



19th May 2021

**Za Zemiata's position regarding the final third version of the  
“National Plan for Recovery and Resilience”**

*Prepared by:*

Genady Kondarev  
Radostina Slavkova  
Svetoslav Stoykov  
Veselina Vasileva  
Stanislav Malchev  
Dr. Mikhail Mikhailov

*Foreword:*

The government issued a [third version](#) of the “National Recovery and Resilience Plan” (NRRP) on 16.04.2021. On receiving our comments after the two first drafts of The Plan the administration did another vast demonstration of lack of transparency in decision-making, as well as a lack of feedback to organisations and experts who submitted suggestions for improvement as outlined in the NRRP measures.

None of us received feedback which of the proposals were accepted and which were not, and for what reason. No attempts were made to attract all stakeholders in the process.

For us, the main weakness of the NRRP proposal is the lack of understanding of the core philosophy in making a strategic plan for the European Commission (EC).

The main task for the recovery plans of the European countries is to demonstrate a desire and capacity for reforms that will lead towards irreversible transition to a green and low-carbon economy.

There has been a slight progress between the second and third versions of the proposals in the document, but we would qualify it as insufficient, leaning towards gas projects which have no future and are not a long-term solution is more than obvious.

Our government is proposing a plan to fund individual projects that have no obvious link to energy and economic transformation. This shows a lack of vision for the future and narrow minded thinking.

Our comments and suggestions aim at improvement of some of the proposed projects and place them in an acceptable framework. There is enough time to improve the quality of the proposed projects in the NRRP if the decision-makers listen to the comments of experts and NGOs, and change the non-transparent style in their decision-making.

The quality of the plans and projects is a fundamental requirement for receiving maximum budget from the EC, not the submission speed of the plans.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*





The Government respected our insistence on sharing a preliminary version of the National Recovery and Resilience Plan (NRRP), as we stated in our position during the consultations on the initial version. This allowed all stakeholders to prepare early enough for what can be expected from the final version and to comment on the interim one. We encourage the Bulgarian executives to continue with these steps towards the timely involvement of stakeholders and to improve transparency in the formation of plans that concern the public interest to such an extent.

As not all of our comments have been taken into consideration in addition to our still valid notes on the first and the second drafts of the position we supplement our notes based on the review of the interim and final version. Before entering into specific comments and remarks, we would like to emphasize a few important points at the beginning of our position:

1. The plan has both good and bad projects and we do not consider it generally good or bad.
2. There are good projects that with very little refinement can reach their useful realization for our country - such are the projects for renovation of buildings (possibly with high ambition for energy efficiency and attracting the highest share of owners' co-financing), small RES for households (where we even insist on a multiple increase in funding) or the project to modernize ESO systems.
3. There are also projects that are great ideas, but are poorly or vaguely written - such as the subproject for renewable energy for own use in the railways, which provides for the installation of photovoltaic panels at 180 stations in the country, but it is unclear what capacity will be built and what exactly the energy will be used for. This project deserves to be separated, to aim at the highest possible coverage of own needs for electricity in the railways and to be combined with a reform for the implementation of the use of 100% renewable energy in the railways by 2030 similar to the example of neighboring Romania, where they set this goal (we described in detail how in the comments on project 19).
4. There are projects that are in complete contradiction with all long-term goals and policies in the energy sector and are not in line with the purpose of the Paris Agreement - for example project 13, which is masked for hydrogen and low-carbon fuels, but is a pure and simple fossil gas pipeline, connecting the gas infrastructure to the coal-fired power plants. We believe that this project is absolutely unacceptable and should be withdrawn. It is not beneficial for the transition to a low-carbon economy and such transactions should not be financed with public debt. The desired funding of several hundred million for street lighting should be completely or almost cut - we believe that mainly the ESCO model, and not the spraying of funds on a 100% grant, is the way forward for street lighting in urban areas.

The NRRP does not yet consider the used funds as borrowed capital (public debt) from the EU. Although the plan consists mostly of projects, which are needed and planned long ago mostly i.e. have the opportunity to meet the European Commission criteria for sustainable and smart use of EU funds. However, how exactly Bulgaria is expected to contribute to covering this public debt back and isn't it a good idea to be at least mentioned as a subject of thought in the plan?

We strongly emphasize that we are under the impression that the plan consists of mostly long-planned and urgent projects. Most of them have already been planned to be realised with EU funding

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*





anyway. We do not want to burden anyone with our excessive suspicion, but we are sincerely concerned that there is a risk for these new EU funds to free up additional resources from the national budget which as we all know is spent far less transparently. If this happens the plan and the European funds for sustainable development might be lost due to other projects and spendings which don't meet sustainability rules. It would be our utmost joy if the government manages to convince us that our doubts have no ground to stand on. An assessment of the national budget share spent on unforeseen expenses caused by the pandemic crisis would be convincing enough, so that we won't be left under the impression that an extra opportunity for wasting money has been made.

This would also give a response to our next note: The five-year plan is worth BGN 12.5 billion. This would add roughly 2.4 billion more annually in the economy. The multiplier and spill effects of the plan are not taken into account and modeled. Still no connection is made with the EU funds and the national budget. For example in the energy efficiency program of the building stock it is not clear how the funds are supplemented with more European and national funding, despite the fact that there are at least two programs of the new multiannual financial framework that provide funds for building measures and renovations. It is clear that national and private funding are needed to keep pace with the renovation of buildings under the Renovation Wave initiative. Can the government explain how exactly we will be able to avoid a situation in which after a lot of money are being invested now, money which are not even ours, and in a few years, when there are no more funds for recovery we won't be in a situation of additional inflation caused by excessive income growth at a pace we can't maintain? How is this risk expected to be mitigated? Is it clear that the funds will only fill the shortage caused by the pandemic, or is there really a risk that we will not measure the financial injection we are putting into the economy? We would be happy if the government made such a preliminary analysis and share it.

Considerable funds are invested mainly in the construction of infrastructure and buildings, but these are standard measures which are already very common. In comparison the resources for human development seem insufficient.

Between the second and the third version of the plan the total budget has been increased from BGN 12.2 billion to BGN 12.5 billion. The list of projects is almost the same, but the additional several hundred million goes mainly for hydrogen investments, new gas pipelines and vouchers for digital skills.

The last big bonus from the third version goes to the voucher scheme for digital skills of workers and unemployed. The scheme first appeared in the second version, while now the money for it has been raised from 190 million to over 290 million levs. This includes the construction of an online training platform.

**Quote from version 1.1 (second version):** - "The total value of the resources, allocated under the Plan for the implementation of the new energy projects, is around BGN 300 million, but together with the private investments, expected to be mobilized under the projects, the amount exceeds half a billion levas."

**Comment:** This funding is far from satisfactory in order to attract private investment in energy

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*





projects. This is less than 50% private investment in this case. We hope that the use of state aid in the projects has a good justification.

**Comment:** Are there any training vouchers provided? Why are vouchers not added in the Human Resources Program 2021-2027? How do the planned costs here relate to the cohesion funds?

**Suggestion:** We propose providing vouchers for online training in international online platforms — the so-called MOOCs. The number of people who know foreign languages fluently in Bulgaria increases, especially English. Platforms such as edx.org, Coursera and Udemy offer excellent licensed courses on subjects that are not yet taught in our country — engineering, installation, management, specializations. There is a variety of training for the kind of knowledge Bulgaria urgently needs as part of the global world so that people can have access to lifelong learning, build impressive CVs and maintain entrepreneurial spirit. The advantage of these online training is that they bring world-class education at a lower cost without the need to leave home — learning takes place in front of a computer screen.

**Comment:** The NRRP plans for (Reform 5) trade of certificates of origin. This is a positive direction, but many of its links to other documents are missing and have unclear deadlines for implementation. For example in February with a huge delay in comparison with the publication of the same document by the European Commission, a Plan for the reform of the electricity market was published without even mentioning a description of such a reform. It is important to distinguish here that when talking about RES capacity in different parts of the plan we make a distinction between RES for own consumption and RES for the free market which can be sold with certificates of origin. Thanks to the certificates of origin it will be feasible to provide better incentives for the development of renewable energy sources without burdening consumers through the final price. But here we insist on anticipating what Bulgaria is doing with greater interest in the development of renewable energy beyond what is provided in National Integrated Energy and Climate Plan Spain, for example? I.e. are fully equipped and do we have the desire to go beyond 30% of renewable sources of energy in the electricity mix by 2030? And with what tools we should control the growth of capacities this time in order to ensure their smooth introduction into the system - perhaps one of the possible solutions is the introduction of cap-and-trade and capacity tenders?

The possibility for connection to larger capacities of renewables is necessary to be introduced for another reason — The National Energy and Climate Plan foresees nearly 70% share of nuclear energy by 2040. It is completely comprehensive to everyone that building a new nuclear power in our country is out of question. Given that a plan for a new nuclear power plant cannot be realised and the old one is about to be shut down after its eventually extended service life, the entire nuclear capacity will actually have to be replaced by 2040 — it is most reasonably to do so with integration of RES combined with more cooperation on regional energy markets.

**Comment:** Why is it written that the accession of the Energy Efficiency Agency to the international body AIB should take place as an application only after one year? What is not covered as a condition? As far as we know, such a request has already been submitted — and should be updated in the plan.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



**Comment:** Green hydrogen projects — we highly recommend them to be linked to the EC's Hydrogen Backbone initiative of the EU because we are not part of the Hydrogen Backbone projects map until 2040. It is our preference for Bulgaria to be part of carefully managed international initiatives that will adhere to higher standards and transparency in up to date key initiatives of such level. In addition we would like to remind you that the NPVU has funding until 2025. Many hydrogen technologies will not be commercially developed until then, so we should not make a huge venture into hydrogen adventures without prior calculation. There is no preliminary estimate which is made crystal clear by the project, which envisages connecting with gas pipelines all power plants in the Maritza Iztok complex, as well as TPP Bobov Dol.

**Comment:** The railways are planned to be equipped with new rolling stock, but this will not attract passengers on its own — what kind of reform do you foresee to encourage more citizens to get on the railways and turn their backs on road transport, which is a measure which will save both emissions and human lives through reduced road accidents and improved human health?

### **Our comments project by project:**

#### **Project 1: Creating a national STEM environment for skills of tomorrow**

**Quotes:** The STEM skills environment requires a creation of new models for the acquisition of key competences for lifelong learning, including skills supporting critical and analytical thinking, digital creativity, as well as those related to active citizenship and solving life problems imposed by the dynamics of technological and social transformation of society. They are all related to information and communication technologies.

**Comment:** We are obliged to develop and implement a comprehensive policy for education and raise general awareness on the topics of sustainable economic development in Bulgaria. There is no focus on green education, but only on the digital in the envisaged educational reforms and projects. It is necessary to restructure the STEM education program in order to create an integrated program to prepare students for the skills of the future, as well as to expand STEM with art - STEAM. The recommendation is to restructure the digital skills training program and to build a national online platform for adult education in order to create an integrated program for additional qualification and retraining in order to increase digital and green literacy.

40% of the project budget is provided for the construction and rehabilitation of infrastructure with an emphasis on construction and installation activities. The provided physical capital is 35% (equipping the STEM environment with modern technologies, machines and equipment). There are no funds provided under the program for the development and implementation of teaching materials in accordance with the specific profile of the school. We recommend that funds be allocated for the

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

development of educational content with a focus on the development of practical exercises related with the skills needed for the transformation of the current polluting economy based on outsourcing, into a green sustainable circular one.

## **Project 2: Modernisation of education institutions in order to create a more attractive environment for studying and innovation**

**Quotes:** Establishing a completely renewed environment in the educational institutions. Activities will include renovations, roof repairs, new window frames, construction of alternative energy sources installations, heating, ventilation, cooling and other repair activities to ensure a complete renewed appearance of educational institutions, both outside and inside in order to save energy, water and other resources.

**Comment:** The foreseen measures for structural and energy renovation of a minimum of 30 kindergartens with up to two groups, a minimum of 35 kindergartens with three or more groups, a minimum of 65 schools, the construction of a minimum of 10 new kindergartens and 10 new schools, modernization of a minimum 20 student dormitories, extension and reconstruction of 10 existing kindergartens and 10 existing schools, as well as the construction of at least 5 new student campuses are commendable and extremely necessary. The level of energy efficiency of existing buildings used by educational institutions needs to be brought into line with current national and European legislation.

**Quote:** The renovation program has the potential to reduce energy consumption, increase energy efficiency, which leads to a significant improvement in the energy performance of the buildings concerned and a significant reduction in greenhouse gas emissions. Energy savings of 55.17 GWh per year will be achieved, leading to approximately 24 kt of greenhouse gas emissions per year, which corresponds to 1.84% of national greenhouse gas emissions from the housing sector.

**Comment:** The project has planned activities for replacement of coal and oil heating systems with gas condensing boilers, or efficient heat pumps of classes A ++ and A +. Measures related to the integration of renewable energy sources are also included, in particular solar DHW systems and support for heating installations, as well as photovoltaic installations. We strongly recommend reconsidering the idea of implementing heating installations using non-renewable fossil energy sources, and implementing fully renewable energy sources solutions for heating and cooling of new and rehabilitated buildings. It is also necessary that all buildings provided for in the program are built / renovated in accordance with the latest requirements of the European and national directives on energy efficiency and materials circularity.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

## **Project 6: Increasing the innovation capacity of the Bulgarian Academy of Sciences (BAS) in the field of green and digital technologies**

**Comments:** The project sounds acceptable, although there is nothing that should not be planned for implementation without this plan as well. A budget of BGN 47.4 million is a rather small contribution to the total funding of BAS, considering how much we have to pursue as a share of GDP invested in science and innovation.

**Quotes:** Increasing the innovation capacity of the Bulgarian Academy of Sciences (BAS) in the field of green and digital technologies

- Council for Innovative Materials and Green Technologies,
- Council for Resource Efficiency and Circular Economy,
- Council for Information and Communication Technologies.

**Comment:** There are no specific research sub-areas and priorities for development in our country. The definition of green technology is not clear — there is a danger of classifying things that are simply labeled "green" (hopefully at least adequately applying the rules of taxonomy). It is good, however, to set smart indicators and to guarantee that we are striving to develop applied projects and technologies. Indeed, we insist here that research projects be clearly linked to the principles of taxonomy, so that no effort is made to develop technologies that will go unnoticed because they fail to critically review or undermine their contribution to sustainable development.

## **Project 7: Public support program for development of industrial parks and improvement of their infrastructural connectivity**

**Comment:** Again, the emphasis is exclusively on building infrastructure and it seems that not enough thought has been given to whom and how these parks are going to be filled in. We would not allow ourselves to give a black and white assessment of this project, especially considering that some of the industrial parks in our country are managed by sensible and progressive people. We hope that the management of the new parks will be carried out on a competitive basis and will not be given to "our people". It is good that there are limits to some things — for example, a 2-lane road up to 10 km; 50:50 public to private co-financing is envisaged, which is also good and will lead to economic logic in the projects.

There are indicators, which is an improvement over the first version of the plan:

1. 4 industrial parks created and functioning with built infrastructure and energy connections;
2. Agreed amount from the budget under component 1;
3. Agreed amount from the budget under component 2;
4. At least 4 significant investors attracted in the industrial parks

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

## Project 8: Economic transformation

3) Improving energy and resource efficiency, increasing the use of renewable energy sources and improving the capacity of SMEs (Small and medium-sized enterprises) in relation to the transition to a circular and low-carbon economy.

### Three funds:

**Fund 1** - Technological modernization — BGN 400 + 570 million (EU + private financing)

### Fund 2 - Green Transition

**Dimension 1** - Decarbonisation 250 + 237.5 million (EU + private financing)

SMEs will be provided with the opportunity to acquire assets related to installation of electric power systems from renewable energy sources for self-consumption, in combination with facilities for local storage of produced energy with intermittent and uneven mode of operation. Given the time horizon of the Plan for recovery and sustainability, applicants can be expected to be companies that put into operation facilities for production of renewable energy sources for self-consumption with uneven and periodic mode of electricity production (solar photovoltaic energy, wind, etc.) considering that such projects have a competitive advantage in terms of investments aimed at the wholesale energy market. The pilot scheme will focus on projects for energy storage in combination with PV generators with a ratio of power not more than 1: 2 (battery to generator) and planned duration of output power for at least 1 h. Excluded from the scheme are batteries for storage of energy for vehicles (electric cars, etc.) which are provided to be supported in other projects.

### Dimension 2 - Circular and low-carbon economy

Providing support for optimization and implementation of environmental solutions and technologies, as well as creating capacity for more efficient management, reduction and processing of the waste generated in the production of the enterprises from the carbon-intensive economic activities in the Manufacturing industry sector of the Bulgarian economy.

Targeting of the support: SMEs generating greenhouse gas emissions with economic activities in the Manufacturing industry sector;

**Comment:** Bulgaria's economy is one of the economies in the EU with the highest energy and carbon intensity. Bulgaria needs 3.8 times more energy and generates 4.4 times more carbon emissions per unit of GDP than the EU average. To achieve the EU's green transition goals, the Plan relies on investments in the energy efficiency of buildings and the use of more renewables by businesses and households. Although they are among the priorities recommended by the European Commission, they are not enough by themselves. There is no concept of a systematic transition in practices, activities and production process to a sustainable, green economic model. NRRP does not invest in the transition to a circular economy, but instead allocates additional funding to existing energy efficiency programs, energy projects, etc.

The only means of implementing green and circular solutions are limited to SMEs from the

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



Manufacturing industry that generate greenhouse gas emissions. We recommend a drastic increase in the funds under Strand 2 of Fund 2, at the same time as the opening of the program to all representatives of SMEs without exception.

For any other "support" for the transition to a circular economy, the NRRP refers to the Innovation Strategy for Smart Specialization 2021-2027 (which is not yet completed) and to the National Strategy for SMEs for the period 2021-2027. The total amount of funds allocated for the transition to a green economy in the third version of the Plan decreased from 47% to 40.2%. Strand 2 of the Circular and Low Carbon Economy of Fund 2 - Green Transition, part of the Economic Transformation Program, provides activities for *"optimization and implementation of environmentally friendly and sustainable solutions and technologies in the phases of design, production, use and decommissioning of products, as well as capacity building for more efficient management, reduction and recycling of waste generated in production"*.

At the same time, the non-admission of waste recovery activities under the program are clearly mentioned. According to one of the basic principles of the circular economy, waste materials from one production process are treated as a possible secondary resource for another. We recommend clarifying what the authors mean by "waste recovery". Incineration, the combustion of organic material such as waste with energy recovery, should remain in the category of ineligible activities under the project, but other waste recovery activities should be possible.

Here we only briefly mention the pursuit of activities related to the circular economy and waste management, and again we are talking mainly about reducing greenhouse gas emissions, which is great by itself, but is not the only direction envisaged in this project. Can we have examples of productions with elements of material resource management that are within the framework of circular economy activities to ensure that we all understand in the same way what we read!

The first problem here is the lack of a clear definition of a circular economy at a national level, and what the indicators by which a project will be identified as circular are. The second problem is the directing of funds only to the Manufacturing industry sector, which greatly limits the potential for support and development of circular models in the country's economy.

**Fund 3 - Digitalisation** — 250 + 21 million (EU to private funding ratio)

**Comment:** This seems a negligibly small instrument for attracting private investment, explanation is appropriate.

**Quotes. Beneficiary:** Ministry of Economy

6.2. Effect indicator(s) — (NB — observed are the required indicators for installed power/capacity and for saved emissions).

## Fund 2 - Green Transition

### Dimension 1 Decarbonisation

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*





CO2 savings - Initial value – 2 [2021] - Intermediate value - 1 141 tCO2 [2025] - Intermediate value - 2 853 tCO2 [2026] - Final value - 5 707 tCO2 [2027]

Nominal capacity of the installed storage equipment - Initial value - 2 [2021] - Intermediate value – 529 kW Battery power [2023] - Intermediate value - 1323 kW Battery power [2024] - Final value - 2645 kW Battery power [2025]

#### **Dimension 2** Circular and low carbon economy

Share of SMEs with economic activities generating greenhouse gas emissions from the Manufacturing industry sector, benefiting from public support for resource efficiency - Initial value - 0.27% [2020] - Intermediate value - 0.87% [2023] (70% of the final value) - Final value - 1.25% [2024]

13. Does the project contribute to the implementation of the objectives and priorities set out in The Integrated National Energy and Climate Plan? If yes, please describe how.

The project will also contribute to Dimension 2.4. "Internal Energy Market", encouraging consumers to produce, store and use the electrical energy produced by them.

3) About EUR 200 million in investments to promote the combination of new renewable sources with local energy storage facilities in accordance with the appropriate technological solution for the respective projects (total about 200 MW).

**Comment:** The lack of activities to promote the principles of the circular economy is fully confirmed by the set indicators — none of which is related to waste stream management or product ecodesign that allow repeated long-term use of products and materials, their reprocessing or biodegradability! We approve the indicators set for saved emissions and energy, however, more precision will be of great use if the maximum benefit of each euro invested in the projects can be guaranteed.

#### **Project 9: Energy efficiency of building stock**

The program will contribute to the implementation of the Country Specific Recommendations of Council of the European Union, addressed to Bulgaria from June 9, 2019 and from May 20, 2020 in terms of meeting the energy efficiency targets in the building sector.

**Comment:** It starts with many outdated goals from NECP. And why are they out of date? Because all the goals set so far in the project are already outdated and will be updated with the adopted higher emission saving targets of the EU by 2030 from 40% to 55%. Thus, the current 0% target for Bulgaria within The European Union Emissions Trading System (EU ETS) and outside the EU ETS is probably not going to remain in this form as well.

#### **Component 1 – Multi-family and single family residential buildings**

Completely unacceptable for us is the condition that appeared in the third version of the plan saying the only multi-family residential buildings participating in the program to be 1400 buildings of the applied in 2015/2016 about 2500-3000 buildings (and maybe more), located in a waiting list on the website of the Bulgarian Development Bank. At the moment, the total number of registered buildings cannot even be seen on the site. For them, full replication of the previous renovation program is

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*





proposed with the provision of a 100% grant for preparatory and construction activities. There are no indications as to how the "winning" 1400 buildings will be prioritized among the double number of applicants. There are no estimates as to what part of the total budget for residential buildings will go to single-family buildings (If there is anything left for them at all – previously 2022 buildings were renovated for BGN 2 billion).

The single-family buildings will receive a 100% grant for construction and installation works under the energy saving measures, and the preparatory documents will be prepared by themselves with the possibility to use a financial instrument (but which and with what funds?). Once the owners have completed the initial stages of the renovation (and should receive good guidance through the One-Stop-Shop reform), the municipality will be left with the only task to issue a public procurement for construction works. We know that there are serious concerns in society about the poor quality of construction under the previous program, so we believe that the owners should be given the right to participate in the tender procedure for selection of a builder (monitoring, but also the right to voice).

Remains the exception of reaching energy class C for residential buildings. nZEB levels /deep renovation/ are mentioned only when talking about public buildings.

The program should be much more widespread and should do its part in backing up good long-term effects for households, cities, and the natural environment and climate as a whole. With some relatively small fixes in the financing (no 100% grant) and implementation mechanism, such positive effects could be secured. With our colleagues from the coalition "Decent home" we demand (and offer our help) such fixes to be introduced for the final version of the NRRP. In the society, there are high hopes that the upcoming renovation program focused on residential buildings will not be a synonym of corruption and low-quality works.

**Quote:** diversification of sources and routes of natural gas supply; modernization and expansion of the gas transmission infrastructure; overcoming dependence on energy imports through the use of local resources (including coal);

To create incentives for increasing the level of domestic gasification in the country, The Ministry of Energy is implementing the project "Natural Gas Energy End-Use Efficiency Measures"(DESIREE) — EUR 10.9 million grant under Kozloduy International Fund. Its purpose is to stimulate domestic gasification, such as supporting the initial investment of about 10,000 households (fixed fee 30% of the value of the eligible investment and 100% connection fee, but not more than 1000 euros per household for systems with high-efficiency boilers and not more than EUR 1200 per household for systems with condensing boilers) for joining the existing gas distribution network.

**Comments:** The government must forget about the words coal and fossil gas within public funding — fossil fuels have absolutely no justification for being funded by public funds anymore. The coal is coming out of circulation at an accelerated pace, and the world has realized that the times when fossil gas could be classified as a transitional fuel have already passed as well. More and more countries are starting to follow the example of Great Britain, the Netherlands and Austria and decarbonise their domestic heating from dependence on fossil gas. Leaving this comment within

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



common sense aside, we add the following specific things:

1. We approve the investment ceilings of the individual measures, but there are no clear financial instruments, or co-payment mechanisms if one wants more ambitious measures and can afford to pay extra. These things urgently need to be envisioned as opportunities — ie. Development of a mechanism for additional payment and development of interest-free financial instruments for n-years.
2. There are no clear reforms towards overcoming obstacles to renovation projects — agreement on condominium ownership, maintenance obligation, treatment of low-income occupants, plans for half-empty buildings?
3. A 100% grant remains, albeit in commitment to pay the funds back to the Decarbonisation Fund, but how exactly? Does this return apply to public buildings only or to private ones as well? Are there any mechanisms already discussed? Are there any meaningful suggestions on the table? Because at the moment this sounds like „Pay Now, Think Later”. We absolutely do not support the idea of a 100% grant and no self-funding, unless there is a clear mechanism (e.g. through taxes), allowing a possibility to return this funding to the budget. It is a possible compromise in a step-by-step approach, it is permissible to fully fund measures like isolation, but this should include a contract with households to complete subsequent measures on the building in which they invest their own funds — for example, a complete replacement of windows, renewable energy sources for electricity or heating, ventilation, other EE measures. Again, we emphasize that this Plan commits a public debt, which we all will repay later within the EU! When must this public debt be repaid? Will The Decarbonisation Fund actually return these funds to the EU and donors/lenders? Let this be referred to and explained in the document! Again, we recall another main function of the recovery funds - to serve as a lever and to attract private funds for implementation for maximum public benefit.

Again, when renovating residential buildings, it is allowed (by exception) to reach energy class C, which does not meet the objectives of the European Renovation Wave for an annual pace of deep renovations, going even further than is necessary to implement the Paris Agreement. We want this text to be dropped and the lowest level of ambition to reach the upper levels of Class B, if the possibility of taking action under the Step by Step approach is envisaged.

Completely unacceptable is the condition that appeared in the third version of the plan: it says that the only multi-family residential buildings covered by the program should be 1400 buildings selected among the 2500-3000 (or more) buildings, which applied in 2015/2016 and are listed in the waiting list on the [website](#) of the Bulgarian Development Bank. Currently the total number of registered buildings cannot even be seen on the website.

For these buildings, a full replication of the previous program is envisaged with a 100% grant for preparatory and construction activities. There are no criteria on how the 1400 “winners” will be selected among all applicants. There is no exact estimation of what part of the total grant for residential buildings will go to single-family buildings.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

The single-family buildings will receive a 100% grant for construction and installation works under the energy saving measures, the households should prepare the application documents themselves with the opportunity to use a financial instrument (but which one and with what funds?). Once the owners have completed the initial stages of the renovation (and receive good guidance through the One-Stop-Shop reform), the municipality will be left with the sole task of issuing a public procurement for construction and installation work.

We know that there are serious concerns in society about the poor quality of construction under the previous program, so we believe that the owners should be given the right to participate in the tender procedure for selection of a construction company (both the rights to observe and to have a say / voting rights).

The prioritization of residential buildings with energy consumption classes of E, F, G is praiseworthy, but this should not exclude residents of Class D or C buildings from accessing energy efficiency programs who wish to achieve close to zero energy consumption (although at the moment a new application of multi-family buildings is not possible at all). For them financial instruments (with a small grant element) should at least be provided.

In the list of more than 2,500 waiting multi-family buildings, it is very likely that there will be buildings whose energy audits, paid for with public money, show that they meet Class D, what will be done for them? For public buildings, no prioritization is provided on the basis of energy class, while the list of owners of such buildings on the website of the Agency for Sustainable Energy Development clearly shows the presence of buildings with initial classes D and C.

A step in the right direction is the announced reform, introducing the "Serving one counter/ One-Stop-Shop" measure when performing energy renovation. Although a bit belated, a good move is also the reform in the information system — Creating an information system for digitization of the data on administration and control of the update process. Having in mind the accumulated experience from the implementation of the National Renovation Program, the period of 2 years for its realization seems unnecessarily inflated. It is important to provide different levels of access for owners, but also public for researchers, analysts and owners. The use of open data is also required. To us it is bizarre why this reform has been removed from the third version of NRRP, without explanation.

**Quote:** "The program is in accordance with Priority 4 "Circular and Low Carbon Economy" of the National Development Program: Bulgaria 2030.

!!! The circular economy, including waste prevention and recycling — The implementation of the program: (i) will not lead to a significant increase in the generation, incineration or disposal of waste, with the exception of incineration of non-recyclable hazardous waste, (ii) will not lead to considerable inefficiencies in direct or indirect use of any natural resource at any stage of its life cycle that are not minimized by adequate measures; (iii) will not cause significant and long-term environmental

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

damage to the circular economy.

**Comment:** Under the Energy Efficiency project in the building stock, the topic of circular economy is mentioned briefly. In essence, the project will not minimize the amount of construction waste generated and its recycling. It is necessary not just to partially renovate multi-family buildings, but to build a comprehensive methodology for introducing the principles of the circular economy in the renovation and construction of buildings.

Where is the circularity of the project? It is not in the specific goals, nor are there any queries/goals for reuse of materials, for use of natural ones or ones without toxic impurities, allowing for their subsequent recycling rather than disposal or incineration as dangerous waste. Construction waste management in our country does not currently suggest circularity. Bulgaria at the moment is not even close to achieving the goal of 70% recycling construction waste by 2020 and this cannot be avoided as a topic anymore. We have flows of materials during the renovation — concrete, plaster, flat glass, frames and joinery — the goal should be a small percentage of these to end up in landfills, and now it is exactly the opposite. We also have a huge amount of waste from pieces of insulation cut out during general construction work (GCW). We put this topic at the very beginning of EU funded renovation programs for the period 2007-2013 and to this day, two programming periods later, we do not see actions taken - but the contrary, we saw floating thermal insulation pieces over the Iskar river before Svoge HPP in January 2021!

The circular economy applied in the field of construction and renovation of buildings and systems suggests its application from the earliest stage, i.e. from the design phase, going through the whole life cycle of the building, including its maintenance, and ending with planned actions for the transformation of raw and other materials used into new products, without reducing their quality if possible. For this purpose it is necessary to build methodologies, according to which specialists in the design offices must be trained. It is also necessary to stimulate local production of low-emission (and environmentally friendly) construction materials.

**Quote:** Protection and restoration of biodiversity and ecosystems –

The implementation of the measures provided for in the program will not be: (i) significantly harmful for the good status and sustainability of ecosystems; or (ii) harmful for the conservation of habitats and species, including those that are of interest for the EU.

**Comment:** There is still no adopted methodology for the preservation of protected species — bats, swifts, owls, kestrels, etc., in case of energy renovation of residential and non-residential buildings. For these species, the urban environment and housing have become a habitat that is damaged by energy efficiency measures. We insist on the adoption of a methodology and implementation of:

- preliminary monitoring and assessment of the presence of protected species at the inspection stage of the building renovation;
- compliance of the construction and installation activities with the birds' nesting periods and breeding;
- compensatory measures — placing houses for protected species near their previous habitats.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

**Quote:** “The EE program in building stock will observe the “Do No significant harm” (DNSH) principle and will provide effective application of this principle as far as possible, taking into account the Taxonomy Regulation. ”

**Question:** Does this mean that there will be no attempts to install new gas boilers and convectors under these funds?

### **Comment on Component 2 - Public buildings (municipal and state-owned)**

In the third version are added buildings of the Bulgarian Academy of Sciences (BAS) with a designated budget of 30 million BGN, increasing the total budget for public buildings to 384 366 080 BGN. The buildings owned by BAS are not subject to prioritization by the municipalities because they have a specific budget.

**Comments:** The final value of 639 renovated public buildings until 30.06.2026. is insufficient for the formation of a trend for their energy renewal, which wouldn't reach wide publicity of the program in the country. We recommend an increase in the budget for component 2, as well as independent monitoring of the results of the implemented measures. Proving energy and carbon savings after renovation is a key component that has received minimal attention in the project.

We recommend having independent monitoring of the results of the implemented measures. Proving energy and carbon savings after renovation is a key component that has received minimal attention in the whole project.

### **Component 3 - Buildings in the field of production, trade and services**

**Quote:** Of the funds provided for buildings in trade and production, 40% are for large and 35% for medium-sized enterprises, while for micro and small remain 25%.

**Comment:** How appropriate is under Component 3 funding for large and medium-sized enterprise buildings? If public funding of these sectors is acceptable at all, it would be good that the funds be directed only to micro and small enterprises. The competitive selection of beneficiary companies also worries us about how it will be realized.

In the third version of the NRRP in the Low Carbon Economy Component appears as a new reform A Mechanism for financing energy efficiency and renewable energy projects together with energy bills.

**Quote:** Establishment of a working group to prepare a proposal for regulatory changes. The contractors for energy efficiency measures will be freely chosen by the owners. The mechanism has yet to be detailed, without specifying the sources of funding so far. Conducting an information campaign to acquaint end users and energy traders with the possibilities of the mechanism (Q2 / 2023).

**Comment:** We assume that this mechanism will be an attempt to stimulate the implementation of Article 7 of the Energy Efficiency Directive (Energy Efficiency Obligation Schemes), which is even a delayed measure. At this stage, with scarce information, it is difficult for us to comment on the

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

proposal. We hope to support the development of the ESCO market in the country and to help alleviate energy poverty, not to worsen it.

**Project 10: Program for financing individual renewable energy measures in single-family buildings and multi-family buildings not connected to district heating and gas networks.**

We are happy to see a fully developed RES program in the third version of NRRP, without the air conditioners of doubtful quality that were promoted in the second version (visible from the low heat pump investment ceiling). That came at the price of fewer participating households (8342 instead of 10680). The overall low budget (20 mln BGN from Recovery Mechanism and 12 mln co-financing) and the reduction of the number of beneficiaries needs to be properly addressed. In our opinion for such RES measures (solar PV and solar collectors, but also good heat pumps and storage) much more public funds should be spent, making the measures accessible for everyone. It is worth mentioning that the RES energy poverty focus is seen for the first time in Bulgaria. The program was introduced in the second draft of NRRP with an unclear budget frame – mentioning both 20 and 33 mln BGN in the text.

**Quote:**

- Construction of solar systems for DHW The maximum amount of the grant for an individual household is expected to be 50% of the value of the system, but not more than BGN 1,265,50, and for households that receive energy subsidies — 100% of the value of the system, but not more than BGN 2,531;

- Delivery and installation of photovoltaic systems up to 3 kW — The maximum amount of the grant per individual household is expected to be 50% of the value of the system, but not more than BGN 3,995, and for a household that receives energy subsidies — 100% of the value of the system, but not more than BGN 7911. The installed machines and equipment must be new — "second hand" are not eligible for funding. A household can apply for only one of the two measures.

The final beneficiary (user) of the aid will be Bulgarian households — we expect to include 8342 (instead of the 10,680 households from version 2), of which 2086 (instead of 2,670) receiving energy subsidies.

**Quote:** The total planned resource is BGN 31,997,342.00, including BGN 19,999,644.00 from the Recovery and Resilience Facility and BGN 11,997,698.00 own financing from the final beneficiaries

**Comment:** How will be guaranteed the achievement of the amount to be co-financed? It is not clear whether a financial instrument will be provided to support the owners, for example with national funds.

Physical capital (purchase of machinery and equipment) — 100%;

Agreed financial resources: - Initial value - 0 [30.09.2021] – Intermediate value - BGN 2.8 million [31.12.2021] - Intermediate value - BGN 14 million [30.06.2022] - Final value - BGN 20 million. [31.12.2023] The agreed financial resources will be distributed among the municipal administrations, which do not have reduced quality of air (see section 8.2 below) according to certain established criteria. Then municipalities will identify the final beneficiaries (households) at municipal level.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



**Comment:** Overall here we have a well conceived project. It is great that there are ceilings for the individual types of measures. The resource will complement Operational Programme Environment (OPE) and its successor EP, probably also Programme Regions in Growth, and LIFE, where funding for similar measures is currently available through municipalities.

However, the resource is negligibly small and there is some uncertainty as to whether there is an element of financial instrument or just a supplement with FI.

It is necessary to refine the technical characteristics of the equipment envisaged. Such ones were provided only for the air conditioners in version two of the plan.

It is also necessary to design and implement a working system monitoring the quality of performance (installation), subsequent maintenance (minimum 2 years, and ideally at least 5 years), and monitoring of the savings achieved, by an independent institution. Vital for success of the project is the actual reduction of household energy costs. Building envelope measures are highly recommended to precede the measures foreseen in the measure. Without them, there is a serious risk that heating bills will increase. It should be clarified in which programme or measure such support could be provided, both for energy poor as well as for other citizens.

We believe that even measures aimed at energy-poor households should contain a minimum co-financing on their part - 5-10%, which can be covered by interest-free loans and deferred over time. Another "legacy" problem of the programme are the highly restrictive criteria for receiving 'targeted aid for heating', so that only the most severely energy-poor citizens gain access to support. It remains unclear whether, according to this definition of energy poor, the application for the program will begin (and pass for the most part). According to reform 2 "Development of a definition of energy poverty for households in the Energy Efficiency Act for the purpose of financing energy efficiency projects" the final definition will be adopted by Amendments to the Energy Efficiency Act in the second quarter of 2022 (we would say that this is a rather late deadline, but also quite optimistic). At the same time, according to the estimates of the RES program, 70% of the financial resources will be allocated by 30.06.2022 (14% by 31.12.2021 and another 56% by 30.06.2022). It turns out that the current RES program is currently the only one that targets energy-poor households, and the definition developed specifically for it will come with a significant delay.

**Quote:** "The Ministry of Energy will sign contracts with the beneficiary municipalities, which allocate the financial resources on their territory."

**Comment:** The Ministry of Energy has had so far no experience with a program with beneficiary citizens, does not have the necessary structures to manage the process and it may be more appropriate to manage the program through the Regional Ministry, due to the similarities with project 9.

This resource is targeted at municipalities that are not air quality poor, i.e. This will be a resource for small municipalities that do not measure for clean air. Indicators of emissions saved can be roughly calculated. Only until 2023! Our advice is for this project to increase its budget at least tenfold at the expense of gas infrastructure in the Maritsa East complex.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*





**Comment:** The reduction of the range of eligible beneficiaries from 10 680 compared to the previous version to 8342 is extremely disturbing. The number of energy-poor households receiving energy assistance planned to be included in the program also decreased from 2670 to 2086. After the reduction, the measure will cover less than 0.3% of all households in the country, while all households must have access to RES for energy production for their own needs. The reduction does not stimulate the production of RES by end users, which could also help achieve the national target for energy production from RES (although more powerful than 3 kW systems are also needed). Our recommendations to increase the share of funding for this measure and its deployment were not heard. On the contrary, there is a contraction that would not lead to real changes to the transition from carbon to renewable energy sources.

Meanwhile, the Residential RES household program has been nominated for the EU Cash Awards, an initiative of the Climate Action Network (CAN) Europe, which presents good, bad and ugly examples of investing European funds from Member States' draft recovery plans, just energy transition, operational programs. After a vote by citizens from all over the EU, the Bulgarian program won the gold prize for "good practice" in the category "Supporting Energy Communities". We insist on several times the increase of the budget under this program at the expense of dropped projects.

In the category with the most harmful projects, project 13 for a gas pipeline to the coal regions has been nominated, which we insist on being replaced by more RES measures.

In the category of poor spending of EU funds - "Blind eye on the potential for energy efficiency in buildings" project 9 of the NRRP for energy efficiency in the building stock won the big prize because of its low ambition towards renovations and lack of proven solutions. European citizens have supported our demands to revise the program so that opportunities for real change serving the people and the climate are not missed.

We note that in less than a month we have achieved significant European visibility of the good and bad things in the Bulgarian recovery plan, so we insist that our recommendations be taken seriously by the government!

### **Project 11: Energy efficient municipal systems for outdoor artificial lighting (OAL)**

**Quote:** - The main activities are related to: • Dismantling of existing luminaires, wires and cables; • Delivery and installation of new luminaires, wires and cables; • Delivery and installation of equipment(s) for production and storage of electrical energy from renewable sources for personal consumption in the OAL system; • Carrying out construction and installation works directly related to the reconstruction of outdoor artificial lighting system(s); • Dismantling of existing funds for control, delivery and installation of new means for control, measurement and control, with the possibility of upgrading and expansion, incl. input or connect to existing system for automation and control of the external system artificial lighting; • Preparation of technical / working project; • Construction supervision; • Author's supervision; • Project management and publicity.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*





Result indicator(s) Number of concluded grant contracts: 200

6.2. Effectivity indicator(s) Annual energy savings in the final consumption of energy - Initial value - 0 MWh / year. [30.06.2021] - Intermediate value - 0 MWh / year. [31.12.2021] - Intermediate value - 0 MWh / year. [30.06.2022] - Intermediate value - 47 984 MWh / g. [31.12.2022] \* - Final value - 215 824 MWh / year. [30.06.2024] Additional indicators: Annual reductions of CO2 emissions - 254 672 t / y 3. Annual savings - 13,765,060 euros / year. Number of people who benefit from the improved energy efficiency - population and visitors of the municipalities in Bulgaria - 7 million \* The term for implementation of the projects is 18 months.

In the period until 2020, some of the municipal administrations in Bulgaria have replaced their systems for outdoor artificial lighting under other programs, by using the ESCO model for financing or with their own funds. The current project will upgrade and supplement the existing program for financing energy efficiency measures in street lighting, using the funds for modernization of the outdoor artificial lighting systems of the municipal administrations, whose projects are in full project readiness (84). The accumulated experience will be used for preparation of projects for modernization of the systems for external artificial lighting of another 120 municipalities in the country.

**Comment:** We are not convinced that this type of project should be funded entirely by a grant. Our recommendation is, based on pre-calculated sufficient levels of energy savings, projects to be implemented through energy performance contracting (EPC or contracts with guaranteed results). The model of financing and implementation of EPC is also known as ESCO (Energy Service Companies). Recently, Bulgarian municipalities have shone with new LED lamps, but if the resource for this is free, we fear that this will simply lead to projects, even where they are not needed or will inflate them. Municipal lighting is good to build where savings are achieved, which pays off. Where has this effect there is room for market projects - ie. ESCO. Let's not kill the achievements of ESCO models with other 100% grant schemes.

Provided that the projects envisaged under the program cannot be financed entirely through EPC, ie. There are not enough energy savings to pay off the investment of the ESCO company, we recommend opening the possibility for a grant element. This percentage should not exceed 50% of the project investment. In this way the lighting systems of the municipalities envisaged in the program will be replaced with energy efficient ones, the energy and carbon savings will be proven according to approved international methodologies by ESCO companies, the maintenance for the contract period will be fully covered by them, and at the same time will be freed a resource that could be allocated to more pressing projects. At least half of the planned over BGN 300 million could be redirected to more meaningful projects. For example, to co-finance project 10.

There is also a tendency to install solar panels on street lighting in places where there is an accessible network. Such components are completely meaningless in a built environment network. There is a growing tendency to put lighting where it is absolutely unnecessary — which from the desired beneficial effect, grows into the creation of light pollution and finally the risk that we can not maintain the already built, when there will be no funds for that. The refusal of ESCO and the desire

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



to move to funding under this plan are even more puzzling, because in this case, too, we have a public debt that must be repaid. The multiplier effect on the economy is also unclear, although there are opportunities to use technologies from local producers. We insist on rethinking the project implementation model!!

### **Project 12: Digital transformation and development of ESO information systems and real-time systems in the conditions of low-carbon energy**

**Quote:** - Subproject 9 System for dynamic monitoring of transmission capacity — with the growing distribution of renewable energy sources and their uneven location on the territory of the country require dynamic monitoring of the flows of endangered power lines and timely corrective action. This necessitates the introduction of a dynamic monitoring system, including the supply and installation of sensors and weather stations, as well as software for monitoring and assessing the transmission capacity of these power lines. 3. Beneficiary Electricity System Operator (ESO) EAD

... restoration and sustainability amounts to BGN 467,000,000 of the total project costs. Participation of ESO EAD in the financing of the project with own funds in the amount of up to 9% of the total value is envisaged. Own funds will ensure the full implementation of the set goals.

Result indicator (s) - Increase of the capacity for connection of new renewable capacities to the power system by at least 4000 MW Initial value - 2021 - 0 MW Intermediate value - December 2024 - 2000 MW Final value - June 2026 - 4000 MW - Increase of the interconnection capacity for transmission of electricity through better use of existing assets by at least 1000 MW Initial value - 2021 - 0 MW Intermediate value - June 2025 - 500 MW Final value - June 2026 -1000 MW

**Comments:** - We believe that the technological reform in the ESO system is of great importance for providing opportunities for inclusion of an increasing share of RES in the system. But we also believe that Bulgaria has set an absolute minimum as a potential share of RES is the electricity system by 2030. The amount is huge, the success of the implemented measures will predetermine the entire decarbonisation of the sector in the next two decades. We believe that the project should involve foreign experts and be well coordinated and evaluated with ENTSO-E and have transparent and public feedback on whether the measures are sufficient, whether they will not block further development and flexibility of the system in the next decade and whether these funds cannot achieve an even higher share of the set targets for transmission network capacity. Once again, we really welcome the project, but over the years, mistrust has formed between NGOs and energy structures, and we do not easily take such projects for granted, even when they are, at first glance, quite sustainable. A very good parallel can be made with other projects in which the costs are justified as average costs for this type of project from other countries. Such a justification of the set budget would be useful here as well. We believe that this project should go hand in hand with a project for flexibility of electricity transmission networks and smart networks for medium and low voltage, in order to allow for better integration of small RES projects in the system, which are most often included in the distribution network. Funding for such a project can come from project 13 or partially by project 11, which we believe should not be funded.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

**Question:** Why does the government insist that the project be financed under the NRRP, and not through borrowed capital, given that these are the type of investment costs that can be included in the price of electricity?

**Project 13: Design, construction and commissioning of infrastructure for transmission of hydrogen and low-carbon gaseous fuels for power plants and other consumers in coal regions in the Republic of Bulgaria**

Bulgartransgaz is the big winner from the third version of NRRP. Increased are the recovery funds for the gas pipelines to coal regions from 70% to 91% and only 9% remain for Bulgartransgaz's own contribution. The total planned amount of the project remains the same - BGN 477.2 million, 434.3 million with the increase by BGN 101 million at the expense of the Instrument for Recovery and Resilience and BGN 42.9 million own co-financing. The decreased self-contribution is not justified. Could it be that Bulgartransgaz is in a difficult financial situation as the revenues from Balkan/Turkish Stream seem to be less than expected, while costs increase because of the interest on the loans with which the Russian transit gas pipeline was built?

Attached is a letter by Competition DG, saying the project will receive no state aid according to the provided data, as access will be given to other power plants wishing to be connected, even if new infrastructure needs to be built.

**Quote:** - to be used for transport of low-carbon gaseous fuels and their mixtures in different ratios (hydrogen, biogas, natural gas). In this regard, the infrastructure will be connected to the existing gas transmission network of Bulgartransgaz EAD, and Subproject 1 will also be connected to IGB (Greece-Bulgaria Interconnector), providing an opportunity for supplies of low-carbon gaseous fuels, incl. hydrogen, and for other consumers, such as smaller industrial and administrative sites and household consumers (households).

TOTAL ESTIMATED VALUE: 243,995,273.55 EURO = nearly BGN 500 million, 91% for account of the mechanism, while 9% of the remaining funds are for Bulgartransgaz!

Effectivity indicator(s) Target consumers (power plants) using hydrogen, low carbon gaseous fuels and their mixtures, no. - Initial value - 0 [2022] - Final value - 4 [2026]

**Comment:** - What effect and indicator are 4 connected exchanges? If there are gas power plants, that will be only part of the capacity in Maritza East (MI), not all, just to please everyone! The idea for a gas plant that does not use waste heat is to be only top-notch — it will be small capacity and should be financed after calculation and in the free market to be part of the "merit order".

**Comment on the change of the financial framework:** Only within two months from the second (08.02.2021) to the third (16.04.2021) version of the Recovery and Resilience Plan, there is an increase in the planned funding from the Recovery Mechanism from 70% to 91% and a corresponding reduction of the own funds provided by Bulgartransgaz EAD by 21%. We critically ask the question why, given that the infrastructure planned with project 13 will support the overall

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



development of the already existing infrastructure of Bulgartransgaz EAD, the participation of Bulgartransgaz EAD is only 1/10 of the total amount? What necessitated the reduction of the financial participation of Bulgartransgaz EAD by 21% in just two months, given that there is no officially announced change in the financial stability of the company? We draw attention to the fact that it is of particular importance for the sustainability of the pilot projects that they are financed with private funds and that they are in a reasonable proportion to the funding with state funds. Such moves further strengthen our position that this project has no place at all in the NRRP and should be withdrawn unconditionally!

**Comments:** - Fully focused on the energy complex Maritsa East (MI) — saving MI is not a matter of conserving fuel capacity. There is not even a set capacity for renewable energy and hydrogen production plants. Possible dual purpose of this infrastructure — the idea is for the infrastructure to work together with the natural gas transmission network, on which no more than 10% of hydrogen in a mixture with the hydrocarbons for which it is intended can be transported without reconstruction. The quantities of biogas in our country remain negligibly small and there is no guarantee that this will undergo significant changes in the near future. The idea of this project is to deliver fossil gas to MI, not to produce hydrogen on site. The investment is huge and vice versa — it threatens to block the meaningful development of green hydrogen in the future, due to the excessive economic interest of gas, if the project is implemented. The impression is created that the Bulgarian Government simply wants funding for a project to gasify TPPs with European funds and not national ones. With this gasification of all TPPs in the complex, where there is another TPP connected to the consultant Hristo Kovachki — Brickel. The short betting deadlines suggest that the plans are already in place in the cabinet and are probably at a dangerously advanced stage. Not to mention that projects have already been executed under the nose of the whole of Bulgaria and of the EC, without public consultations and at the expense of the Bulgarian taxpayer, for example the Turkish stream, which we persistently call Balkan. The length of the proposed gas pipelines is also puzzling for the journalist from Capital Ivaylo Stanchev. On the one hand, it is said that the new gas pipelines want to connect to the existing gas transmission network, as well as to the future interconnector with Greece, which are located about 20 km from MI, and the project aims for 125 km long. new pipes. TPP Bobov Dol has already requested to be connected to the nearby main gas pipeline (3-4 km), while the rehabilitation plan envisages a 50 km gas pipeline. **In our opinion, this project has no place in the recovery plan and is not beneficial for the transition to a low-carbon economy. Such transactions must not be financed with public debt, but with private debt, and the source of debt repayment should be the revenues from gas transportation.** Even the level of funds set aside for management is so small that it shows that most of the work has already been done and the interest is in the pipes coming as a gift. Bulgaria needs to assess and model how the development of green hydrogen will take place in the coming decades. Commercially mature technologies are not expected before the middle of the decade, due to lack of adequate and affordable technology for its production, and the financing of project 13 is just until then. Which means that if we are talking about hydrogen, there is more room in this plan for research projects and evaluation and development strategies than for real projects, which is not the case at all. The funds can be used more sensibly for alternatives. Pouring funds into gas risks making energy more expensive in the long run! There is not even a commitment to use a mandatory mix of 10% green hydrogen with this network!

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*





We pay special attention to those employed in the coal sector and to trade unions. The potential gasification of the complex means some rescue of the power plants at a high cost in the long run, but no rescue of jobs and provision of livelihood for the laid off. The fuel will come from outside, which means the closure of MMI, and the number of workers needed in a gas-fired power plant is minimal. So the funds you need today to go for meaningful alternatives, retraining and new forms of employment, will be poured ostensibly to save an energy complex, which is important precisely because of the livelihood it gives to a region. The gasification of the complex formally saves the thermal power plants, but destroys the region economically. The commitment to the development of energy based on renewable energy and energy efficiency on the other hand will provide many more jobs, opportunities for the development of small and medium enterprises and a multiplier effect on the economy.

**Za Zemiata is categorically against the financing of this project! Let the funds be redirected to the renovation and replacement of heating installations based on renewable energy sources in households!**

#### **Project 14: Support scheme for pilot projects in hydrogen and biogas production**

**Comment:** Hydrogen is among the big winners in the third plan. Increase of 3-fold the money for pilot projects green hydrogen and biogas (for micro, macro and medium enterprises) - not justified. Pilot projects for the new green fuel will be funded by the recovery funds not by BGN 39 million as previously, but by more than BGN 117 million, which is 50% of the total budget of BGN 234 million. It is expected that by 2024 five to six times more capacity for green hydrogen will be built (through electrolysis) than in the previous version of the plan - from 17 MW to 85 MW, producing 12 000 t/y instead of 12 000 t/y, with no justification. We draw attention to the fact that it is of particular importance for the sustainability of the pilot projects that they are financed with private funds and that they are in a reasonable proportion to the funding with state funds. It is not clear from what sources the hydrogen will be produced, whether they will really be RES. In order for the project to achieve its planned goals and to comply with the European Green Deal and the goal of achieving climate neutrality of the European Union by 2050, it is extremely important to define concretely and clearly how green hydrogen will be extracted from the very beginning. In order for hydrogen to be truly "green", only RES sources can be used for its production, and only if these do not come into conflict with the current consumption of these energies and their use for hydrogen production is not at the expense of consumption. Therefore, simultaneously with the development of a technical base for the production of green hydrogen, it is absolutely necessary to provide a sufficient technical RES base and to set a condition for these plants to produce hydrogen only from RES.

The human resource budget is increased from 10% to 15% on the expense of software and patents. From the total budget, on construction of new installations for green hydrogen production will be spent EUR 100,000,000 and for biogas production - EUR 20,000,000. The biogas production stays the same amount - 28 ktOE/y. Attached is a letter by Competition DG, stating that based on the information provided so far, they do not consider the scheme as state aid.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



**Quotes:** The specific objectives of the project are: Defining a strategic framework for identifying potentials, opportunities and challenges through conducting consultations with the stakeholders; Development of pilot projects for the introduction of hydrogen and biogas in industrial production, as well as for their future use in electricity and heat production and in the transport industry; Creating a cluster of knowledge and solutions for the production of renewable gases to facilitate their integration in various sectors. This initiative aims to stimulate innovation through the promotion and the exchange of knowledge and experience, the creation of a knowledge and innovation data base platform, and the dissemination of information and cooperation between enterprises.

Beneficiary. Enterprises

4. Project implementation timetable: Stage 1. Consultations with stakeholders on applicable technologies for the production of hydrogen and biogas: II quarter of 2021; Stage 2: Elaboration of the concept and the parameters for applications for project financial support: III quarter of 2021; 3. Selection of project proposals and conclusion of contracts: IV quarter of 2021 and I and II quarter of 2022; 4. Implementation of the approved projects: by the third quarter of 2026.

Indicative financial resource - EUR 120,000,000 \*. The expected European funding from the Recovery and Resilience Facility amounts to EUR 60 000 000 of the investment costs of the project and own funding from the beneficiaries depending on the scale of the project [VV1].

6.1. version two (08.02.2021) of the Recovery and Resilience Plan: Result indicator (s) Installed hydrogen production capacity Initial value - [2021] - 0 MW Intermediate value - [2024] - 7 MW Final value - [2026] - 17 MW Hydrogen production Initial value - [2021] - 0 t / y. Intermediate value - [2024] - 1000 t / y. Final value - [2026] - 2,000 t / y. Production of biogas Initial value - [2021] - 0 ktoe / year. Intermediate value - [2024] - 14 ktoe / year. Final value - [2026] - 28 ktoe / year.

Version three (16.04.2021) of the Recovery and Resilience Plan: Installed capacity for green hydrogen production Initial value - [2021] - 0 MW Intermediate value - [2024] - 34 MW Final value - [2026] - 85 MW Production of green hydrogen Initial value - [2021] - 0 t / y. Intermediate value - [2024] - 5 000 t / y. Final value - [2026] - 12,000 t / y.

**Comment:** The project is reasonably conceived and the goals are realistic. It requires further elaboration in terms of the vision for the technology development + guarantee for transparent and competitive selection of projects. It seems it genuinely targets hydrogen and eco-friendly hydrocarbons production. It remains unclear what caused 1) the fivefold increase in the planned installed capacity for green hydrogen production from [2026] - 17 MW to [2026] - 85 MW and 2) the sixfold increase in green hydrogen production from [2026] - 2,000 t / y on [2026] - 12,000 t / y. compared to the previous version of the Recovery and Sustainability Plan of 08.02.2021. The text of project 14 lacks justification for the need for such facilities and production. This is not necessarily a criticism, because in version 1.1 we specified that with the right setting of this funding and guarantee of green hydrogen and a competitive environment, we tend to support an increase in funding up to twice, but the Government surprised us with a much more serious increase..

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

## **Project 19: Digitalisation in railway transport through modernisation of the systems for safety and energy efficiency on routes in the core and the peripheral railway network**

Quotes from version 1.1 (second): - Reducing the cost of 1 MWh of electricity consumed at the sites of National Railway Infrastructure Company (NRIC), through construction of solar parks in the vicinity of railway stations.

Number of built solar parks

- Initial value - 0 pcs. - [2021]

- Intermediate value - 120 - pcs. solar parks - [2024] - Final value - 180 pcs. solar parks [1st half of 2026]

Number of railway stations with new LED lighting - Initial value - 0 pcs. 2021 - Intermediate value - 70 pcs. - [II half of 2024] - Final value – 120 no. - [1st half of 2026]

**Comments:** Number of stations equipped with panels is not an adequate indicator. This can be construed as if upon the installation of one panel at a given station the objective is reached. We insist that the following indicators are included: (a) the installed capacity; (b) the energy output for own consumption; (c) the maximum price that can support an investment at load installed capacity. These will ensure a link with market price trends. In railway transportation the energy consumption is fairly predictable. This sector consumes a considerable amount of energy and a significant share of this energy can be self-produced. On one hand, the energy consumption of this sector should decrease with the renewal of the locomotive fleet and the introduction of more efficient machines. On the other hand, the overall energy consumption should increase due to the expected trend of greater reliance on rail transport in the future. If sensible indicators are applied and a sufficiently competitive process is implemented in the project selection, this has the potential to become one of the most important projects in this plan. As an accompanying reform, we insist in the case of the railway transport that 100% of the energy should be supplied by renewables. We find it sensible to develop that part of the project related to the solar parks into a separate project or into a sub-project within this plan. In this respect, the potential of the unused space in the areas of the railway stations is huge – adjacent old industrial spaces, train station roofs and the sheds above the platforms. We consider it sensible to make use of these spaces as soon as possible. Even the LED lighting is more efficient if it can be supplied with electricity directly obtained from the solar panels. Hence, a separate budget or stand-alone project for this investment could be envisaged, provided that the planned installed capacity is estimated at this juncture. These two measures should generate a significant requirement for ESCO contracts (energy performance contracting), PPPs and auctions for power installation or supply of energy from RES.

### **Comments on 2.C.2. Transport connectivity**

The planned projects are adequate to the transport needs of the state and the EU transport network - the need for modernization of the railway infrastructure and staff, as well as of the railway service

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

itself is essential. There is an urgent need for better organization of suburban delivery transport as well as its decarbonisation through mass replacement of obsolete diesel buses and minibuses with electric ones.

The missing element is the commitment and clear measures that will lead to the desired significant transformation of the currently deeply dependent on the oil transport sector into a modern, environmentally friendly and user-friendly one.

Clear measures should be added for:

1. Raising taxes on fossil fuels, the excise duty of which is one of the lowest in Europe, as well as the vehicle charging system in implementation of Council Specific Recommendation 1 of the European Semester "Improve tax collection through targeted measures in areas such as fuel taxes' and the 'polluter pays' principle;
2. Restrictions for entering and moving in the cities, especially of old, polluting and heavy vehicles, which should reorient the citizens and the business towards more ecological forms of urban transport;
3. Again in the Plan, as well as in OP Transport Connectivity, there are no reforms and projects that would fully connect the national railway network with the European one or to stimulate the freight transit road traffic to be transferred to the railway through the territory of Bulgaria. There are no projects for modernization of the railway corridors Svilengrad-Plovdiv-Ruse-Bucharest, through which the main traffic between Turkey and Ukraine passes, and Thessaloniki-Sofia-Vidin-Timisoara along the main European TEN-T corridor. We remind you that back in 2012 the project for modernization of the Sofia-Vidin railway line was declared a top priority for applying under the Connecting Europe Facility, but the administration did not implement it and chose the financing of carbon-intensive road projects instead;
4. This Plan is an appropriate tool for the designation of a national network of bicycle roads, its separation from the national and municipal road network and its infrastructure provision.

**Quote version 1.2 (third version):**

We enclose a scanned price offer from the website <https://www.shop.chepakov.com>.

The indicative value for the construction of 1 solar / photovoltaic / park is BGN 39,912.47 without VAT. It is planned to build 180 of them, the total value of which is BGN 7,184,244.60 - BGN 7,200,000 without VAT.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

In calculating the cost of 1 pc. solar park is included:

1. Construction of a photovoltaic system - 30kWp - BGN 33,310.05;
2. Construction of a grounding installation and LED lighting of a solar park - BGN 1,420.52;
3. Construction of a fence for a solar park - BGN 2,953.60;
4. Transmission environment for construction of video surveillance of a solar park - BGN 2,228.30.

**Comment:** In the final version of the announced plan we already have estimated and planned capacity of each solar park. 180 solar parks with 30 kWh of installed capacity are equal to 5.4 MWp of installed capacity. The price that is set is good to be achieved in open public auctions. Most stations have an area (roofs and sheds) that would allow a significant increase in the planned installed capacity. Solar energy no longer needs subsidies and its prices are low enough. Speaking of a subsidy, however, here the limit of 30 kW per installation suspiciously coincides with the limit of the incentives provided by the EWRC for small solar installations.

This limit with the provision of preferential prices is up to 30 kWp. IF NRIC seeks to receive this incentive, this is not a well-thought-out scheme. It is normal for the EWRC to pay attention to the fact that the same owner breaks the installed capacity of hundreds of smaller solar parks in order to obtain a subsidized purchase price of electricity. We say it with our best of intentions because we really like the solar energy project in the railways. It makes sense for the railways to use the large areas of the stations, both roof and ground, to build solar parks.

However, it makes sense to use this electricity directly for rail transport, and not to make meaningless increases through support schemes, which ultimately constitute pure cross-subsidization. We strongly encourage this project, but after carefully rethinking it! Auctions for maximum capacity for the budget and attracting private capital in the parks. Excess electricity can be sold on the free market, and a scheme with certificates of origin is expected to operate sooner, which will again allow National Railway Infrastructure Company and investors in this endeavor to receive a bonus from the market.

**Question and suggestions for a possible alternative approach: Why are we financing the most subsidized transport sector with public debt?**

We have already proposed the idea of increasing the funds provided for solar parks at the expense of other projects from the NRRP, whose budget may be reduced or eliminated. We insist on attracting additional private capital and developing the maximum capacity of solar parks for the railways' own

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

needs. We share that neighboring Romania foresees almost 100% use of renewable electricity in its railways by 2030 - a meaningful, easily feasible and beneficial measure for all, which we can apply in Bulgaria too. The combination of own solar parks plus the establishment of a policy for the purchase of entirely renewable energy in the railways will make the image of the already greenest transport even greener. Under transparent and competitive rules for building capacity and buying renewable energy on the stock exchange, railways can achieve better prices for the energy they use, save money and greenhouse gas emissions and become part of Europe's green railways. We will be very happy and will inevitably praise this reform, if in a few years we can join this club.

**Project 25: Support for sustainable urban mobility through measures for the development of environmentally friendly, safe, functional and energy efficient transport systems**

**Comment:** The project, as planned, has the potential for significant reform and the effect of targeted investment. The following comments aim at improving it and make it clearer:

- The project should describe in section 2.1 not the pan-European but the national context, statistics and issues. It is not clear why and how the amount of BGN 100 million and the purchase of exactly 68 low-emission or zero-emission vehicles was determined.
- Since the proposed scheme provides for "support for all urban municipalities except the 10 largest", we propose to select several pilot municipalities in which to replace all rolling stock of urban and suburban transport.
- Look for opportunities to increase financial resources and purchase more zero-emission vehicles only.
- The introduction of the new zero-emission buses should be combined with clear measures to limit the entry of vehicles and their use in the city.
- Organizing a real opportunity for the new vehicles and charging stations to work with electricity from RES to ensure the reform and the environmental effect of the investment

**Project 44: Improvement of energy efficiency, modernisation of the infrastructure and introduction of innovative healthcare technologies in key state and municipal healthcare establishments** (Additional comments on the project are also available in the "Health" Aspect Section below)

**Quote:** Budget: BGN 578,947,268.08 – fully financed with European funds. The main activities to be completed as part of the projects are: - Certification of the building stock; - Renovation and implementation of measures for energy efficiency; - Renovation of elevators; - Establishment of systems for disposal of hazardous hospital waste and waste; - Renovation of electrical, plumbing infrastructure and HVAC installations; - Construction of installations for oxygen production for

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

medical purposes; - Purchase, installation and commissioning of modern equipment for key healthcare establishments with over 50% state ownership.

#### Activity 1 "Construction and energy efficiency measures"

Activity 1 envisages reconstruction, repair and improvement of the access for people with disabilities in the buildings of supporting state and municipal healthcare establishments. The completion of the project will be realized as two separate sub-projects:

Sub-project 1.2 .: "Development of technical and working projects for construction and installation work"

As a result of the implementation of sub-activity 1.1 and the materials prepared it will be proceeded to the preparation of technical and working projects for the execution of the respective construction and installation works for implementation of the envisaged energy efficiency measures. In addition to energy efficiency measures, the prepared technical and working projects will also include parts for renovation and modernization of elevator facilities, renovation and modernization of electrical installations, plumbing and HVAC installations, construction of oxygen production systems for medical purposes. Terms of reference for the construction of oxygen production systems for medical purposes will also be prepared.

Sub-project 1.1 .: "Carrying out certification of the building stock"

Sub-project 1.5. Complete reconstruction of the old building of CCB at the Ministry of Interior and equipment delivery.

Sub-project 1.6. Construction and Modernization and equipment of a Hospital for long-term treatment and rehabilitation.

Construction of a medical institution at the Ministry of Interior, which will provide care for people with disabilities, the chronically ill, people with special needs and terminally ill patients.

#### Activity 2 "Provision of modern medical equipment"

**Comment:** The energy efficiency part of the project is a natural continuation of the energy efficiency measures in buildings set out in the pillar Green Bulgaria. Obviously, it simply pursues a green and a climate component. The indicators for energy saving and for installed capacity RES are missing (as well as plans for RES measures in general) – and they should be introduced. No indicators for energy savings, emissions and resources have been set out. There is no renewable energy in hospitals, albeit hospitals, with their stable consumption, are ideal for the installation of small RES for their own consumption. Likewise, for energy storage systems, which can be a vital back-up for hospitals in the event of energy supply disruptions. Hospitals can accommodate installations for the production of electricity and heat and for cooling from renewable sources — solar panels for DHW, photovoltaics, batteries, even the use of biomass, LED lighting, smart HVAC systems, ventilation with recuperation.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



Why is there only an indicator "Realized construction and installation works in buildings and blocks of the Ministry of Interior in Sofia and the town of Bankya"? Why are the hospitals in Hissarya and Varna, also covered by the project, excluded? Indicator "1-3 realized construction works" means nothing. The mentioned indicator "energy efficiency" with an intermediate value of 35 and a final value of 79 again means nothing and is absolutely taken out of context. Which energy class will the buildings reach after the energy renovation?

The other indicator "-12% reduced energy costs" again, does not appear to be justified.

For comparison, after RES installations and energy saving measures were implemented under the STACCATO project in 2013-2014 with European funds, the energy bills of UMHAT "QUEEN JOANA - ISUL" have been reduced from 1.8% to 1.7% of the total costs of the hospital. The energy management system alone enabled energy savings of 40% and an investment payback period of less than 1 year. However, it should not be forgotten that a monthly payment is required under a subscription contract for system maintenance and data analysis. The same applies for the solar thermal and photovoltaic installations. The condition of the installations after over 5 years of exploitation has been confirmed as good and as leading to the expected annual effect.

While in the beginning of the text 4 sites are mentioned - Hospital Central Clinical Base (CCB) - Multidisciplinary Hospital for Active Treatment in Sofia and three hospitals for long - term treatment and rehabilitation - in Hissarya (which even has a cinema for 200 people ?!), in Bankya, in Varna, it is not clear where the measures for energy efficiency (sub-activity 1.4) will be implemented. The same question applies to activity 2 "Provision of modern medical equipment". Why doesn't the project description mention, the plan for a complete reconstruction of an old building of the Ministry of Interior hospital in Sofia and the plan for the construction of a medical institution (building ?!) in the hospital for long-term treatment and rehabilitation in Bankya? These are only mentioned in sub-activities 1.5 and 1.6.

We truly hope that the entire population of the Republic of Bulgaria will have access to the anticipated improved hospital infrastructure pursuant to the project, not just people under the jurisdiction of the Ministry of Interior.

We strongly insist that instead of "Creating systems for disposal of ... and household waste", measures be provided for their recovery (but no incineration), and even better for avoiding the generation first hand.

We do not agree with the statement that such projects have not been implemented! Above, we have given the example with ISUL Hospital, but there is also a significant list of renovated DCCs, clinics and MHAT throughout the country with funds from the Energy Efficiency and Renewable Sources Fund, ESCO contracts, etc.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



## Analysis of the measures proposed by the Government of the Republic of Bulgaria in “Justice” division of the National Recovery and Resilience Plan (2021-2025)

### Overview

Regardless of the specifics of each project included in the proposal “Plan for Recovery and Resilience for The Period 2021-2025 ” by the Government of the Republic of Bulgaria, they exhibit common characteristics, which should be highlighted: The sector funding of projects by work streams is noteworthy. It reminds of targeted policies developed by ministry experts, although the name of the project strategy contains the word "plan". Definitely the proposal made by the government cannot be considered as a plan, rather, it resembles a strategy with outlined actions. There are no end goals compliant with the clear principles already set in advance by the European Commission. There is a discrepancy between these goals and the ones set by the current government.

Second, given the “catching-up” specifics of Bulgaria’s socio-economic development in comparison with the wealthier member states of the EU, the proposed plan needs to pursue not just economic recovery from the effects of COVID-19, but also the creation of conditions for faster economic growth and for competitive advantages. These conditions should aim at ensuring that the growth generated is sustained in the medium and the long-term. For the Bulgarian economy an annual increase of 3% of GDP is absolutely insufficient and the measures should be used as a tool for achieving annual economic growth of at least 5-6% of GDP. Poverty, inequality and lack of skills are the problems highlighted by the OECD, which Bulgaria should immediately start to address in order to become competitive and to achieve faster development. The lack of reforms in this direction was the reason for refusing the country an OECD membership in early 2021. From the above, it follows that criteria for the effectiveness of the measures pursuant to the plan should be derived. These criteria should be then used for evaluation of the effectiveness of the projects.

Third, the Bulgarian government already has access to programs financed with European funds for connectivity and in particular, for the creation and improvement of infrastructure. "Green", "innovative", "fair" Bulgaria should take a larger share than the “Connectivity” pillar in the plan as these may be the competitive advantages of the country. “Connectivity” is also financed by the national budget. It is still catching up and should not take as much as 22% of the funds provided. **The "Connectivity" pillar also includes long-term projects in the field of Justice, which we discuss below.**

### Review of the project proposals in the area of digitalization of Justice.

#### Project: Strengthening, Further Development and Upgrading of The Unified Court Information System

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

**Comments:** It is noticeable that the plan ascribes and sets goals for new additional content and new functionalities of the Unified Information System of Courts through two separate public procurement procedures without prior legal analysis.

A prior legal review as to the legislative options for amending the Civil Code must be carried out in conjunction with the plan. There is no preliminary policy in place to examine in detail the desired reform, given that it would affect almost 50% of the civil court proceedings in district courts. These considerations warrant the introduction of changes in the system and additional work upon the implementation of the changes, which is a potential source of new public procurement procedures and corruption.

The subsequent enforcement process and access to electronic information for the convicted debtor and his creditors remain unclear. This stage follows the injunction proceedings, once a person is ordered by court to pay his creditors. After the trial decision at the court order stage, the process reverts on the basis of analog and paper support. Our conclusion is that the project leads to a “half-baked” reform.

Unclear remain the desired functionalities concerning the proposed mediation, which precedes the process. What will be its role? What is the vision and how should it be carried out in the context of electronic legal proceedings? Only through exchanging documents and giving access to the mediator? We insist that this is clarified and justified!

No analysis has been carried out as to the needs of the judiciary in terms of computer equipment. The price of BGN 1,800 with VAT for one laptop should be justified and as in the case of other projects in the plan, it should be backed with market data/examples. Otherwise this price could be perceived as inflated. This is evident from similar orders on other projects of the SJC, the SAC and the Prosecutor's Office, as noted below. It is not necessary that the computer equipment should be of the highest class and / or with high performance, as it should be used for writing documents and for accessing a web-based system. The cost could be reduced by up to 50%. However, we remain open to obtain further clarifications – perhaps the price includes: software, some support and some aspects of cyber security.

We should also note that almost 70% of the funds for this project are earmarked for the purchase of new equipment. Such use of funds does not comply with the principles and objectives of this plan — development and sustainability, which would generate GDP growth. On the contrary, it would have the opposite effect. The budget of the Supreme Court and funds from European programs appear more adequate sources of funds for underwriting such spending. We support the removal of this project from NRRP!

### **Project: Further Development of The Information Systems of The Courts to Enable Citizens and Legal Entities Access to e-services and e-justice**

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



**Comments:** The transfer of legal proceedings related to commercial disputes into electronic form and the creation of opportunities for other types of legal proceedings to be carried out partially and / or completely online, is a reform that not only affects the judiciary establishment but primarily the citizens. The latter are represented by defenders who are not included in the projects by training and seminars organized in close cooperation with the Supreme Bar Council. This creates great risks, such as: inability to benefit from the new opportunity; propensity for mistakes and / or omissions in the course of the proceedings; inconvenience to the parties, etc.

An important emphasis should be made on the training of the individuals who are expected to operate the system. A set of requirements for system reliability and user-friendliness should be set out at this juncture.

Again, no preliminary legal analysis has been carried out. However, process and tasks planning is available, which creates uncertainty about the outcome. It is possible that a requirement for revisions emerges, which may cause a delay in the implementation.

### **Project: Digitization of Key Court Proceedings in The Administrative Judicial System**

**Comments:** Lack of comparative economic and financial analysis to justify the high costs that have been estimated. What is the cost of implementing a similar project in other EU member states? How are the estimated prices determined, given that a study of implementation of digitization in other member states is envisaged in the first phase of the project?

There is no information regarding the purchase of equipment (computers and etc.) for the administrative courts — price, quantity, technical parameters. Only an estimated price of nearly BGN 1 million has been outlined. This creates a high risk of corruption and / or of a rigged public procurement procedure.

### **Project: Transforming the Existing Information and Communication Infrastructure (ICI) at The Prosecutor's Office of the Republic of Bulgaria Into a New, Fault-resilient, Reserved, Productive and Protected System**

**Comment:** We note, yet again, the earmarking of funds for the procurement of equipment. However, in this case one workstation costs BGN 1188 with VAT, compared with the BGN 1800 seen in the other projects of the justice digitization plan.

### **Project: Improvement of The Quality and The Robustness of Security and Anti-Corruption Policies**

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



**Comments:** The project does not meet the requirements to fight corruption as the Ministry of Interior is not the body that identifies and investigates corruption cases according to the local legislation. Therefore, the content should be revised as it addresses only the establishment and the improvement of monitoring and information systems and the addition of new sources of information for the needs of the Ministry of Interior.

**Project: Introduction of Methods for Alternative Dispute Resolution (ADR) in The Judicial System in Bulgaria - Pilot Introduction of Mandatory Judicial Mediation; Completion of The Court Network in All Administrative Districts of The Country**

**Comments:** We note the incorrect equation of mediation and alternative resolution of disputes, which can be misleading. Mediation is one of many methods for alternative dispute resolution. Therefore, various possibilities for resolving disputes out of court should be considered first, since mediation is not applicable to all hypotheses.

The parallel implementation of the reform with the other projects for digitisation of judicial proceedings and the implementation of mandatory initial mediation at the district courts is unclear. A reform of the judicial map is being carried out outside the articulated plan. This reform envisages the transfer of jurisdiction in civil cases from the district to the regional courts in the first instance. There is a real risk of chaos in the system. Again, no legal analysis has been carried out. However, an implementation plan is provided. Thus, prerequisites are created for potential revisions of the projects and / or the creation of additional ones.

**Other shortcomings of the plan in the part relating to projects and reforms in the judicial area:**

- No information and training post implementation of the latest system has been envisaged for the whole spectrum of parties concerned in the planned changes - lawyers, citizens, prosecutors and civil servants from other institutions such as State Agency for National Security, with more adequate information and skills for work in an electronic environment;
- The projects are not in the context of planned reforms and are defined ahead of, and without the consideration of, legal and financial analysis. The legal framework and the real prospects for changes are yet to be reviewed. Against this background, the financial costs seem suspiciously inflated.
- There is no information indicating that the project concepts have been deliberated with the public and legal experts or with other stakeholders. The measures are presented uniquely in the light of the implementation of the critical recommendations for the judiciary, which is questionable given the lack of discussion.
- There are no projects targeting the skills and knowledge development of judges, prosecutors and investigators. There is no mention of the necessity to ensure a narrow specialization of magistrates, which affects the quality of the Bulgarian justice.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



- There are no projects for addressing the needs of the State Agency "National Security" to combat money laundering, which is directly related to the fight against corruption in the country. It is necessary to provide manpower, to create expertise, to implement legislative reform to enable effective cooperation with other economic entities such as commercial banks, as well as real cooperation with The Prosecutor's Office and the National Revenue Agency, to purchase specialised software, etc. "Financial Intelligence" remains a crippled unit within SANS. An extremely important commitment, which has not been met by the Government is the provision under Art. 1 of the law for the measures against money laundering adopted in 2018 and its application rules, enabling the thirty obligated persons as per Art. 4 of the LMML to notify SANS under Art. 72 of LMML of money laundering cases under Art. 2 of the same law via encrypted electronic communication. This would greatly facilitate financial institutions in particular, which have an inherent responsibility imposed by EU law to protect the financial system from capital generated from criminal activity, including fraud, corruption, trading in influence, tax violations and the like. The system should enable a fast, secure and efficient communication between the entities in charge: "Financial Intelligence", SANS, the Prosecutor's Office of R. Bulgaria (which includes the investigation departments). The digitisation of this process will lead to the optimisation of thousands of files and will enable control and monitoring of the system, follow-up analysis and a sharp increase in the conversion of notifications into prosecutorial files and subsequent pre-trial proceedings. The Belgian legislation offers a successful example and a working model of such a system. Such a project would prompt a technological impetus in the banking sector in the country. Bulgaria is currently implementing a reform package in connection to its accession to the Eurozone by 01.01.2024. However, such an initiative is not included in this reform plan, hence it is not being implemented.
- There is a lack of connection with sector "Education" for the provision of programs for specialisation of law graduates and magistrates in areas that would drastically improve the quality of public sector performance and the administration of justice. Currently, there is only one Master's program in EU law. Lack of education programs in the areas of: data protection, medical law, alternative dispute resolution, anti – corruption, money laundering, fraud, etc.

Overall, our recommendations are to address the above-mentioned deficits. As the saying goes, "The answer is hidden in the question."

## Part "Health"

Given that the implementation of this Plan stems from the negative consequences suffered in connection with the COVID-19 pandemic, it is only natural that the crisis in the healthcare system should have a central role in it. The plan includes mainly initiatives related to the infrastructure. The measures are generally piecemeal and the interactions between processes and reforms in the sector are often lost. Therefore, we submit a set of comments addressing the overall implementation of the plan.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*



## I. Notes on PILLAR 1: "INNOVATIVE BULGARIA" - 25.8% in District "Education":

**Comments:** In the "Education" area, some of the problems have been identified without the proposal of specific solutions, including, but not limited to:

a) Online and e-learning: during the pandemic crisis the use of online communication in various aspects of our lives, especially in education, became paramount. Understandably, the focus was on primary and secondary education, while higher education remained generally outside the attention of the politicians, the media and, in fact, the society as a whole. Some learning branches, such as Medicine, require physical presence in the education process. This cannot be possible given the pandemic crisis. The students were not able to attend classes in person, which disrupted the rhythm and the quality of the learning process. Such hypotheses raise many questions in the event of future challenges facing the education system, regardless of the learning branch. There is no allocation of recovery funds for the creation of a plan and conditions to ensure continuity of the educational process in higher education, which should be among the primary goals.

Practice classes can be organised in simulation rooms. There is already a good system in place at MU-Pleven, where students have the opportunity to attend a training laboratory in a virtual reality environment.

b) Shortage of medical personnel: the COVID-19 pandemic revealed a huge shortage of medical personnel, which directly affects national security and whose solution lies partly in the education sector. Healthcare remains an undesirable career path for prospective students for a variety of reasons, the main being the unsatisfactory remuneration these professions offer on the labor market. Students should be stimulated from the outset, for instance with financial incentives such as scholarships, exemptions from tuition fees for individuals accepted on the state quota and other similar ones. At present all the administrative functions, which fall in the remit of medical professionals require competencies, which these professionals have either not acquired or do not command in depth. Therefore, an up-to-date curriculum, computer facilities and the implementation of a project to teach computer literacy and to enhance the digital skills of professionals is desperately needed. The digitisation of Healthcare will encounter a lack of relevant skills by professionals.

Another possible measure could be the adoption of a sustainable policy for the provision of human resources through the retraining of the existing non-medical staff in hospitals (e.g. orderlies) into healthcare professionals. This project would be in line with the pan-European initiative "Reskill and upskill".

A third proposal is the implementation of a project for specialised training in the area of "Healthcare" and "Public Health" at the secondary education level. This is in line with the changes in Ordinance № 7 of 2016, as Bulgaria lacks professional secondary education, leading to a I-III degree, for both technical and economic subjects.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

## II. Notes to PILLAR 4: FAIR BULGARIA - 16.9% in segment “Healthcare”:

It is envisaged that the pillar "Fair Bulgaria", which also includes the healthcare sector, is the recipient of the lowest amount of financial resources. This plan aims to address the consequences of the health crisis caused by COVID-19, but despite the fact that the health system was the most overloaded in the past year, its share of the funds is the lowest in comparison to the other pillars.

### **Project 44: Improvement of Energy Efficiency, Modernisation of The Infrastructure and Introduction of Innovative Healthcare Technologies in Key State and Municipal Healthcare Establishments**

The planned funds are intended only for the Ministry of Interior - Sofia and Bankya and thus other healthcare establishments are excluded. As the funding has a limited scope, it does not impact a wide range of the population. The Medical Institute at the Ministry of Interior, being a departmental establishment, caters for a limited category of patients. Therefore, such an initiative should be funded differently – preferably by the national budget.

#### **Recommendations:**

- To finance the renovation of at least one infectious ward / clinic with an intensive care sector, in one of the capital's municipal hospitals.
- The funds should be redirected to the municipal medical establishments and DCC, which are accessible to a greater number of people in need, for the improvement of their infrastructure, technical equipment and energy efficiency.

### **Project 45: Establishment of a Center for Training and Development in Innovative Neuroradiology in Bulgaria**

We support the plan for creating such a center and we believe that it will contribute to the early diagnosis and prevention of illnesses with significant social repercussions.

### **Project 46: Modernization and Development of Psychiatric Care in Bulgaria**

We support the project proposal. It addresses cardinal problems in the healthcare system and it should be implemented. However, we have the following complementary

Recommendation: Conceive policies and projects for the prevention of mental illnesses in compliance with funding from NRRP, as the improvement of the infrastructure is not a sufficient condition for the implementation of the required set of mental health policies.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*

### **Project 47: Creation of a National Register (database) for Tracking Oncological Diseases**

We support the project proposal and appreciate its high importance for public health. However, we have reservations as to it being financed with public debt under the NRRP, as we consider it inappropriate to finance this long-overdue national register with EU funds, as opposed to funding it from the national budget.

**Proposal:** The financing of departments / clinics for internal diseases, infectious diseases, pulmonology and tuberculosis, resuscitation and intensive care will reach the goal of sustainability and development and is appropriate and in accordance with the principles set out by the European commission.

### **Project 48: Development of The National System 112 and Creation of a New System for Emergency Communication and Management of The Resources of The Emergency Response Service Based on a Single Platform in Order to Improve The Service Single European Number 112 on The Territory of The Republic of Bulgaria**

We support the project proposal. It is deemed necessary and relevant to the sustainability plan and its objectives. Again, we query if it should be implemented with the assistance of NRRP.

### **Project 49: IT tool for better strategic planning and strategic performance management**

A new project 49 is introduced in version three, aimed at upgrading "Monitorstat" Information System to a tool for public strategic planning, for monitoring over the implementation and for accountability of all strategic documents of the Central Government. The indicative total financial resource for the implementation of the project proposal is BGN 1 000 000 from the EU Recovery and Resilience Facility.

*The preparation of the position was financially supported by The Minor Foundation for Major Challenges. The content of the report is the sole responsibility of EA "Za Zemiata" and does not reflect the position of the donor*