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Independent Experts
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Assessment of the implementation of
the European Commission
Recommendation on **Active
Inclusion**

A Study of National Policies

Bulgaria

Social Europe

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Assessment of the implementation of the
European Commission Recommendation on
Active Inclusion

A Study of National Policies

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HOTLINE

COUNTRY REPORT – BULGARIA

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Summary

The Commission Recommendation on active inclusion was adopted in 2008 when the strength and duration of the starting economic crisis could not be assessed. In Bulgaria the global financial and economic crisis started to be felt in 2009 although there were some earlier signs of slow down in the economy.

In light of what happened over the last 3-4 years (2009-2012) parts of the document sound a bit optimistic. Though the basic principles outlined in the document have become even more relevant, the number of those whose links with the labour market have been broken rose significantly and created a completely new situation in terms of the prospects and the resources necessary of adequate intervention. We can safely conclude that the messages of the recommendation have not been part of Bulgarian policies during the economic crisis either as a direct causal link or just by following compatible principles even without any reference to the recommendation.

During the economic crisis Bulgarian minimum income schemes remained inadequate. There was a one-time increase of some benefits at the beginning of 2009 which brought the basic GMI to a little over 30 euro. All transfers apart from pensions thus remained with insignificant impact on poverty reduction. An increase in pensions done in the first half of 2009 was the only important factor, which protected some household incomes for the next few years.

Looking at the second strand of active inclusion, the inclusive labour markets, we have to note that employment programmes in Bulgaria were downsized in 2010, just in the middle of a looming economic crisis and a collapsing labour market. We perceive this step as being in clear contradiction with the principles of the recommendations. Briefly in 2010 and 2011 there were a growing number of people excluded from the labour market whose needs were not addressed. Support was withdrawn even from those who previously had access to it.

Lack of access to basic services was completely ignored in reality (though sometimes recognized in policy documents). The most straightforward example of lack of access comes from the field of health care with more than 1 million without health insurance and one of the highest private costs for health care (including for medicines) in the EU. Social housing is the second example, the housing situation of Roma households being the most pressing issue. Bulgaria has no social housing policy and practically no social housing stock available. At the same time there are at least 20 thousand Roma households living in urban ghettos and in rural areas in very poor housing conditions. The only response of the government to that need until 2014 will be some pilots in 4 municipalities for about 300 housing units. The way we read it the recommendation is about providing access to services, employment and adequate income to most of those in need in most of the places, not just to somebody somewhere in the form of small experimental programmes.

1. Integrated Comprehensive Strategies

The closest analogue of an integrated comprehensive strategy for the active inclusion of people excluded from the labour market is the National Employment Action Plan. This plan is also believed to be closely linked to the implementation of the Bulgarian part of the Europe 2020 Strategy, which is explicitly mentioned in the plan itself. We will briefly describe the philosophy of the NEAP, which is produced (updated) every year using the example of the last edition of the plan from 2012 not least because it contains an emphasis on the Europe 2020 targets.

The NEAP 2012 has taken note of the recommendations of the European Commission and the Council in relation to the employment targets in the National Reform Programme. The recommendation to put a focus on the employment of young people, the low qualified unemployed people and unemployed Roma is taken note of. The NEAP also recognizes that integrating vulnerable groups into the labour market through qualification programmes and subsidized employment is a good social policy contributing to social inclusion through incomes and regular payment of social security contributions, which also means receiving entitlement of unemployment benefits in the case of new unemployment spells and receiving pension rights. The discouraged, the people with low or obsolete qualification and the disabled, all of whom are potential beneficiaries of the active inclusion policy, are mentioned among the priority target groups. Later in the document a more detailed analysis of the number of people within each target group is made. The economic and labour market analysis, which is of quite good quality shows that there is still not much room for optimism at least as far as the employment is concerned especially the employment of those further away from the labour market. The analysis recognizes that a lot of low qualified people lost their jobs while the new suitable jobs that appeared in 2011 were not enough to cover the gap.

There is special section of the NEAP commenting the specific recommendations given at the end of the First European Semester. Specific Recommendation 5, which concern the issues of poverty and social inclusion of vulnerable groups, is directly linked to the NEAP domain and to active inclusion. The most important point in the documents related to active inclusion (p. 30) is the recognition that an integrated approach is needed for social inclusion, including adequate income support and integrated services for children and families. The integrated approach will according to NEAP also materialize through the implementation in 2012 of a Sectoral Strategy for Reducing Poverty and Promoting Social Inclusion.

In summary the National Employment Action Plan 2012 is a well written document, containing a good analytical section and showing that the government has taken note of the feedback after the First European Semester and of the EU documents describing active inclusion. If policies were judged on the basis of documents alone we could conclude that an integrated approach to active inclusion is appearing in Bulgaria. We think however that this is not the case and that key components of a comprehensive policy are still missing. Even if all the measures described in the NEAP and on the long run – those outlined in the National Reform Programme and the National Roma Integration Strategy are fully implemented there will be no sizeable impact on social integration of the most vulnerable groups detached from the labour market.

1.1 Comprehensive policy design

In this section we will describe what is missing from the current policy design for active inclusion. Conclusions are based on comparison of the existing policies to a comprehensive policy design. A **comprehensive policy design** includes all three strands of active inclusion – sufficient income support, inclusive labour markets and access to quality services, taking account of their joint impact on the social and economic integration of disadvantaged people and their possible interrelationships, including synergies and trade-offs.

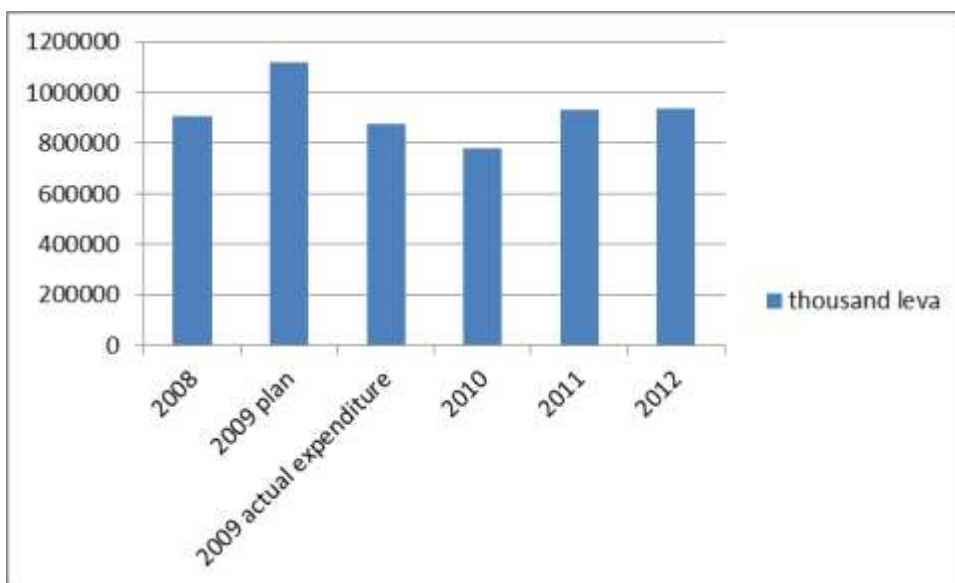
The parts we identify as missing are in our view so important that we cannot speak about a comprehensive design.

On the first place there is not any evidence that the government plans to increase significantly the resources dedicated to active labour market policies despite the nice statements of principle found in the National Employment Action Plan and in some other important policy documents.

There is even less indication that the imminent steps to secure an adequate GMI will be taken. The NEAP contains a diversity of small scale programmes, a lot of them funded by the EU and some of them actually quite innovative and good. It does not contain however anything showing that the deep structural problems generating poverty and exclusion in Bulgaria will be seriously addressed. We have mentioned them in our previous reports but will repeat the most burning ones again:

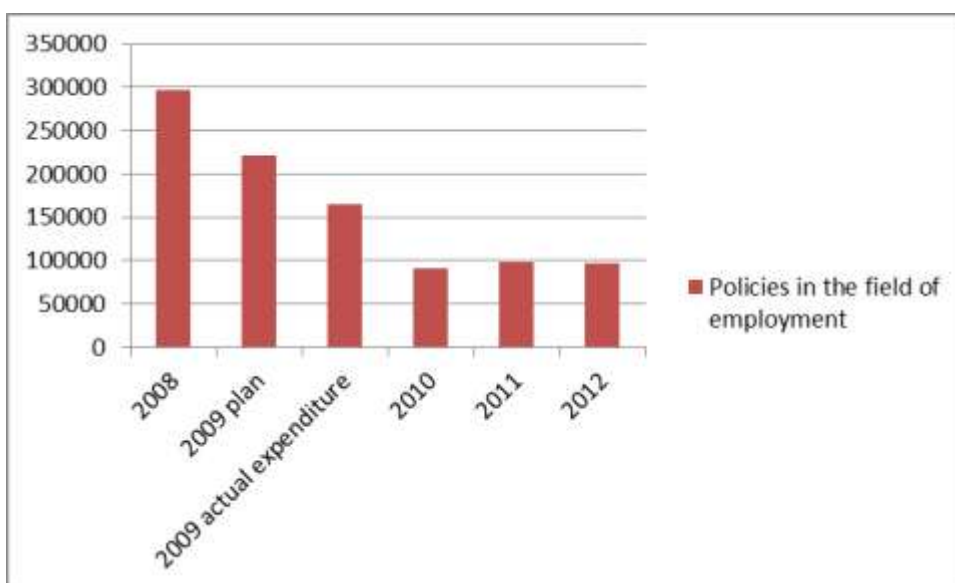
- inadequate income support (basic GMI of little more than 30 euro);
- lack of access to health care (more than 1 million people without health insurance, a lot of whom are poor and vulnerable), inadequate health care facilities in rural areas;
- practically missing social housing policy (much less than 3% of the housing stock available for social housing, most of it in poor condition) with little chance for adequate housing for tenths of thousands of Roma households and many more poor non-Roma households living in subs-standard housing;
- downscaled employment programmes.

The downscaling of employment programmes started in 2009 when the budget was not executed according to the plan. 2010 was the year of most severe cuts and in 2011 and 2012 the total funds available for employment, social protection and social inclusion barely recovered in nominal terms to the levels from before the start of the economic crisis. The chart below shows the total expenditure for employment, social protection and social inclusion, welfare, income support, demographic development and equal opportunities. These various headings appear interchangeably and in different combinations in the national budget. In some of the years the big expenditures are under one heading, next year they are moved to another. We have therefore added expenditures under all comparable headings to make the picture clearer from a macroeconomic perspective.



Source: Ministry of Finance, National Budgets for the corresponding years and reports for the execution of the national budgets.

If we look at the policies in the field of employment the picture is even clearer. Expenditure never even recovered to pre-crisis levels let alone having some extra resources to stop the negative trends on the labour market.



Source: Ministry of Finance

1.2 Integrated implementation

It should be clear from the previous section that we believe an integrated implementation for active inclusion does not exist in Bulgaria, just an improved (this must be clearly recognized) policy document design.

Later in this report we will provide examples of some good programmes and practices especially in the activation of people for participation on the labour market. However as in our view there are key components of a comprehensive policy design missing, there is no point in discussing an integrated implementation. In this section we will therefore refer to the opinions with some other influential stakeholders, who to a bigger or lesser extent support our conclusions.

The Executive Committee the Confederation of Independent Trade Unions in Bulgaria (the largest trade union organization) recently issued a statement against austerity measures and budgetary cuts as the preferred (and actually – the single) measure against the economic crisis¹.

The text is urging against putting the whole burden of the economic crisis on the employed labour force, the pensioners and the disadvantaged. The document also speaks against using the low labour costs as a single measure of the competitiveness of the economy and the privatization of public services as a rescue tool guaranteeing their future development. The trade union urges for an investment plan for economic recovery, higher employment and better jobs. Finally, one of the most important points in the document is that it calls for reintroducing in Bulgaria a progressive taxation system at the place of the current proportional personal tax rate, which is in force since 2008.

The Economic and Social Council, which is an organization with wide participation including employer organizations, trade unions and other civil society organizations, issued a recent report on the situation of the labour market in Bulgaria. The policies followed hitherto by the EU are mainly focused on the macroeconomic stability and fiscal consolidation and do little to promote employment driven growth (ESC; October 2011, 4)². The ESC also concludes that the macroeconomic policies followed do not achieve the necessary synergy with the aims of the social policy, namely to contribute to the social integration of groups at risk by boosting employment and to reduce poverty (ESC; October 2011, 5). Although the opinion of the ESC concerns the whole of the EU, a large portion of the assessment is particularly relevant to the situation in Bulgaria. This document however does not seem to have had any impact on government policies in Bulgaria.

1.3 Vertical policy coordination

Vertical policy coordination on the issues related to active inclusion cannot be discussed in general as there seem to be significant differences among different strands of inclusion, different programmes and even different target groups.

Starting with the adequate minimum income we can safely summarize that this issue is decided by the government in a rather intransparent way with insufficient involvement even of the social partners. Local authorities' opinion and even less the opinion of people suffering poverty is not sought at all. People suffering poverty are

1 Confederation of Independent Trade Unions in Bulgaria
[http://www.knsb-
bg.org/index.php?option=com_content&view=article&id=2229%3A2012022903&catid=63%3A--
&Itemid=171&lang=bg](http://www.knsb-bg.org/index.php?option=com_content&view=article&id=2229%3A2012022903&catid=63%3A--&Itemid=171&lang=bg), accessed 29.06.2012.

2 Challenges to Labour Markets in the context of the Europe 2020 Strategy, ESC, 2011.

not well represented in the Bulgarian policy debate (excluding some Roma organizations and some organizations of people with disabilities).

Employment programmes are discussed with the social partners. Employment measures and programmes funded from the ESF are discussed with a much wider circle of stakeholders including members of the Monitoring Committee of the Human Resource Development OP or the Regional Development OP and the National Association of Municipalities and mayors when specific programmes are concerned. Roma NGOs have lately been an active participant in the process of consultations especially for projects funded by the ESF but also for the pilot programme for social housing in 4 municipalities funded from the ERDF with additional measures supported by the ESF.

The case of access to services provides very diverse examples. For services which concern deep structural issues related to the macroeconomic and budgetary stability like for example health insurance and pensions, participation of stakeholders is rather limited. Most of the time there is actually nothing to participate in as these issues are simply neglected or postponed indefinitely.

1.4 Active participation of relevant actors

During the last few years there was bigger focus on civil organizations' opinion. The practice of inviting civil society organizations when discussing legislative changes became somewhat more widespread, but the discussions have remained in many cases formal, and did not affect decisions on significant. Civil protests have proven more effective than the informed policy debate in putting pressure on the government to take some decisions. During the last couple of months there were an increasing number of protests that influenced the decisions of the parliament and government. These protests however were related to environmental demands and concerns.

In the area of development of children and family policy the National Network for Children has an active role, which focuses on the lack of resource of social services for disabled children who leave the institutions¹. According to the experts' opinion from the NNC the service providers are in a very difficult situation to fundraise money and to finance services in order to improve their quality.

The National Strategy Vision for Deinstitutionalization of Children outlined the main problems, among them the insufficient number of services for children and families, which could provide a complex response to the needs of the beneficiaries and the uneven distribution of those services on the territory of Bulgaria. The Vision for Deinstitutionalization of Children also pointed out to the lack of financial resources as a main reason for the social exclusion of families and the placement of children in institutions. We fully share this conclusion and have to point out that very little has been done to improve the situation of vulnerable families. The social benefit system provides less than adequate support. Improvement has been made in the provision of services, which provide alternative to institutional care. The number of such services has been growing for years but is still far from the provision of universal access. Both the capacity of existing services and the geographic distribution leave a lot of families in need without support.

One of the leading projects to implement the National Strategy "Vision for deinstitutionalization of children in the Republic of Bulgaria is the "Childhood for All" project, implemented by the State Agency for Child Protection. Its purpose is to plan and implement concrete and effective measures for real deinstitutionalization of children with disabilities over 3 years of age living in 24 institutions for children with disabilities and 31 Homes for Medico-Social Care for Children. This target group was chosen because the children with disabilities are the most vulnerable and have the highest levels of social exclusion. The focus of the work of all people involved in its

realization is not only a mechanical closure of institutions, but also the sustainability of the newly established social services for children with disabilities - and the resident community. Centers for Family-type Accommodation which will be built for these children are accepted only as a place to live. These centers will provide close to the family environment care. New approach in the provision of care for children with disabilities in the provision of equal access to all services for these children from their place of living, including health, educational and social services. Prior we made detailed analysis of existing services and needs of all children with disabilities, not only raised in institutions. This analysis showed that they are not evenly distributed across the country and in many places they are entirely absent. Based on this analysis was made a map of resident services, taking into account both the needs of children and young people from the target group and the needs of children in the community. There were planned 185 resident services. Planning related services in the community is also based on the needs of disabled children in the target group of the project "Childhood for All", and those in the community. The construction of 71 new services - 37 Day cares Centers and 34 Centers for Social Rehabilitation and Integration, and is intended to increase the capacity of current services for children with disabilities.

Even the full implementation of the "Vision for deinstitutionalization of children" until 2025 will not remove some of core reasons for the abandonment of children. One key weakness of the existing policies, which requires enormous political commitment and large resources which are not envisaged in any current policy document is social housing. There is a large gap between the needs and the available social housing stock and accommodation infrastructure. This conclusion is true both for crisis accommodation and instruments for addressing the long term housing needs of vulnerable families with children. As an example, a big city like Sofia with more than 1.2 million official inhabitants and a lot of commuters some of whom are very vulnerable has only three centers for temporary placement with a total capacity of less than 500 places. These centers are completely overwhelmed and simply cannot respond to the whole demand for temporary accommodation even in the cold season. Among the clients of those centers there are families with children as well as unattended children. But the biggest problem is that there is nothing after the centers to match the size of the need. There are no instruments for addressing the long-term housing needs of the most vulnerable families, the homeless and those living in unacceptable living conditions. So the promise of the "Vision for deinstitutionalization of children" is that over the next decade more families and children from every next cohort will have access to community based services, but there is no promise that they will have homes.

One of the main concerns related to the access to basic services are the rising electricity prices. The body regulating energy prices suddenly approved an increase by 12%. Investments in renewable energy and the commitments of the government to buy "green energy" at higher prices were blamed for the increase. Whatever the true cause for the increase there is little doubt that it will put a strain on low income households, especially those living in energy poverty, some of whom are receiving special heating benefits during the cold season. The Prime Minister promised additional support for those households but it remains to be seen if and how this promise will be fulfilled.

Parallel with the document directly related to Bulgaria's participation in the Europe 2020 Strategy, the government is also preparing a the National Programme of Development called Bulgaria 2020, which will provide the framework for using the structural funds of the EU in Bulgaria for the next programming period. The programme is led by the minister of the management of EU funds. A positive step is the initiative the minister is a wide discussion about the programme involving many civil organizations. Until the summer of 2012, the expert group had 3 meetings. In

addition to that the Ministry of Labour and Social Policy also invited civil organizations to participate in the development of the "Human Resources Operational Programme for the next programming period 2014-2020. In order to participate, NGOs must submit a special application form but there are no signs that the procedure will be selective. Most likely all applicants will be approved.

2. Description and assessment of the impact and cost effectiveness of measures introduced or planned under the 3 strands

In the next sections we will focus on the impact of measures, which can be related to the 3 strands of active inclusion. It has to be explicitly noted that these measures are not necessarily announced or conceptualized as having any link to active inclusion or the recommendation on active inclusion. These are just measures conducive to the provision of adequate incomes, creation of an inclusive labour market and improvement if the access to basic services, as far as such measures exist.

As far as the cost effectiveness is concerned we are not aware of any recent impartial assessments. There are reports and policy briefs criticizing most of the employment programmes for lack of effect and waste of resources. These are however produced by economists who want to see employment programmes closed down for ideological reasons. We have quoted the most detailed such report and noted its shortcomings.

As a general observation we can say that most of the Bulgarian employment programmes are rather 'cheap' in terms of unit costs (the amounts spent per beneficiary in a programme). One of the reasons for that is the need to accommodate a growing number of beneficiaries with shrinking resources. Such an approach can of course have some negative impacts on the success rate and other outcome indicators. But for the lack of recent empirical assessments we will not try to go deeper into this issue.

There are at least 3 good assessments of the net impact of employment programmes, which we know about. Two of them are rather old (the second one from 2006) and include an assessment of all big employment programmes. The last one is from 2010 and covers only a specific type of service (labour mediation), which is however very relevant to the activation of the most vulnerable and especially the Roma.

2.1 Adequate income support

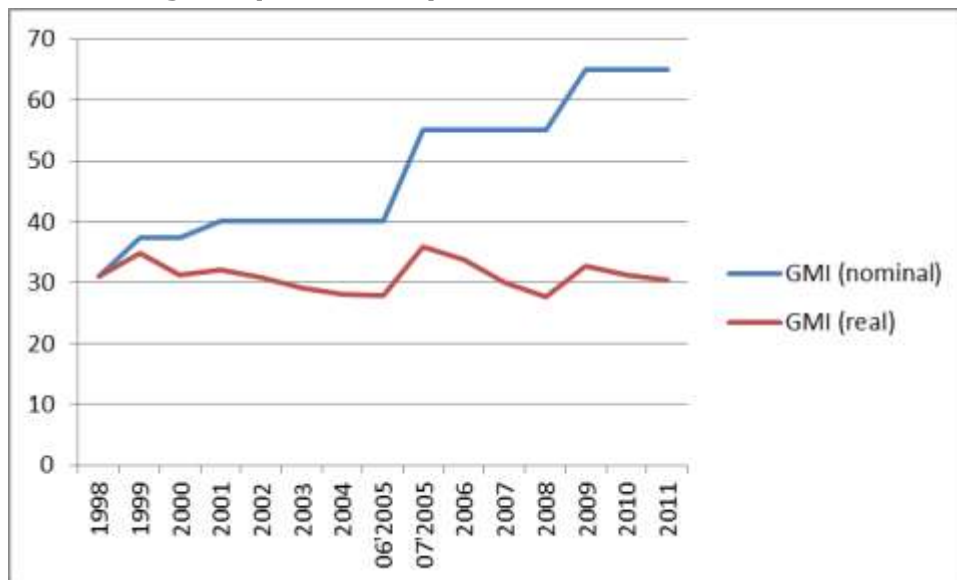
The definition of the Guaranteed Minimum Income is provided in the Social Assistance Law, which says that it is a "legally defined amount used as a basis for defining social assistance with the aim of guaranteeing a minimum income to meet the basic living needs of people according to their age, family situation, health and wealth³. The monthly amount of the Guaranteed Minimum Income is defined by the government and serves as a basis for defining the amount of all social benefits.⁴ So, it is not linked to the official poverty line, although the government may consider the poverty threshold when defining the GMI. In practice, the GMI is rarely changed. The government approved an updated monthly amount of the Guaranteed Minimum Income (GMI) as of 1 January 2009, which was 65 BGN (around 33 euro). Before that, the guaranteed minimum income had remained unchanged at 55 BGN since the middle of 2005.

³ Social Assistance Law, para 1.10 of the supplementary provisions.

⁴ Social Assistance Law, art. 12(3)

In real terms the GMI in 2012 is exactly at the level of 1998, i.e. equal to 30 1998 leva.

GMI in Bulgaria (1998:2011)



Source: National Statistic Institute, CPI is used in discounting, other measures of inflation produce very similar results.

In our view there are two reasons for the very limited coverage of the monthly social benefits in Bulgaria. The first reason is restrictive means tests and restrictive additional conditions for receiving an entitlement to social benefits. From these additional conditions we will quote just two, explaining why their use does not make much sense from an economic point of view and is the same time acting as an impediment to social inclusion. In order to be entitled to social benefits a person has not to be registered as a sole trader (or one-man business). The majority of very microbusinesses in Bulgaria are registered as sole traders. This can be for example an owner of a small shop. Many sole traders having small businesses can live with incomes close to the poverty line even in times of economic prosperity. During the recession such small businesses experienced severe difficulties or even had to close down. In such circumstances the Bulgarian regulation requires the sole trader to incur all the costs for cancelling the registration before getting any support. Later, if there as new chance to start a business again, the person has to bear the costs – administrative fees and time lost – for a new registration. Another example is the ownership of movable or immovable property except the one for personal use. Families who own a house with more rooms than the number specified in the law are not entitled to social benefits. It is assumed that the additional space can be a source of income and it is left to social workers to make an exemption if they find out that this is not the case. But there are no rules on which such decision should be based and it is a matter of how social workers are instructed to act depending on whether there are money available or not.

The second very important reason for the low number of beneficiaries is stigma created by the negative public sentiment towards some minority groups, which are among the main clients of the system of social benefits. This sentiment is unfortunately often reinforced by the public speaking of key policy makers, the most

recent examples featuring the current minister of social policy who recently said to the media that part of the Roma community use to drink away child benefits⁵.

Increasing the GMI and linking it to the poverty line has been proposed many times over the last years by the trade unions, most recently this was done in the context of the discussions of the 2013 budget⁶. The Confederation of Independent Trade Unions in Bulgaria requested an increase of the GMI and the targeted support for heating even if this would require an increase in the expected budget deficit to 2%. This request is based on the analyses carried out by trade unions, which conclude that in the period 2010-2012 "Bulgaria has made no improvement either in the GMI and social assistance programmes or the pensions..."⁷.

There is no any binding procedure for determining the Guaranteed Minimum Income. It is just adopted by the Council of Ministers completely arbitrarily, i.e. on whatever grounds they wish. The memos will actually not mention any grounds, just quote the amount and refer to the paragraph in the Social Assistance Law, which says that this amount is decided by the Council of Ministers. Any amount can be chosen and will be completely legitimate if it is approved on a session of the Council of Ministers. The issue of minimum income is sometimes discussed in the Tripartite Council on political level and often at expert level in working groups organized by the Ministry of Labour and Social Policy with the participation of trade unions, employers and NGOs. These discussions however have only a consultative role. The Guaranteed Minimum Income is then used for the calculation of differentiated minimum income for different groups of beneficiaries. The differentiated minimum income is a certain percentage of the minimum income guarantee, the size of which depends on the level of vulnerability and supposedly – on the cash needs of each specific group of beneficiaries. The differentiated minimum income is the amount protected (guaranteed) by the system of social assistance. Everyone who has an income less than the amount of the differentiated income for her group is entitled to receive social benefits.

The Guaranteed Minimum Income was last raised at the beginning of 2009. The increase was from ≈ 27 to ≈ 33 Euros: a quite impressive rate of increase but from a very low base. **Minimum income schemes** in Bulgaria have remained inadequate without any provisions for adjustment to inflation. Keeping benefits low has no other obvious reason except sticking to a workfare philosophy, which became very fashionable in Bulgarian policy circles both on the right and the left. We will illustrate the kind of prescriptions this philosophy gives which concern not only the size of the benefits but also the taxation system.

In 2010 Bulgaria had the third lowest implicit tax rates on labour in the EU after Malta and Portugal. This means that labour costs are as low as they can be. The next chart shows the decrease in the implicit tax rate on labour after 2005 when several decreases in social security benefits took place and a proportional (flat) tax rate was introduced in 2008. On the other hand the tax rate on low wage earners in 2010 was higher than the average for EU-27 – 81% in Bulgaria and 75.42% in the EU-27. The marginal tax rate on typical low wage earners when their productivity is doubled from 33% of the average wage to 67% is also very low in Bulgaria compared to most of the other EU member states and the EU averages. This Eurostat indicator however does not show some important details, which can only be seen when the marginal tax rate on low income is disaggregated into rising income taxes and withdrawn benefits. Economists may be right to think that from a personal point of view it does not matter whether somebody lost income due to taxation of the marginal income or a withdrawal

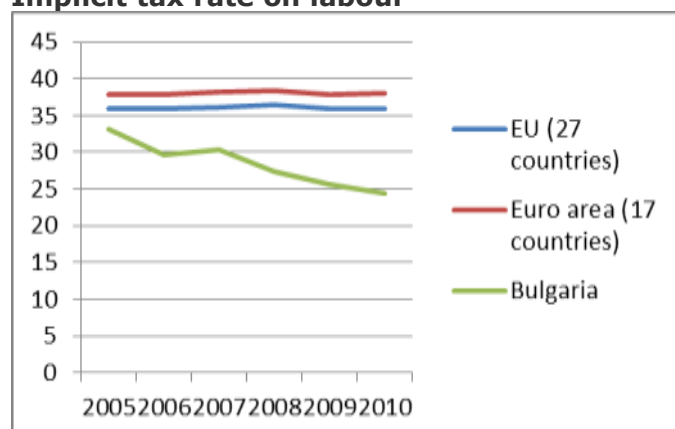
5 See for example <http://www.politika.bg/article?id=29249> among tens of materials from the extensive media coverage.

6 See for example <http://news.varna24.bg/363627.html>

7 'On the state of the system and policies for social protection' in *Sindi trud*, 2012, vol 02-03.

of benefits. From a policy point of view however these two situations have very different implications. Keeping benefits very low in order to make even low paid jobs still attractive comes at the cost of inadequate incomes for those who for certain reason at some point in time are not participating in the labour market. This is the case with Bulgaria.

Implicit tax rate on labour



Source: Eurostat

In the context of measures aiming at reducing child poverty a special attention should be given to the low impact of social transfers in Bulgaria. The National Reform Programme has mentioned this issue. The marginal reduction of poverty due to social transfers is about 5.6% (5% among children). The first priority mentioned in the NRP in the context of the poverty reduction target is to increase the adequacy of the social transfers. The NRP envisages legislative changes to attain this goal. An increase in the amount of child benefits will be most useful for increasing their adequacy, while the coverage is very good. The coverage of the main social assistance scheme – monthly social benefits – needs to be widened if their marginal effect over poverty reduction is to be increased. The Guaranteed Minimum Income (GMI) is far below the official poverty line (65 leva \approx 33 euro). The actual social transfers are equal to the GMI multiplied by some factor larger (but not much) than 1 depending on the age, family and health status of the person, but even the largest social transfers calculated by this method are barely enough to lift households out of poverty.

When only the incomes of those who work are discussed it can create some rather confusing and misguided targets. The objective of the income policy, as formulated for example in the Convergence Programme 2011-2014 is „to link income growth with the labour productivity growth, which will positively influence competitiveness, as well as with the capacity of the economy and the budget“. When the link between income and productivity growth is discussed, we usually mean work-related incomes. The mechanisms for increasing those incomes are state regulation mainly through defining the minimum wage and collective bargaining between trade unions and employers, sometimes with the involvement of the state as well. But during the economic crisis in Bulgaria we could see how labour productivity grew not because of some technological improvement or upgrading of skills but through dismissal of low skilled workers. What is the relevance of the income policy objective in this case? In our view, this is not very clear. Obviously increasing productivity by letting the unskilled drop out of the labour market and then look only at salaries as a relevant measure of income would not be a very good policy, definitely not one promoting social inclusion.

2.2 Inclusive labour markets

We will first explain the relevant specifics of the Bulgarian labour market in order to explain what kind of difficulties and obstacles existing employment programmes face.

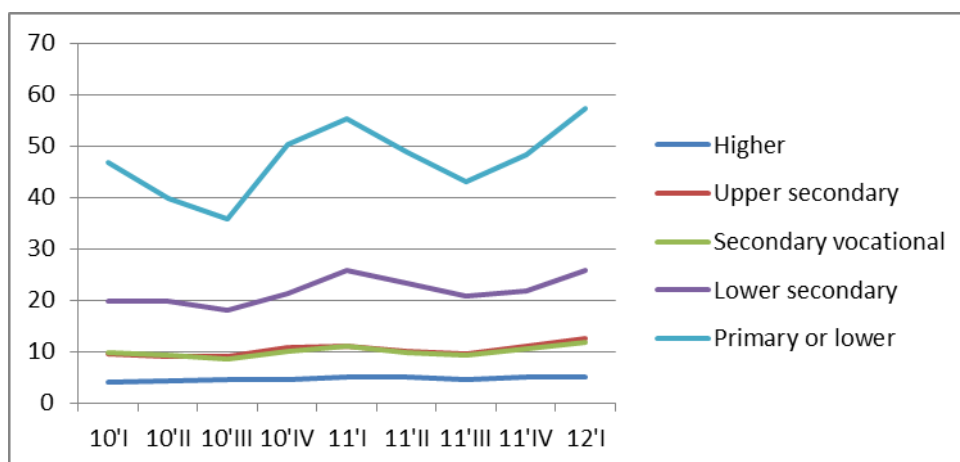
Unemployment rates in Bulgaria rose steadily ever since 2008 affecting primarily those with low education and qualification.

It can be clearly seen that unemployment rates among those with higher education have remained quite low during the economic crisis, while unemployment rates among those with completed secondary education were high already at the beginning of 2010 and rose further. At the lowest skill level the unemployment is the most volatile and the highest. This group includes a large portion of Roma. Looking at this graph one might think that there has been a turmoil caused by the crisis in low productivity sectors, while Bulgaria must have preserved some higher productivity segments of the economy where qualified people with higher education are employed. The truth is however less comforting. The Bulgarian labour market is segmented and displays significant crowding out effects. The higher end segment is relatively small and accessible only for a small portion of the people with higher education. As can be seen from the data available from the official Bulgarian University Ranking System due to the relatively low technological development of the economy the majority of university graduates take jobs⁸, which require secondary or lower education according to the International Standard Classification of Occupations (ISCO). People with secondary education are thus forced to compete for jobs requiring lower education and qualification. At the bottom of the skills range those without any qualification and with incomplete secondary, primary or incomplete primary education cannot access the typical low qualified jobs, which would usually keep them linked to the labour market.

This is a very unfavorable pattern of development of the labour market, creating a situation where a lot of people take jobs below their qualification and the most unskilled are crowded out. In such a situation labor market segmentation is very difficult to address as in all segments of the labour market there are people with high qualification, which means that improving qualification by the means of qualification courses may not produce the expected effect on the employment chances of the least qualified. Paradoxically in such a situation investing the “knowledge economy” may open working places in the lowest segments of the labour market. The next chart, which illustrates our conclusions, shows quarterly data on unemployment rates disaggregated by level of education from the beginning of 2010 to the first quarter of 2012.

⁸ See <http://rsvu.mon.bg/>. The ranking system gives information on the mismatch between the acquired education and the education requirements of the jobs taken by university graduates.

Unemployment rates by education

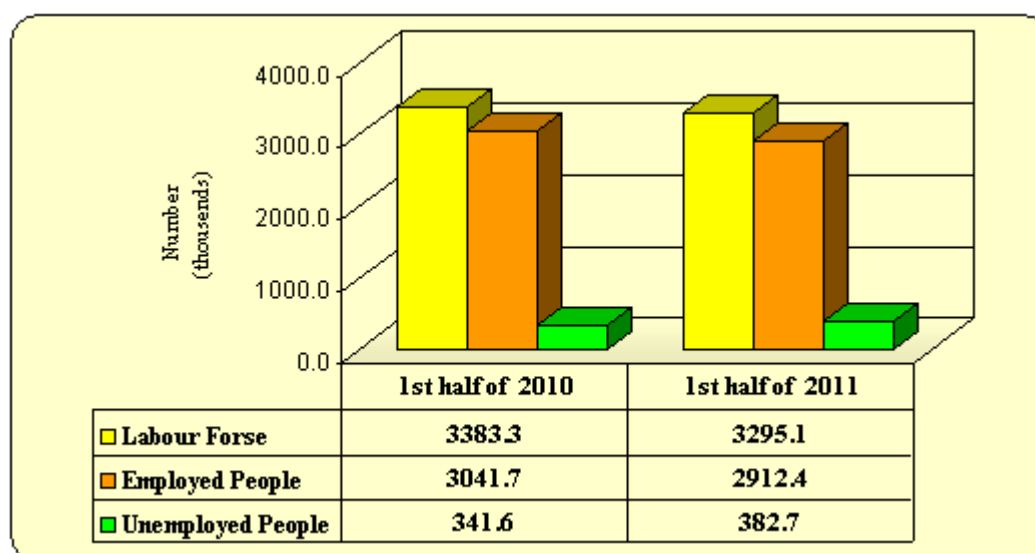


Source: NSI

A similar mechanism of job creation suggested by Pissarides⁹ focuses on economic growth as a main factor for boosting employment and then points out that the actual creation of jobs happens in low productivity service sectors where more demand is created due to the increased wealth. So the new jobs are not a direct result of a productivity growth in a sector where this productivity takes place but a side effect of the rising demand for services provided by low productivity sectors, the consequent rise in prices for those services and the rise of the salaries of the employed, which are generally people of lower qualification.

⁹ Pissarides, C. "Lisbon Five Years Later What Future for European Employment and Growth," CEP Occasional Paper No 20 (), 2006, pp. 1-18.

The recent statistics of the Employment Agency shows deterioration of all labour market indicators; shrinking labour force, reduced employment and rising unemployment.



Source: Employment Agency¹⁰

The public labour offices assume the hardest task of making the link between the labour market and some of the most disadvantaged groups. Low qualified workers are among the main clients of the Employment Agency unlike the clients of private intermediaries, which generally serve the higher skill segments of the labour force. In 2009 and especially in 2010 this very difficult function of the labour forces was limited by budgetary cuts.

It is very difficult to estimate the unemployment and inactivity rate among people with disabilities in Bulgaria¹¹. It should be expected the activity rate of people with disabilities in working age to be lower than for the general population. But in Bulgaria it is quite low. About 10% of people with disabilities in working age are looking for a job. Before the start of the economic crisis up to 40% of people with disabilities looking for a job were likely to find one (at least for some time) with support from the Employment Agency. Since 2009 this chance dropped significantly. The Academic Network of European Disability Experts (ANED) made some estimates based on EU Silk 2009. According to EU SILC data for 2009, compiled by ANED, the employment rate for disabled people (aged 20-64) in Bulgaria was 39.0%, compared to 72.1% for non-disabled people (41.7% for disabled men and 36.6% for disabled women). The unemployment rate was 22.4% and the economic activity rate 50.2%¹². Chances for people with disabilities to find non-subsidized employment are very low due to the combination of low education and qualification and health problems. The jobs requiring

¹⁰ http://www.az.government.bg/eng/internal_en.asp?CatID=15/04&WA=NumCharts/LabForce.htm

¹¹ Panayotova, K. *Report on the employment of disabled people in European countries*, Academic Network of European Disability experts (ANED), 2007.

¹² <http://www.disability-europe.net/countries/bulgaria>

low qualification on the primary labour market are usually not suited to people with disabilities¹³.

Supported employment for disabled people is barely covered in the programmes of the Employment Agency. There are programmes oriented to the employers, who hire disabled people on the principle of subsidized employment for people with mental problems or physically disabled. The best known examples are specialized enterprises and small workshops, where people with special needs could work in a segregated environment among other people with (mostly similar) disabilities. This kind of enterprises is inherited from socialist times but it is generally very unsustainable and most importantly, it is questionable if this kind of enterprise does any good for the social integration and improvement of the quality of life of people with disabilities. Some years ago an international comparative study of the European Platform for Rehabilitation make the following conclusion concerning the specialized enterprises for people with disabilities, which in our view completely relevant today as nothing has changed in the model¹⁴:

Apart from the several specialized firms for people with hearing and sight disabilities, the specialized enterprises accept mainly people who according to the medical criteria have been considered unsuitable to function under the conditions of the free market economy...The specialized enterprises have tax alleviation and direct state grants. A prevailing option is that a considerable part of these jobs are non-productive, low-efficient, low-paid and do not follow the requirements of the labour market. The way the specialized enterprises are structured at present they do not offer the people with disabilities good opportunities to be included into the free labour market.

The National Employment Agency is a centralized structure that realizes its work through its sections in the municipalities. The Employment Agency managed a large portion of the measures and services funded under the *Human Resources Development* Operational Programme. We have shown very often in our reports that the centralized approach of delivering services especially in the area of employment is not always the best solution. In this respect there has been some improvement especially with the introduction of a 'new generation' of experimental and more flexible programmes, which were however of a very small scale and with little care for their sustainability.

We will give here just one revealing example (other examples are given in the section on the use of EU SFs). The establishment of social enterprises was supported for several years by the Europeans Social Fund. A lot of NGOs and municipalities developed this kind of businesses, some of which started in a very promising way. But the programmes were too short to create viable and sustainable social enterprises and a lot of enterprises closed soon after the end of the projects. It is quite unrealistic to expect a social enterprise employing by definition a workforce which is not very competitive and needs additional support, to become profitable after just a year. Our estimates are that the death rate among social enterprises was above 60% already in the first year of their 'independent' (unsupported) operation. In our view the lesson from this is that policy innovations cannot make a change unless there is a plan how to later streamline them into well-structured policies. Miracles sometimes happen and

¹³ See the analysis of the Employment Agency:

http://www.az.government.bg/projects/prog/hu/frame_hu.htm

¹⁴ European Platform for Rehabilitation, *A cross-national comparison of disability policies and organisations for and of disabled people in Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia, 2005.*

new good ideas appear but turning them into sustainable results requires a lot of care and support.

We can summarize that one of the main problems of the existing labour market programmes in Bulgaria is that they are very often focused on quick but unsustainable solutions promoting low quality jobs. This is the case with about half of the temporary jobs supported by the programmes of the Employment Agency. Employer organizations have also criticized this type of programmes saying that they offer only a 'temporary relief' but 'create risks and problems in strategic perspective'¹⁵.

The large employment programmes in Bulgaria have not been recently assessed in terms of their net impact but previous assessment has shown a positive impact of between 20% and 40% depending on the type of programme. The last such comprehensive assessment was carried out in 2006. Recently the National Employment Plan for 2011 came under attack from neoliberal economists who produced an alleged cost benefit analysis of the programmes included in the plan and concluded that the whole plan was generating a net loss of 69 million Bulgarian Leva¹⁶. The analysis is misguided and methodologically incorrect but was reflected by the media and had a broad impact connected with pressures to further reduce social benefits for the lazy, poor and families with a lot of children who are allegedly receiving large child benefits.

The lack of good quality analyses or their weak promotion to the general public provides space for ill grounded attacks on the employment programmes and the social protection system, which have never been broad enough in their coverage and adequate in their per client funding and, on top of that, suffered the hardest austerity measures.

The National Programme for Adult Literacy (previously known as the National Programme for Literacy of the Roma) had a positive impact on the employability of some very low qualified persons primarily of minority background. The programme deals with the most difficult unemployable target groups, who are functionally illiterate in textual and numeric terms. The programme envisages literacy courses, which are aimed to enable participants to join further qualification courses or find employment. Without further courses it is of course a question of finding unskilled jobs. The programme is part of the National Employment Plan 2011.

An example of a newer generation of programmes, which take a more integrated approach to employability and employment, is the programme *Take your life in your own hands*. It was developed with the strong influence of NGOs at the design stage. The idea of the programme is to target very difficult non-working groups including the discouraged who have stopped looking for work. The programme combines individual counselling provided by NGOs among others with tailored training courses and continuing on-the-job support. The programme is also part of the National Employment Plan 2011 with a budget of 1.32 million leva for 2011 and a total budget of 11 million leva (app. 5.62 million Euros) until 2013. In 2012 the programme enjoyed high interest on behalf of beneficiaries so additional funds were contacted after the end of the procedure¹⁷.

¹⁵ Association, B. I. *Labour Market. State and Trends*, Bulgarian Industrial Association, September 2011, 4.

¹⁶ Slavova, Z. *Assessment of the Effect from the Implementation of Active Labour Market Policies*, Institute for Market Economics, 2011, 21.

¹⁷ The list of contracts can be found at http://ophrd.government.bg/view_file.php/14508

As far as living in households with low work intensity are concerned, Bulgaria had a rather good performance. Households with low work intensity are defined as household in which the ratio of the total number of months that all working-age household members have worked during the income reference year is below 20% of the total number of months the same household members theoretically could have worked in the same period. Improvements mainly occurred during the years with strong economic growth and then the indicator deteriorated insignificantly between 2009 and 2010.

2.3 Access to quality services

Still the access to the universal services is difficult for the most marginalized and vulnerable groups. There are a lot of barriers for people to reach the basic services as education/ kindergarten, school, qualification, etc.,/ health care in the area of hospital and pre-hospital help especially if there is no health insurance. The social services are still not enough and not spread on the necessary territory.

Besides the lack of opening new services in the years of economic crisis additionally limits their development but the main problems for social services are still in inadequate law regulation and monitoring and control of the quality of the social services.

The new proposed educational law that creates more mechanisms for inclusion of children through creating centres for personal development is a step ahead, and it is now between first and second reading in the parliament. Although there is a lot of debates around the law this is probably the bravest step of this government to reform the educational system. The new law for protection of the child was another similar initiative of the part of the executives and it was ruined, because of lack of political will to make changes in the social services system and universal services about child rights.

The social services system is unevenly developed and monitoring procedures of quality of services delivered are oriented towards processes but not towards achievement of quality, outcomes and effects. The services for children are mainly of institutional type and the current government undertook a wide scaled program aimed at de-institutionalization and at closing large homes for disabled children and homes for children aged 0 to 3.

In Bulgaria the lack of places in kindergarten is primarily felt in big cities. This is due to the fact that demand for places in kindergarten is much higher in cities. Cities are the generators of employment opportunities and increasingly cities are the places where a vast majority of the younger population is concentrated. Lack of places in kindergarten in cities is an impediment to employment especially for women.

Another impediment to full time employment may be the lack of full day programs in schools, especially after the first grade. The lack of opportunities for hourly employment in Bulgaria prevents flexibility, especially for those people who have low wages. Full-time employment at 8 hours (through a labour contract) is one of the most frequent opportunities for employment. The other one is employment through service contract which regulates the execution of a specific task and not of hourly employment.

Due to the inadequacy of social protection policies other public service sectors have started to play, voluntarily or involuntarily, the role of a surrogate social protection system. For example it can be argued that for some time disability pensions have played the role of the social protection system. During the economic crisis the number of disability benefits rose quickly also due to the fact that desperate people without any regular source of income had to look for at least some public support. Since

entitlement these pensions follows the decision of special medical commissions. As soon as this increase was spotted by the government measures were taken to chase people out of this system as well by a classical set of tools. It starts by uncovering and presenting to the media a couple of case of "cheating" with somebody receiving a document for disability through a corrupt interaction with the system of special medical commissions. Then the argument goes to show that this is large and systemic way of "lifting public funds" and to introduce measures which would punish doctors who have issued a disability document later successfully challenged in the court.

Child poverty in Bulgaria is with one of the highest levels in EU and is often observed in a generational circle of separate families and communities. The at-risk of poverty or social exclusion rate for children in Bulgaria is 44.6% - one of the highest rates in Europe (the rate for EU27 is 26.9% for the same indicator) according to the Eurostat data for 2010¹⁸. The poor children in Bulgaria are 26.7%¹⁹. The risk of poverty is extremely high for families having many children and is households where members are unemployed. According to data from a 2010 research of the OSI-Bulgaria and the World Bank 3 out of 4 families are poor among the families with 3 or more children. According to the same research poverty among households with children is more widely spread (27%) than among households with no children (20%). When it comes to Roma families the poverty among families with 2 or more children reaches 69% and households without children have poverty rate as much as 44%. Often families belonging to the most vulnerable groups have no access to healthcare and their children remain uncovered by the educational system. The data clearly demonstrates the vulnerability of children with regard to poverty and the significant lagging behind of Bulgaria.

The social protection system is under strain with budgetary allocations for social welfare shrinking from BGN 891 to BGN 691 million between 2009 and 2010²⁰, while at the same time the budget for child allowances decreased by 24%. At 1.3 % of GDP, spending on financial benefits for families and children is among the lowest in the EU, compared to a 2 % EU average, and Bulgaria ranks last in EU on funds for family support per capita²¹. In the last four years the relative amount of the benefits provided under the Act for Family Benefits for Children has increased. However, in absolute value they remain extremely low (20 Euro per child monthly).

In such context the availability of socio-educational services is a question of survival. Thus the development of community based social services for children and families in Bulgaria is still very limited.

The access to education depends on the effective implementation and the co-ordination of the state policy in different sectors as well as on the clear responsibilities for inclusion of children in the educational system. Without optimization and clarification of responsibilities, the negative trends which are observed during the last years in the country will remain. During the previous 2009/2010 school year for different reasons 19.6 thousand students have left the general education schools, of which 13.5 thousands are in basic education. The largest relative share of students who have left is that of students leaving because of family reasons - 9.8 thousands or 50.3% of all leaving students, followed by those who left because had gone abroad -

¹⁸ Eurostat, 2011, Eurostat newssrelease:

<http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/12/21&format=HTML&aged=0&language=EN&guiLanguage=en>

¹⁹ Eurostat, 2011, National Statistical Institute, (data for 2010)

²⁰ Public Finance Management Survey, Oxford Policy Management, 2009/2010

²¹ Eurostat, www.eurostat.ec.europa.eu

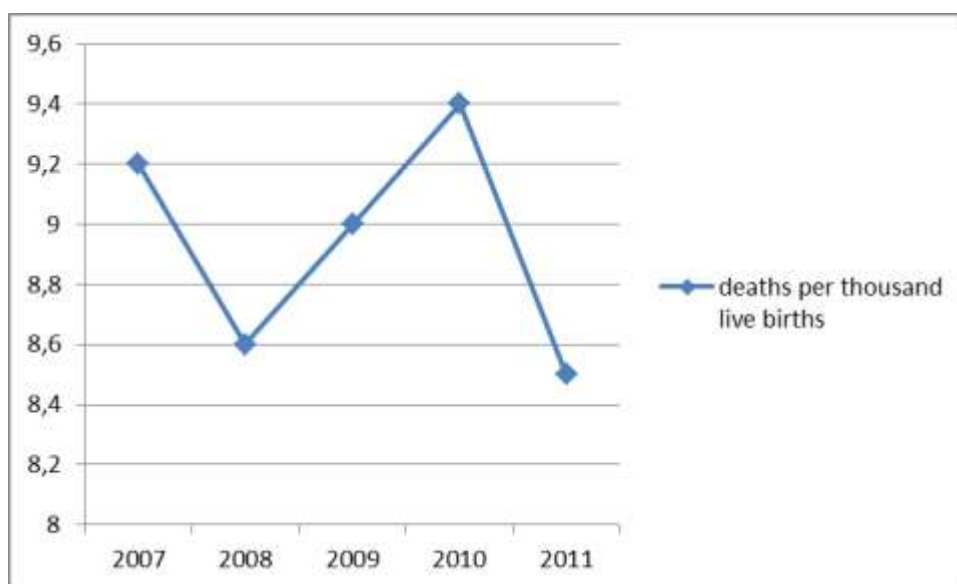
24.5% and the share of those who left because of unwillingness to study is also considerable - 18.4%.²²

Led by its willingness for change, the management of the Ministry of Education, Youth and Science put in the Concept for new Act for Pre-school and School Education a standard for inclusive education which is being developed by an expert group. The fact that there's an active dialogue between civil organizations, the state institutions, media and the whole society is a good start but the pace should be improved and the efforts more focused.

Despite the concrete commitments for improving the access, the coverage and the quality of inpatient and outpatient care, the situation in the country remains very worrying. There are still a huge number of children who are de facto not covered by the health system (12% of the children up to 3 years old²³), many women give birth without attending prophylactic checks during their pregnancy and the people from small places and remote regions can't rely on quality and timely medical aid. A clear distinction should be made at least in the case of children between the lack of legal obstacles to accessing health care (the state covers the contributions for children up to 18 years of age) and the actual access to health services. The latter is a result of complex set of factors including geographic accessibility affordability of private costs related to health care (which in Bulgaria are very high) and the status of parents vis-à-vis the health care system.

The child mortality indicators in Bulgaria are yet far from the envisaged by the *UN Millennium Development Goals* and the *National Strategy for the Child 2008-2018*. In the last 5 years the overall Infant Mortality Rate (0-1) stayed around 9 per thousand, which is very high for the EU.

Infant mortality rate in Bulgaria (2007-2011)



Source: National Statistic Institute

²² National statistical institute, "Education in Republic of Bulgaria 2011"

²³ According to data of the NHIO 88% of the children up to 3 years old are covered and monitored by a pediatrician/GP.

In 2010 it was 9.4 per thousand, in 2011 was 8.5²⁴ per thousand live births but in some areas of the country where disadvantaged groups live it is much times higher. In 2011 the highest infant mortality was registered in the district Sliven (17.0‰, 26‰ among boys and 7‰ among girls). The expectations for further decrease of infant mortality rates are rather pessimistic given the current situation with the access to health and the coverage of the risk groups.

During the last years there have been many promising decisions made which are visibly changing the situation in the area of child protection. The deinstitutionalization is a national policy in Bulgaria. The funding of the process is foreseen through Human Resources Development Programme, Regional Development Programme, Rural Development Programme and State budget, with a total budget for the projects aimed to transform the system based on residential institutions to focus on community based services, of 107,5 million Euro. The De-I projects envisage different alternatives and support services but they are still at an initial and rather planning stage. For years there has been a constant decrease in the number of specialized institutions for children. As of 31.10.2012 the number of the Homes for Children with Disabilities is 24 with total capacity of 1 372 places, 1189 of them occupied – with 31 places less than 2011. In 2011 the number of the Homes for Children Deprived from Parental Care is 72 with total capacity of 2 744 places. As of 31.10.2012 their number is 67 (with 5 less than 2011) with total capacity of 2916 (with 828 less than 2011).

However, despite the decrease the number of children placed outside the family in specialized institutions remains high²⁵. The child protection departments as well as the social services providers who should implement the reintegration process of children can't work effectively due to high workload, turnover and insufficient supporting services. The Ministry of Labour and Social Policy should be especially commended that after unwise cuts in the number of social workers which happened over the years as part of the strategy to reduce the number of public employees, at the end of 2011 measures were taken to cater for the capacity of the Social Assistance Agency. Since 24.08.2011 a project "Strengthening the capacity of the Social Assistance Agency for improving the quality and effectiveness of the social work" has been implemented by the Social Assistance Agency. The project will be implemented until 31.10.2014 and it covers all 28 territorial districts on the territory of the country. The project is aimed at planning, development and implementation of measures for improving the capacity of the staff of the Agency and increasing the quality and the effectiveness of the social work. On the basis of analysis of the workload of the social workers 400 people have been appointed as social workers since February, 2012 until this moment: 220 – in the "Child Protection" Departments and 180 – in the "People with Disabilities and Social Services" Departments.

It is very important to introduce urgently integrated social work approach in such an environment – both with children placed outside the family and with their families.

There's still a lack of understanding that the family in difficulty needs integrated universal (public) services²⁶ and the specialists should be working with children and families giving the best quality depending on the possibilities and the needs of the concrete family. Such a package of guaranteed services hasn't been developed until the moment. It needs to be regulated legally and supported with a financial standard and methodological guidelines including not only social but also health, educational and other services.

²⁴ National Statistical Institute, *Demographic Processes in 2011*

²⁵ 6226 children were placed in institutions at the end of 2011 and 1 172 208 was the total number of children population in the country at the beginning of the same year.

²⁶ Social, health, educational, transport, assistance with employment, etc.

On 26.10.2011 a project "DESTINATION: family" was launched with concrete beneficiary – The Ministry of Health with partners – the State Agency for Child Protection and the Social Assistance Agency. The project has been implemented under Procedure "Opportunity for happy future", Component 1: Preparation for restructuring of Homes for Medico-Social Care for Children from the age 0-3 years, Priority axis 5 of the OP "Human Resources Development"; grant financial aid BG051PO001-5.2.10, co-financed by the European Social Fund. The main objective of the project is replacement of the Homes for Medico-Social Care for Children in 8 pilot municipalities: Gabrovo, Montana, Pazardjik, Pernik, Plovdiv, Sofia, Rouse and Targovishte by a new model of community-based medico-social services for children and families. The implementation of the project activities include planning of suitable services in the 8 pilot Homes for Medico-Social Care for Children subject of restructuring; preparation for moving the children out of the institutions; communication of the process and targeted motivation actions towards the interested parties in support of the process of restructuring. But as a whole, the prevention of abandonment system is still not well developed in the country. The alternatives to institutional care, based in the community, exists only in few places and the quality of some services remains unsatisfactory.

At this stage, it's not clear whether the projects for closure of pilot infant homes would identify NGOs as providers of the new social-health services. Generally, in the preparation of deinstitutionalization projects and mechanisms funded by the European Social Fund, the European Fund for Regional Development and the World Bank, the state institutions put in a privileged position (as services providers) the municipalities in front of non-governmental organizations. The organizations from the civil society sector were excluded even from traditionally developed by them activities such as the foster care. This approach leads to creation of tension and loss of valuable resources instead of joining forces at local level.

3. Financial Resources

3.1 National resources

In 2010, the Bulgarian Government reduced by 2% the social security contributions although actuarial analyses show that on the long run the system is unsustainable. In 2011 this became clear and social security contributions were increased again by 1.8%. The expectations were that this would take a significant contribution to opening new jobs. Apparently these expectations have not materialized until now. In 2010 and 2011 the government had to increase minimum social insurance thresholds. Although the increase was negotiated between trade unions and employer organizations sector by sector this is a very controversial measure meant to reduce tax evasion and participation in the grey economy. Indeed the number of people who are ensured at or close to the minimum level is big, which is an indication that probably only part of the wages are declared, while another part is paid under the table. Raising minimum thresholds however hurts precisely employees with the lowest incomes and self-employed people. Both categories were painfully hit by the economic crisis so the measure must have had a negative impact on labour market participation.

3.2 Use of EU Structural Funds

The use of structural funds has been vital especially in the last two years for the social policy in Bulgaria. In the years before 2012 most of the national employment programmes were not funded by the Structural Funds but through the national budget. Thus the distinction between the financing from the Structural Funds and state budget was blurred, as a result of the sharp decrease of funding from the national budget. For example, the budget expenditures for active labour market programmes decreased to 65 million in 2010 while the funds from the Operational Program "Human Resources Development" amounted to EUR 308 million and a significant proportion of them was channelled to employment programmes. In 2011, the planned funds for active measures from the state budget are BGN 73 million and funds available under the Operational Program "Human Resources Development" were 330 million.

The absorption of funds was speeded up mainly through a direct negotiation of government institutions thus filling some budget gaps in education, social services (primarily the provision of home-based services and the so-called social assistant programme providing support to disabled individuals), employment measures, etc. At the same time, the budget subsidies in the individual sectors were severely limited by the Ministry of Finance at the expense of operations of the European social fund. Without using the structural funds a number of sectors would reduce their work and many people would not be able to make use of this support.

The direct negotiation of funds from the European social fund towards (to) the state institutions visibly increased the absorption of EU funds and significantly overloaded public administrations with execution of activities instead of policy making and realization of active control. Furthermore, municipalities are overloaded with tasks, especially regarding the projects in deinstitutionalization, and other social projects as they are not given the opportunity to delegate some of their activities to NGOs or other providers in services. Other most active participants in the use of funds of ESF, like nongovernmental organizations, were excluded from the opportunity to receive funds from Human Resources Operational Programme. Even traditionally developed by nongovernmental organizations activities like these of the home and social assistants, foster care for children, social enterprises and others, were taken away from their activities and were transferred to municipalities. This gave rise to competition, a reflux of experts from one sector to another, and a rivalry instead of real local partnership.

There are quite few programmes funded from the EU Structural Fund which deserve mentioning because they offer previously non-existent types of services or reach to target groups which have been previously neglected. Activating Inactive Persons (AIP) and Improving the Quality of Services (IQS) provided by Employment Agency services for citizens and businesses with a focus on vulnerable groups on the labour market are two such programmes. Both Programs complement each other and therefore they should be considered as a whole instrument of the active policy. They have similar goals and methodology but differ in the budget and sources of funding.

Both programs ensure services for all vulnerable groups on the labour market (including Roma). Both Programs envisage training of employees of the Employment Agency aimed at improving the service of persons from vulnerable groups and hiring labour mediators in the labour offices who are familiar with the specific needs of different target groups. The idea is to ensure for the beneficiaries access to services tailored to their abilities and needs. Through the Operational Programme Human Resource Development the ESF provides investments to strengthen the institutional capacity of the labour market services. It is underlined in the IQS that the operation complements the National Program "Activating Inactive Persons", financed by the state budget. So this is an example how a national programme for active measures on the labour market can be complemented by an additional component funded by the ESF. There is a danger however that on a later stage the national programme can be fully replaced by actions funded from the EU. Then instead of being used for complementarily for supporting innovations the EU funds may take the burden of downscaled national programmes. This can obviously have no added value in terms of social inclusion.

The National Programme "Activating Inactive Persons" started in 2008 with the aim of activating and turn back on the labour market inactive and discouraged people. This was a significant innovation from the point of view of the target group, which was before that by and large neglected. By October 30 2011, in 58 local labour offices worked 67 Roma labour mediators 49 of whom were women and 12 have higher education. For the rest Roma labour mediators it is sine qua non possessing at least completed secondary school education.

4. Monitoring and evaluation

In our reports we have repeatedly described the lack of independent monitoring of executed (implemented) government programmes and projects. When such an analysis has been made the resources for it, in most cases, have been provided by independent donors and institutions. In Bulgaria typically the government makes, executes and monitors the policy, and at the end report the results. The focus is mostly on administrative reporting which is limited to cost verification without sufficiently detailed and critical analysis of the outcomes.

Policy documents and measures related to active inclusion do not enjoy the same popularity and media and public interest as other issues like the judiciary reform, organized crime or even macroeconomic indicators and the fiscal and budgetary discipline which are increasingly becoming more associated with the EU than any aspect of the social inclusion agenda. The National Reform Programmes and the National Social Reports have had little direct influence probably because despite some consultations they have remained essentially a product of the administration. Nevertheless commitments and indicators for measuring progress set in these documents give grounds to a number of nongovernmental organizations and trade unions to use them in their advocacy actions, at least by following on the implementation.

Social experimentation/innovation was initially supported by the ESF both in terms of bringing services to places where they did not exist and working with new target groups but also in the strong sense of the term innovation. Some new approaches and practices that did not exist in Bulgaria were introduced primarily with EU funding or at least with significant EU contribution. We can mention the programmes for activating the inactive people, described above, qualification programmes for employed persons based on a voucher system, programmes supporting labour mobility, the introduction of labour market mediation for specific vulnerable groups among other examples. The main risk with all these programmes was that the initial promise was that after being piloted with EU support they would become part of national employment policies. Instead with the coming of the economic crisis, the opposite happened. Some core activities from the National Employment Plan were shifted to ESF funding, which effectively limits the resource available for innovation. The scope of some successful active employment programmes will not be increased in foreseeable future and their sustainability will not be guaranteed.

To the best of our knowledge there has not been any assessment of active inclusion measures in the last 5 years. By that we mean any research collecting new empirical evidence. There is a report produced by the Institute of Market Economics making the point that even the remaining (severely cut and downsized) active employment programmes should be stopped because they are inefficient²⁷. The report is an example of inappropriate use of cost benefit analysis and even contains some miscalculations leading to wrong conclusions. Empirical analysis of active labour market policies carried out by independent companies (the last one from 2006 carried out by WYG International) had previously found almost similar (positive) net impact of similar programmes. The most efficient employment programme at that time was Assistance for Retirement with a positive net impact of 40 percentage points. In 2009 the Economic and Social Council made an overview of the National Employment Action Plan²⁸. This overview also refers to the net impact assessment form 2006 and a

²⁷ Slavova, Z. *Oценка na vazdeistviето ot izpalneniето na aktivnite merki na pazara na truda (Impact Assessment of the Implementation of Active Measure on the Labour Market)*, IMI, 2011.

²⁸ *Analysis of the Programmes, Projects, and Measures of the Active Labour Market Policy Included in the National Employment Action Plan 2009, ESC, 2009.*

special survey among employers aiming to find which measures will enjoy their support²⁹. The survey found out that employers are most keen to take young people for subsidized employment. Part time employment programmes are also quite welcome. The opinion about giving jobs (even subsidized) to long-term unemployed was divided, while programmes for certain vulnerable groups were directly disapproved. The Economic and Social Council recommends in its overview to preserve the measures addressing vulnerable groups on the labour market (these measures were downsized) and introducing new actions and programmes taking up workers released due the economic crisis. This last recommendation was only partially and unsatisfactorily addressed by the government.

A study of the new impact of mediation services published in 2010³⁰ found out that there was not a statistically significant effect on the difference in unemployment duration. There were however many beneficial effects related to self-confidence, social contacts, improved qualification and most importantly – higher incomes. This study demonstrates that classical net effect analysis, which only registers if the person is employed or not at certain points in time can miss important “side effects”, which can be of no less value than just having a job. Such beneficial private and public effects are visible in the many of the innovative employment programmes in Bulgaria.

5. Recommendations

We believe that at this stage Bulgaria cannot implement a comprehensive active inclusion strategy, which would address the needs of all vulnerable groups. Realizing that even this recommendation is too optimistic we would propose to put a focus on the housing conditions in the Roma ghettos. This can be done by updating the National Programme for the Improvement of the Housing Conditions of the Roma and reconfirming the commitment for its implementation. The implementation of this programme will require strong coordination between housing, health care, employment and education policies and would thus provide an example of a truly integrated approach.

The increase in the GMI in Bulgaria is long overdue. The intake of the monthly social benefits is so small (less than 3% of the population) that even a significant increase in the amount of the GMI will not have a significant budgetary impact. Social pensions and some other incomes linked to the GMI will have an additional budgetary impact, which will not be very high either. However if adequacy of minimum income schemes includes also the idea of covering all in need, the coverage of the Bulgarian programmes will have to be increased by relaxing means tests, which are very restrictive.

To increase take-up the practice of stigmatizing poverty by public speech and administrative practice will have to be addressed as well. We can quote 10s of public statements made by high level politicians from a row of governments, all implying how undeserving are those who are not on the labour market or those who need support in general. Our work with the administration shows that this philosophy is then replicated in the thinking, statements and practice of lower level public administration and even of field practitioners who are normally expected to empathize with their clients.

²⁹ *Assessment of employment promotion measures proposed by the Employment Agency. Alpha Research, 2008.*

³⁰ *Kotseva, M., T. A. "Key results of the evaluation of the net effect of mediation employment services," MLSP, 2010.*

Active labour market measures have to be restored at least to the pre-crisis level as unemployment in Bulgaria keeps rising and the forecasts show a picture of painfully slow recovery. We believe that considering any deregulation and liberalization of employment relations suggested by some economists is not an option before Bulgaria has a reliable social safety net (currently it does not). Otherwise instead of flexicurity we will get employer flexibility alone at a very high social cost.

The EU Commission can try to make documents like the Recommendation more popular in member states by involving local agents and stakeholders in their discussion. Among those we can mention the academia, NGOs and the media. The Recommendation itself does contain important and inspiring messages, which will be supported by some and ardently refuted by others. But to obtain a real meaning and life they have to be removed from the bureaucratic package and placed in the context of the authentic local policy debate. It even does not matter so much if the process will start by challenging or supporting the recommendations. The worst case is when they end up known to a handful of civil servants and quoted by duty in equally unpopular documents of the member states.

Summary tables

Table 1

To what extent has an integrated comprehensive active inclusion strategy been developed in your Member State?												
	Comprehensive policy design			Integrated implementation			Vertical policy coordination			Active participation of relevant actors		
	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No
For those who can work		X			X			X		X		
For those who cannot work		X				X			X		X	

Table 2

To what extent have active inclusion policies/measures been strengthened, stayed much the same or weakened since 2008 in your Member State?									
	Adequate income support			Inclusive labour markets			Access to quality services		
	Strengthened	The same	Weakened	Strengthened	The same	Weakened	Strengthened	The same	Weakened
For those who can work		X				X		X	
For those who cannot work			X			X		X	

ANNEXES

ANNEX 1 ³¹

1. ADDITIONAL INFORMATION ON ACCESS TO QUALITY SERVICES

Total number of the social services in 2009 – 731 (458 community-based social services and 273 specialized institutions):

Community-based social services:

- 68 Day-care Centres for Children with Disabilities;
- 3 Day-care Centres for Children with Disabilities – weekly care;
- 45 Day-care Centres for people with disabilities;
- 5 Day-care Centres for people with disabilities– weekly care;
- 55 Centres for Social Rehabilitation and Integration;
- 46 Day-care Centres for Elderly;
- 11 Centres for Street Children;
- 42 Centres for Community Support;
- 99 Protected Homes;
- 12 Centres for Temporary Housing;
- 4 Shelters;
- 11 “Mother and Baby” Units;
- 11 Crisis Centres;
- 25 Centres for Family-type Accommodation;
- 6 Supervised Homes;
- 6 Transitional Homes;
- 9 Social Centres for Educational and Professional Training.

Total number of the social services in 2010 – 772 (499 community-based social services and 273 specialized institutions):

Community-based social services which number has been increased since 2009:

- 69 Day-care Centres for Children with Disabilities;
- 47 Day-care Centres for people with disabilities;
- 56 Centres for Social Rehabilitation and Integration;
- 45 Centres for Community Support;
- 106 Protected Homes;
- 39 Centres for Family-type Accommodation;
- 11 Supervised Homes;
- 16 Transitional Homes.

31 Annexes are provided by the Ministry of Labour and Social Policy

Total number of the social services in 2011 – 905 (644 community-based social services and 261 specialized institutions):

Community-based social services which number has been increased since 2010:

- 6 Day-care Centres for Children with Disabilities – weekly care;
- 52 Day-care Centres for people with disabilities;
- 51 Day-care Centres for Elderly;
- 72 Centres for Social Rehabilitation and Integration;
- 71 Centres for Community Support;
- 114 Protected Homes;
- 5 Shelters;
- 15 Crisis Centres;
- 106 Centres for Family-type Accommodation;
- 14 Supervised Homes;
- 24 Transitional Homes.

Total number of the social services as of October, 2012 – 910 (656 community-based social services and 254 specialized institutions):

Community-based social services which number has been increased since 2010:

- 72 Day-care Centres for Children with Disabilities;
- 57 Day-care Centres for people with disabilities;
- 55 Day-care Centres for Elderly;
- 91 Centres for Social Rehabilitation and Integration;
- 12 Centres for Street Children;
- 88 Centres for Community Support;
- 116 Protected Homes;
- 6 Shelters;
- 19 Crisis Centres;
- 121 Centres for Family-type Accommodation.

2. ADDITIONAL SOCIAL BENEFITS INFORMATION

For 2009 BGN 832 675 600,00 are approved by the State Budget Act 2009 for payment of social benefits via the budget of the Social Assistance Agency (SAA). For the same calendar year the plan for implementation of the budget for social benefits of SAA is BGN, 673 477 782,00. The total expenditure on social benefits in 2009 is BGN 716 670 712,00.

For 2010 BGN 638 306 472,00 are approved by the State Budget Act 2010 for payment of social benefits via the budget of SAA. For the same calendar year the plan for implementation of the budget for social benefits of SAA is BGN, 769 878 759,00. The total expenditure on social benefits in 2009 is BGN 769 182 421,00.

For 2011 BGN 780 306 472,00 are approved by the State Budget Act 2011 for payment of social benefits via the budget of SAA. For the same calendar year the plan for implementation of the budget for social benefits of SAA is BGN, 780 306 472,00. The total expenditure on social benefits in 2009 is BGN 772 416 587,00.

For 2012 BGN 787 306 472,00 are approved by the State Budget Act 2012 for payment of social benefits via the budget of SAA. For the same calendar year the plan for implementation of the budget for social benefits of SAA is BGN, 789 505 272,00. The total expenditure on social benefits in 2009 is BGN 643 948 341,00.

3. ADDITIONAL INFORMATION ON SUPPORTED EMPLOYMENT FOR PEOPLE WITH DISABILITIES

A Long-term Strategy for Employment of People with Disabilities for 2011-2020 was adopted by the Bulgarian Council of Ministries in 2011. In 2012 an Action Plan for the implementation of the Strategy for the period 2012-2013 was developed.

The Agency for People with Disabilities implements different programmes aimed at promoting employment of people with disabilities via opening new job places for people with disabilities, improving the working environment; technological innovation of specialized enterprises and cooperatives, involvement of people with disabilities in activities for rehabilitation and social integration, providing resources for people with disabilities having started their own business, incentives for employers of people with disabilities, etc.

Measures aimed at promoting the active inclusion of people with disabilities are set out in different programmes - National Programme for Employment and Training of People with Disabilities, Programme "No interest loan for people with disabilities", National programme "*Assistants for People with Disabilities*" that is being implemented on the territory of the whole country since 2003, etc.

The first European Fair of Social Enterprises and Cooperatives of Persons with Disabilities was carried out from: March 29, 2012 to April 01, 2012. Social enterprises and cooperatives from Bulgaria, Poland, Romania, Slovakia, Germany, Italy, France and Spain took participation.

Under the Employment Promotion Act incentives are implemented in order to create conditions for employment of unemployed with disabilities – encouraging employers to hire unemployed people with disabilities under 29 years of age; encouraging employers to hire unemployed persons with disabilities, including disabled soldiers, etc.

Programme	Number of people with disabilities covered by the Programme 2009	Number of people with disabilities covered by the Programme 2010	Number of people with disabilities covered by the Programme 2011	Number of people with disabilities covered by the Programme 2012
According article 8, paragraph 6 of the Integration of Persons with Disabilities Act. The Agency for people with disabilities develops programmes and provides funds for projects for rehabilitation, integration and for construction of a barrier-free environment for persons with disabilities	4103	3600	4365	4500
For employers under article 25 of Integration of Persons with Disabilities Act.	22	18	32	23
For start and pursuit of independent economic activity by persons with disabilities under article 31 of the Integration of Persons with Disabilities Act.	37	35	27	29
For specialized enterprises or cooperatives under article of the Integration of Persons with Disabilities Act – business-oriented projects.	32	30	22	22
For specialized enterprises or cooperatives under article of the Integration of Persons with Disabilities Act – projects with social purpose.	1478	1485	1530	1600
Unemployed people with disabilities included in programmes and measures under the Employment Promotion Act	1310	1714	2752	946
TOTAL	6982	6882	8728	7120

On January 26, 2012, the Bulgarian National Assembly ratified the United Nations Convention on the Rights of Persons with Disabilities. In this regard the adaptation of the Bulgarian legislation with the Convention is a continuous process and its successful implementation requires the active involvement and cooperation with non-governmental organizations and people with disabilities at every stage of the process of planning, adoption, implementation and monitoring of the measures.

With regard to the application of Art. 27 of the Convention on the Rights of Persons with disabilities "Work and Employment" the two-year action plan provides for activities such as development and implementation of economic stimulus measures for supporting employers in a common work environment to create jobs for people with disabilities, as well as supported employment.

4. ADDITIONAL INFORMATION ON ROMA INTEGRATION

Operational Programme "Regional Development" (OP RD) 2007-2013 takes into serious consideration the situation of the Roma population and the infrastructural problems in front the Roma integration. Priority axis 1 "Sustainable and integrated urban development" and priority axis 4 "Local development and cooperation" provide solutions to problems related with adequate infrastructure.

So far under OP RD were funded infrastructure activities related directly or indirectly to the Roma population including repairs, reconstruction and renovation of educational, social, cultural infrastructure and urban environment. A total of 11 grant schemes contribute to improving the access to basic services and infrastructure of the vulnerable groups including the Roma. Their total value is BGN 756 million and they will have positive impact on over 126 000 Roma.

Especially important role plays the scheme BG161PO001/1.2-02/2011 "Support for provision of contemporary social housing for accommodation of vulnerable groups and minorities and other disadvantaged groups" in the frames of priority axis 1 "Sustainable and integrated urban development", Operation 1.2 "Housing policy". The aim of the scheme is to contribute to the social inclusion of people in vulnerable and disadvantaged position by improving their living standard and to contribute to the overall improvement of the housing fund of urban communities.

The financial resources under the scheme amount BGN 15 659 106,46. It is based on pilot projects in municipalities selected by the interdepartmental work group to the Council of Ministers for the development of concept for integrated project under Operational Programme "Human Resources Development" 2007-2013 (OP HRD) and OP RD 2007-2013 for the construction of social housing for disadvantaged groups and the development of coordination mechanism with other horizontal policies financed with EU funds. The pilot municipalities implement integrated projects for sustainable social housing that include obligatory combination of investment component (construction of social housing or repairs/reconstruction of existing social housing, measures for energy efficiency etc.) funded under scheme BG161PO001/1.2-02/2011 of OP RD and activities for provision of education, employment, health care and social inclusion of the target group funded under OP HRD. Scheme BG161PO001/1.2-02/2011 started on August 30, 2011 with concrete beneficiaries the municipalities of Burgas, Vidin, Devnya and Dupnitsa (reserve municipalities in case of enough resources are Varna, Peshtera and Tundja). So far three project proposals for a total of BGN 10.3 million were approved in the municipalities of Vidin, Devnya and Dupnitsa. The Municipality of Burgas is to submit its project proposal by January 15, 2013.

The project in Vidin municipality aims at the reconstruction of 50 existing homes in 9 one-storey residential buildings and the construction of 30 new homes in 4 two-storey residential buildings for 280 representatives of disadvantaged groups.

The project in Devnya municipality aims at the reconstruction of existing four-storey residential building that will provide 33 homes for 165 representatives of the disadvantaged groups.

The project in Dupnitsa municipality aims at the construction of 150 new homes with average square surface of 63 square meters in 15 single-family and multi-family residential buildings for 460 representatives of the vulnerable groups.

Roma integration will be one of the main priorities in the next programming period looking for integrated projects, which finance activities in the areas of employment, education, social services, health, and housing. Under the new Operational Programme "Regional Development"(2014-2020) the social housing is foreseen as a special investment priority.

Interinstitutional working group for proposals on amendments to the legal and methodological framework within the priority sectors (education, health, housing, employment, rule of law and non-discrimination, culture and the Media) of National Roma Integration Strategy of the Republic of Bulgaria (2012-2020) was established by Order № R-183 of the Deputy Prime Minister and Minister of Interior and Chairman of NCCEII as of July 25, 2012. Chairperson of the group is the Head of the Cabinet of the Deputy Prime Minister and Minister of the Interior. The working group consists of 35 members, including 12 NGO representatives nominated by the member organizations of the NCCEII. 31 documents, which define the thematic scope of the working group are proposed to be reviewed. In relation to these documents submitted for review, so far the following proposals have been made: proposals for amendments in the text of some laws, extending the scope of existing articles; proposals for amendments in ordinances and rules; proposals for elaboration of methodological guidelines, proposals for legislative amendments are to be submitted by the working group by the end of the year.

The National Roma Integration Strategy of the Republic of Bulgaria (2012-2020) adopts and integrates into a single strategic document the objectives and measures contained in the strategic documents in the area of Roma integration, such as: Strategy for Educational Integration of the Children from the Ethnic minorities; Health Strategy for Disadvantaged Persons belonging to the Ethnic Minorities 2005-2015 and National Programme for Improvement of the Housing of Roma in the Republic of Bulgaria in the period 2005-2015.

Interinstitutional working group for provision of resources for Roma integration under the Structural Funds of EU was established under Order № R-193 of the Prime Minister as of 2 August 2012. The group is chaired by the Minister of EU funds Management. The members of the working group includes representatives of the NGOs sector, nominated through an open and transparent procedure for expressions of interest by relevant NGOs and respectively appointing representatives. Seven of 18 members of the Working Group are representatives of NGOs. The activities of the working group will be focused on the planning of the resources, which will be invested during the next programming period 2014-2020. The WG actively seeks opportunities to coordinate and to integrate the measures financed under two or more Programmes/Funds.

5. ADDITIONAL INFORMATION ON HEALTH CARE

According to report of the National Health Insurance Fund as of April 2011 in Bulgaria there were 1.9 million people without health insurance. However 1.2 million of them have chosen general practitioner (family doctor). According to data from report of the National Association of the General Practitioners at the beginning of 2012 about 22% of the patients in the lists of the general practitioners in nine regions of the country were without health insurance. It should be noted that significant numbers of these citizens have left the country without notifying the National Revenue Agency that they do not want to be insured in Bulgaria. On the other hand about 240 000 people that are long-term unemployed and should be paying their health insurance contributions by themselves are not doing it. They are not part of the most vulnerable groups since the state does not cover their health insurance.

As of 2011 the access to health care for people without health insurance was facilitated. The term for which the uninsured persons without incomes and property shouldn't have transferred or sold homes, country house, agricultural or forest property in order for their diagnosis and treatment in hospitals to be covered by the Ministry of Labour and Social Policy was decreased from 5 to 1 year with the amendment of the Decree N^o 17 of the Council of Ministers of 31.01.2007 laying down the procedures for the disbursement of funds targeted for diagnosis and treatment in hospitals for people who have no income and / or personal property, which ensures their personal involvement in the health insurance process. The amendments also removed the restriction for that category of people to have not travelled abroad for the past 12 months.

For the first nine months of 2012 the Agency for Social Assistance has paid for the treatment of almost 1 200 people for BGN 820 239. The budget provisions BGN 2.5 million. More than 50% of the pregnant women in 2011 were lacking health insurance. From a total of 75 000 mothers the state has provided one time benefit to 42 050 who were uninsured.

