and economies and to sustainable growth, integrating inter alia the green transition and the digital transformation, and drawing lessons from the crisis.
- (7) The COVID-19 crisis has highlighted the flexibility that the internal market offers to adapt to extraordinary situations. However, in order to ensure a swift and smooth transition to the recovery phase and the free movement of goods, services and workers, exceptional measures that prevent the internal market from functioning normally should be removed as soon as they are no longer indispensable. The current crisis has shown the need for crisis preparedness in the health sector. Improved purchasing strategies, diversified supply chains and strategic reserves of essential supplies are among the key elements for developing broader crisis preparedness plans.

- (8) The Union legislator has already amended the relevant legislative frameworks by means of Regulations (EU) 2020/460<sup>5</sup> and (EU) 2020/558<sup>6</sup> of the European Parliament and of the Council to allow Member States to mobilise all unused resources from the European Structural and Investment Funds ('ESI Funds') so they can address the exceptional effects of the COVID-19 pandemic. Those amendments will provide additional flexibility, as well as simplified and streamlined procedures. To alleviate cash-flow pressures, Member States can also benefit from a 100 % co-financing rate from the Union budget in the 2020-2021 accounting year. Bulgaria is encouraged to make full use of those possibilities to help the individuals and sectors most affected.
- (9) The socioeconomic consequences of the COVID-19 pandemic are likely to be unevenly distributed across Bulgarian regions because of different specialisation patterns, in particular in regions markedly relying on face-to-face business to consumers. This entails a substantial risk of widening regional disparities within Bulgaria, aggravating the already observed trend of widening disparities between the capital and the rest of the country and between urban and rural areas. Combined with the risk of a temporary unravelling of the convergence process between Member States, the current situation calls for targeted policy responses.
- (10) On 30 April 2020, Bulgaria submitted its 2020 National Reform Programme and its 2020 Convergence Programme. In order to take account of their interlinkages, the two programmes have been assessed at the same time.
- (11) Bulgaria is currently in the preventive arm of the Stability and Growth Pact.

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<sup>5</sup> Regulation (EU) 2020/460 of the European Parliament and of the Council of 30 March 2020 amending Regulations (EU) No 1301/2013, (EU) No 1303/2013 and (EU) No 508/2014 as regards specific measures to mobilise investments in the healthcare systems of Member States and in other sectors of their economies in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative) (OJ L 99, 31.3.2020, p. 5).

<sup>6</sup> Regulation (EU) 2020/558 of the European Parliament and of the Council of 23 April 2020 amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak (OJ L 130, 24.4.2020, p. 1).

- (12) In its 2020 Convergence Programme, the government plans the headline balance to deteriorate from a surplus of 2,1 % of gross domestic product (GDP) in 2019 to a deficit of 3,1 % of GDP in 2020. After decreasing to 20,4 % of GDP in 2019, the general government debt-to-GDP ratio is expected to increase to 28,5 % in 2020 according to the 2020 Convergence Programme. The macroeconomic and fiscal outlook is affected by high uncertainty because of the COVID-19 pandemic.
- (13) In response to the COVID-19 pandemic, and as part of a coordinated Union approach, Bulgaria has adopted timely budgetary measures to increase the capacity of its health system, contain the pandemic, and provide relief to those individuals and sectors that have been particularly affected. According to the 2020 Convergence Programme, those budgetary measures amounted to 1,3 % of GDP. The measures include higher spending on healthcare and security services and an employment support scheme for distressed sectors. In addition, Bulgaria has announced measures that, while not having a direct budgetary impact, will contribute to providing liquidity support to businesses, which the 2020 Convergence Programme estimates at 0,6 % of GDP. Those measures include guarantees by the State-owned Bulgarian Development Bank and tax deferrals for corporate income taxes. Overall, the measures taken by Bulgaria are in line with the guidelines set out in the Commission communication of 13 March 2020. The full implementation of the emergency measures and of supportive fiscal measures, followed by a refocusing of fiscal policies towards achieving prudent medium-term fiscal positions when economic conditions allow, will contribute to preserving fiscal sustainability in the medium term.
- (14) Based on the Commission 2020 spring forecast under unchanged policies, Bulgaria's general government deficit is forecast at 2,8 % of GDP in 2020 and 1,8 % of GDP in 2021. The general government debt ratio is projected to remain below 60 % of GDP in 2020 and 2021.

- (15) On 20 May 2020, the Commission issued a report prepared in accordance with Article 126(3) of the Treaty because of Bulgaria's planned breach of the 3 %-of-GDP deficit threshold in 2020. That report concluded, following an assessment of all the relevant factors, that the deficit criterion as defined in the Treaty and in Regulation (EC) No 1467/97 has been fulfilled.
- (16) On 13 March 2020, Bulgaria declared a state of emergency from 13 March 2020 to 13 April 2020; this was subsequently extended to 13 May 2020 and then replaced by an extraordinary epidemic situation to 14 June 2020. On 6 April 2020, the Bulgarian parliament adopted a proposal for amendment of the 2020 State budget, presented by the government. The new budget foresees a deficit under the State budget of BGN 3,5 billion (2,9 % of GDP), due to the increased spending for crisis-related measures and the expected reduction in revenues of BGN 2,4 billion. A fivefold increase of the ceiling of new debt the government can issue is foreseen, from BGN 2,2 billion to BGN 10 billion. Overall, Bulgaria mobilised a financial package of over BGN 870 million under several operational programmes financed by the ESI Funds for the period 2014-2020 to support the health system and address the socioeconomic consequences of the pandemic.
- (17) In response to the COVID-19 crisis, Bulgaria introduced an employment support measure by which the State commits to pay 60 % of the workers' income and of the associated social security contribution for a period of up to three months, provided that the employer pays the remaining difference and commits to keep the workers in employment. The employer is also obliged to maintain employment for a further period, at least equal to the one covered by the subsidy. Eligible companies include those in the sectors directly affected by restrictions imposed due to the state of emergency. Companies from other sectors, which manage to prove a 20 % decline in revenue over a specific time period in March 2020 compared to March 2019, are also eligible as stipulated in the Decree No 55 of 30 March 2020.

- (18) The capital of the Bulgarian Development Bank was increased with BGN 700 million to support the liquidity in the economy. BGN 500 million was allocated for portfolio guarantees to banks to provide more flexible business loan conditions to businesses, while BGN 200 million was allocated for guarantees for interest-free loans of up to BGN 4 500 for people placed on unpaid leave by their companies or self-employed. The Bulgarian Development Bank will also implement a EUR 100 million guarantee scheme for loans to small and medium-sized enterprises ('SMEs') financed by Operation Programme “Innovation and Competitiveness” under the European Regional Development Fund. The Fund Manager of Financial Instruments in Bulgaria reexamined its portfolio and is tailoring its enterprise support instruments to the current economic reality. The Bulgarian National Bank introduced a package of measures of BGN 9,3 billion, which aim at maintaining the resilience of the banking system and enhancing its flexibility, to reduce the negative effects of the constraints on citizens and businesses.
- (19) Bulgaria’s economy was hit hard by the COVID-19 crisis, which affected both services and manufacturing sectors. The negative impact was aggravated by declining demand and supply, and disruptions in the global value chains. The measures taken by the government to face the emergency can help mitigate the consequences of the crisis, but their prompt and effective implementation will be key for preserving employment and improving the liquidity of companies, especially SMEs, and of independent workers. In the process of designing and implementing these measures the resilience of the banking sector needs to be taken into account. In line with the guidelines set out in the Commission communication of 13 March 2020, Bulgaria lifted export bans on personal protective equipment and set-up “green lanes” for fast checks at border crossings.

- (20) The COVID-19 crisis put an additional burden on the Bulgarian health system, already characterised by limited accessibility stemming from low public financing, limited health insurance coverage, a low albeit increasing number of nurses, and an uneven regional distribution of health workers. There is therefore scope for strengthening the overall resilience, accessibility and capacity of the Bulgarian health system. Providing more care (general and specialist) in ambulatory settings, including by means of teleconsultations, would reduce the burden on hospitals, while testing and treatment should be available for all, irrespective of health insurance status. Proper access to health workers and their services should be ensured throughout the whole territory, matching population needs. Integration of primary, long-term and community care is crucial for the elderly and the most vulnerable groups.
- (21) According to the Commission 2020 spring forecast, unemployment is expected to rise to 7,0 % in 2020 and decrease to 5,8 % in 2021. Since the beginning of the state of emergency, unemployment has rapidly increased in the trade, accommodation and food services, and manufacturing sectors, in large cities and among people with up to secondary education. The government has taken measures to protect employment, in particular short-time work schemes, which should be swiftly implemented and further enhanced. In cooperation with social partners, the current context warrants extensive support to employers and workers, including the self-employed, to prevent further job losses. The capacity and the measures implemented by the Employment Agency will need to be reinforced, to respond to the adverse labour market effects. Further efforts in activation, upskilling and reskilling will be instrumental to bring people back to work, while preparing the labour force for the challenges and opportunities resulting from digitalisation. The COVID-19 crisis might also have a significant impact on workers in informal employment, with limited access to health services and social protection. Targeted policy measures could prevent unprotected workers and the most vulnerable groups falling deeper into poverty and improve their livelihoods during the recovery.

(22) The COVID-19 crisis disproportionately affects vulnerable groups and exacerbates existing social challenges. The share of people at risk of poverty or social exclusion was already high before the crisis, especially among children, the elderly, people with disabilities and Roma, while social transfers managed to reduce poverty only to a limited extent. Income inequality was one of the highest in the Union and the tax and benefit systems showed one of the weakest impacts on reducing it. The crisis requires measures to fix the gaps already identified in previous years, and in particular in the minimum income scheme, which is one of the least adequate in the Union for lifting recipients out of poverty. Issues such as ensuring social protection for all, including non-standard workers, self-employed and low-income households, ensuring income support, food and adequate social services, as well as providing emergency housing and support for homeless persons, remain relevant. The reform of social services would help stabilising the system, while a stronger cooperation between health and social services would allow reaching out further to those unable to take care of themselves and people with disabilities. Many Roma households, already in deep poverty prior to the crisis, are in need of mediation services and essential services and support.

(23) Enhanced provision of education and training services and a better skilled workforce would also strongly underpin the recovery and promote inclusive and sustainable growth in the medium term. There is still scope for improving the quality, labour market relevance and inclusiveness of education and training in Bulgaria. Bulgaria is among the Member States in which socioeconomic background has the strongest influence on learning outcomes. Roma inclusion in education remains a challenge, with early school leaving being particularly high among Roma and in rural areas. The overall level of digital skills is low among the population (aged 16-74), including also for the young people (aged 16-19). Improving digital skills, for example through more digitally aligned degrees and curricula, could help to adapt to labour market changes produced by digitalisation and to the need for digital remote work. At the same time, there are still 11 % of students who do not have computers and/or internet access and 2 000 teachers without computers. The current remote learning situation risks therefore to worsen the already high inequalities in education and training, despite some recent support measures. Further efforts to improve the digital knowledge of all students and their access to adequate technical infrastructure would have a positive long-lasting impact on their access to education, in particular for vulnerable groups, including Roma, thus helping to reduce their high drop-out rates.

- (24) The COVID-19 crisis highlighted the strategic importance of an efficient public administration and of a well-functioning digital government, including e-health and e-procurement. Reforms in this field have been supported by the Union, but their implementation is progressing too slowly and this negatively affected the effectiveness of the public sector during the lockdown period. Bulgaria is therefore lagging behind in the provision of e-services, and their uptake by citizens and businesses should be encouraged. Issues related to cybersecurity and security of critical infrastructure will also need to be fully addressed. Looking forward, an effective public administration will be key for ensuring the timely and effective implementation of the recovery measures. Cooperation and coordination at all levels of government, including on public contracts and concessions, as well as on market surveillance, remain particularly important. A stronger regulatory predictability and stability, effective control over policy implementation, and a reduction of the administrative burden, would improve the business environment and promote investment, positively affecting the speed of the recovery.
- (25) To foster the economic recovery, it will be important to front-load mature public investment projects and promote private investment, including through relevant reforms. The COVID-19 crisis brought further up the importance of digitalisation and innovation, where Bulgaria, and in particular its SMEs, is performing well below the Union average. One significant instance of this issue is the spectrum planned to be allocated in the 5G pioneer bands, which falls short of what is required to enable timely and effective provision of 5G services. The known issues in the research and higher education system, such as fragmentation, low funding and limited knowledge and technology transfer, still need to be tackled. At the same time, Bulgaria is the most resource-, energy-, and greenhouse-gas-emission-intensive economy in the Union, with important investment needs in the fields of energy and decarbonisation to facilitate the transition to climate neutrality, as described in Bulgaria's National Energy and Climate Plan.

- (26) Transformation efforts for tackling Bulgaria's high energy intensity, significant reliance on fossil fuels, and inefficient use of energy and resources are at a very initial stage. The National Energy and Climate Plan stresses Bulgaria's commitment to decarbonise its economy by 2050 in the context of the European Green Deal, but also states the intention to keep Bulgaria's reliance on domestic lignite sources for 2050 and beyond. The coverage and quality of transport infrastructure in Bulgaria remains below the Union average and the Trans-European Transport Network is still incomplete. The multimodal platforms network, some rail and road sections, and the European rail traffic management systems and intelligent transport systems remain underdeveloped. Significant environmental issues need to be tackled, as they affect sustainable growth and have created additional health risks during the COVID-19 crisis. Bulgaria is among the Member States with the largest incidence of pollution-related deaths, and waste management and compliance with urban waste-water collection and treatment obligations continue to be a challenge. The programming of the Just Transition Fund, which is the subject of a Commission proposal, for the period 2021-2027 could help Bulgaria to address some of the challenges posed by the transition to a climate-neutral economy, in particular in the territories covered by Annex D to the 2020 country report. This would allow Bulgaria to make the best use of that Fund.
- (27) Having a properly functioning insolvency framework will be important for the recovery of the real economy in the aftermath of the COVID-19 crisis, which might bring a significant increase of bankruptcies. Such framework would also facilitate a more rapid resolution of NPLs, thus limiting their further accumulation. At the same time, the ineffectiveness of the insolvency framework results in slow and costly insolvency proceedings. In June 2019, the insolvency framework roadmap was adopted and identified relevant gaps. Bulgaria has started its implementation and is preparing follow-up steps, including legislative changes and capacity-building activities.

- (28) Bulgaria adopted several laws in 2019 aiming at transposing Directives (EU) 2015/849<sup>7</sup> and (EU) 2018/843<sup>8</sup> of the European Parliament and of the Council (Fourth and Fifth Anti-Money Laundering Directives) whose implementation is pending. The recently completed National Risk Assessment shows weaknesses that need urgent mitigation to prevent money laundering and terrorist financing. The risks linked to citizenship by investment scheme programs and by virtual assets have not been properly assessed yet. Actions need to be designed and implemented to deliver an effective application of the anti-money-laundering framework by obliged entities. The effectiveness of implementation and enforcement of the anti-money-laundering framework have been limited and the use of financial intelligence has been insufficient.
- (29) While the country-specific recommendations set out in this Recommendation ('the 2020 country-specific recommendations') focus on tackling the socioeconomic impacts of the COVID-19 pandemic and facilitating the economic recovery, the 2019 country-specific recommendations also covered reforms that are essential to address medium- to long-term structural challenges. The 2019 country-specific recommendations remain pertinent and will continue to be monitored throughout next year's European Semester. That includes the 2019 country-specific recommendations regarding investment-related economic policies. All of the 2019 country-specific recommendations should be taken into account for the strategic programming of post-2020 cohesion policy funding, including for mitigating measures and exit strategies with regard to the current crisis.

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<sup>7</sup> Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141 5.6.2015, p. 73).

<sup>8</sup> Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU (OJ L 156, 19.6.2018, p. 43).

- (30) Bulgarian banks are overall profitable and well-capitalised. Despite some declines in recent years, the ratio of gross NPLs and advances remains at 7,2 % in the third quarter of 2019 among the highest in the Union, in particular by non-financial corporations and for domestically-owned banks, whereby further efforts to promote a functioning secondary NPL market remain important. NPL provisioning has been on a downward path since late 2018, accompanied sometimes by under-provisioning of the existing NPLs with long overdue. The comprehensive assessment conducted by the European Central Bank revealed the need to increase capital in two banks. The recapitalisation is being finalised. Increased provision of liquidity by banks to mitigate the impact of COVID-19 crisis and relaunch the economic growth should be coupled with banks' application of credit risk assessment and prudent credit standards, sound valuation practices and accurate reporting of any deterioration in asset quality.
- (31) The Commission has been monitoring Bulgaria's progress in the fields of judicial reform and the fight against corruption in the context of the Cooperation and Verification Mechanism (CVM). As a result, these areas have so far not been covered in the country-specific recommendations for Bulgaria, but are relevant for developing a positive socioeconomic environment in the country. The latest CVM report of October 2019 noted that progress made by Bulgaria is sufficient to meet Bulgaria's commitments made at the time of its accession to the Union. Bulgaria carried out an extensive reform of its anti-corruption legal framework, though a solid track record of final convictions in high-level corruption cases is needed to build public trust. Furthermore, a number of challenges persist, in particular ensuring effective criminal investigations, rebalancing the workload among courts, and streamlining local prosecution service offices. After the end of the CVM, the monitoring of reforms will be ensured at the national level by a post-monitoring council and at the Union level in the framework of the comprehensive rule of law mechanism as well as, where appropriate, the European Semester.

- (32) The European Semester provides the framework for continuous economic and employment policy coordination in the Union, which can contribute to a sustainable economy. In their 2020 National Reform Programmes, Member States have taken stock of progress made in the implementation of the United Nations' Sustainable Development Goals (SDGs). By ensuring the full implementation of the 2020 country-specific recommendations, Bulgaria will contribute to the progress towards the SDGs and to the common effort of ensuring competitive sustainability in the Union.
- (33) In the context of the 2020 European Semester, the Commission has carried out a comprehensive analysis of Bulgaria's economic policy and published it in the 2020 country report. It has also assessed the 2020 Convergence Programme, the 2020 National Reform Programme and the follow-up given to the country-specific recommendations addressed to Bulgaria in previous years. The Commission has taken into account not only their relevance for sustainable fiscal and socioeconomic policy in Bulgaria, but also their compliance with Union rules and guidance, given the need to strengthen the Union's overall economic governance by providing Union-level input into future national decisions.
- (34) In the light of this assessment, the Council has examined the 2020 Convergence Programme and its opinion<sup>9</sup> is reflected in particular in recommendation (1) below,

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<sup>9</sup> Under Article 9(2) of Regulation (EC) No 1466/97.

HEREBY RECOMMENDS that Bulgaria take action in 2020 and 2021 to:

1. Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Mobilise adequate financial resources to strengthen the resilience, accessibility and capacity of the health system, and ensure a balanced regional distribution of health workers, matching population needs.
2. Ensure adequate social protection and essential services for all and strengthen active labour market policies. Improve access to distance working and promote digital skills and equal access to education. Address the shortcomings in the adequacy of the minimum income scheme.
3. Streamline and accelerate the procedures to provide effective support to SMEs and self-employed, also ensuring their continued access to finance and flexible payment arrangements. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy and resources, environmental infrastructure and sustainable transport, contributing to a progressive decarbonisation of the economy, including in the coal regions.
4. Minimise administrative burden to companies by improving the effectiveness of public administration and reinforcing digital government. Ensure an effective functioning of the insolvency framework. Step up the efforts to ensure adequate risk assessment, mitigation, effective supervision and enforcement of the anti-money-laundering framework.

Done at Brussels,

*For the Council*

*The President*

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