

Table 1. Bulgaria: Prior Actions, Structural Performance Criteria, and Structural Benchmarks for the Second Program Review

		Program Timing	Implementation Status
A. Prior Actions			
1	Finalize the parameters of pension reform with a view to fit the need for budgetary support in the framework of the year 2000 budget.		
2	Submit draft amendments to the Health Insurance Act to parliament to improve it by harmonizing the definition of the revenue base of the HIFC with that of the pension and unemployment contributions.		
3	Establish an independent regulator in line with the Energy Law.		
4	Complete the transfer of shares of Kremikovtzi and Lekoko to private sector buyer or enter into liquidation or insolvency.		
B. Structural Performance Criteria			
(i) Existing Commitments			
1	Issue tender for Bulbank.	End-June 1999	Done
2	Complete the isolation program for Group B enterprises (excluding Agrotechnika, Arsenal, Beta, and Pima) by transferring ownership for those enterprises that are privatized and entering enterprises that are not privatized into bankruptcy.	End-June 1999	Done
3	Ensure that state enterprises which made losses or incurred arrears through Q3 1998 do not increase their combined quarterly wage bill from the level of Q3 1998. Specifically, the 100 state-owned enterprises with the largest losses and arrears will as a group keep their wage bill for Q2 1999 under the level of their wage bill in Q3 1998; within this total wage bill ceiling, no more than 10 percent of these enterprises may exceed their individual wage bill ceilings.	End-June 1999	Done
4	Establish methodology and identify technical assistance requirements for a financial sector survey (BNB).	End-June 1999	Done
5	Approval by COM of an action plan for Bulgargaz, outlining a basic financial recovery and restructuring program based on the recommendations of World Bank experts.	End-June 1999	Done
6	Approval by COM of a fully elaborated financial recovery and restructuring plan for Bulgargaz, with a detailed timetable for implementation.	End-Sep. 1999	

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		Program Timing	Implementation Status
(ii) New Measures			
1	Form a list of enterprises comprising unprivatized enterprises in the original list of 100 state-owned enterprises with the largest losses and arrears, and state monopolies including district heating companies, NEK, and Neftochim. Ensure that these state-owned enterprises as a group keep their wage bill for the third and fourth quarters of 1999 under the level of their aggregate base wage bill. The aggregate base wage bill equals the sum of the wage bills in the third quarter of 1998 for enterprises in the original list and of the wage bills in the second quarter of 1999 for the newly-added state-owned monopolies. Within this total ceiling, no more than 10 percent of these enterprises may exceed their individual wage bill ceilings. If an enterprise is privatized or ceases operations, it will be dropped from the list and the base wage bill will be adjusted appropriately.	End-Sep. 1999 End-Dec. 1999	
2	Submit to parliament draft legislation to expedite the completion of liquidation and bankruptcy proceedings for state-owned enterprises.	End-Sep. 1999	
3	Approval by COM of a new rehabilitation plan by for BDZ.	End-Sep. 1999	
4	Enactment by parliament of the law on the first pillar of pension reform.	End-Dec. 1999	
5	Terminate production activities in all Group B enterprises entered into liquidation by June 30, 1999, and sell the core assets (accounting for at least 50 percent of each enterprise's long-term fixed assets) in no fewer than half of these enterprises.	End-Dec. 1999	
6	Complete accounting separation of Bulgargaz into import, transport, storage, distribution, and transmission components.	End-Dec. 1999	
7	Issue tender for Biochim bank.	End-Dec. 1999	

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		Program Timing	Implementation Status
C.	Structural Benchmarks		
(i)	Existing Commitments		
1	Create appropriate regulatory framework for pension funds and submit amendments to the draft Pension Law including (i) legal separation of assets of the pension fund and of the pension fund manager; (ii) legal separation of cash and voucher funds; (iii) for cash funds, establishment of a minimum level of 50 percent on the share of investments in the government securities; and (iv) limiting investment in equity to shares listed on the regulated segment of the Stock Exchange.	End-June 1999	Passed in July 1999
2	Abolish export taxes for unprocessed lumber and profiled timber (of HS 44).	End-Dec. 1999	
3	Increase capital adequacy ratio to 12 percent.	End-Dec. 1999	
4	Abolish registration (automatic licensing) requirements for coal and coke, petroleum, liquid fuels, ready-to-use drugs, textiles, ferrous and non-ferrous metals, computer software (HS 27, 30, 52, 54-55, 61062, 74-76, 78-80, 85), following the introduction of a stampage fee system.	End-Dec. 1999	
5	Execute tenders for the privatization of the remaining 21 state trading companies with foreign trading operations.	End-Dec. 1999	
6	Issue a 2000 Trade Decree (to take effect on January 1) that lowers MFN tariffs for for non-agricultural goods to 12 percent (average) and 32.5 percent (maximum), and for agricultural goods to 24 percent (average) and 74 percent (maximum).	End-Dec. 1999	New limits agreed below
7	Issue a 2001 Trade Decree (to take effect on January 1) that lowers MFN tariffs for non-agricultural goods to 10 percent (average) and 30 percent (maximum), and for agricultural goods to 22 percent (average) and 74 percent (maximum).	End-Dec. 2000	Limits on maxima already implemented.
8	Enforce compliance with prudential regulations and implement strategy to bring offending banks into compliance, including the right for the BNB to require prompt corrective action.	Continuous	
9	Refrain from introducing new temporary tariff exemptions and temporary tariff quotas.	Continuous	
10	Reduce the number of extrabudgetary funds and accounts, starting with the Energy Resource Fund (ERF) and the SFRD with the 1999 budget. No new EBFs will be established.	Continuous	

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		Program Timing	Implementation Status
(ii)	New Measures		
1	Complete the transfer of shares of Arsenal to private sector buyer or enter into liquidation or insolvency.	End-Sep. 1999	
2	Approval by MOF of new restructuring plans for all Group A enterprises.	End-Sep. 1999	
3	Issue tender for Hebros bank.	End-Sep. 1999	
4	Establish guidelines for approving non-concessional external credits or guarantees.	End-Sep. 1999	
5	Establish a tax policy unit in the Ministry of Finance, outside the tax administration department.	End-Dec. 1999	
6	Produce first round unified tax register based on the Bulstat number.	End-Dec. 1999	
7	Transfer all central government funds with the exception of Type 3 suspense accounts and extra-budgetary accounts for private donations to the single treasury account in the BNB.	End-Dec. 1999	
8	Bring Bulgartabac to the point of sale.	End-Dec. 1999	
9	Complete comprehensive audit report for Bulgargaz for 1998, by an international audit firm.	End-Dec. 1999	
10	Issue a 2000 Trade Decree (to take effect on January 1) that lowers MFN tariffs for non-agricultural goods to 11 percent (average), and for agricultural goods to 24 percent (average); maximum tariffs in industry are lowered to 30 percent, and the number of tariff bands reduced to 25.	End-Dec. 1999	
11	Remove Biochim bank from public sector.	End-March 2000	
12	Complete liquidation proceedings for all Group B enterprises entered into liquidation.	End-June 2000	

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
1. Fiscal Sector				
1.1 Overall fiscal stance	Ensure fiscal sustainability and support CBA arrangement	Maintain a broadly balanced budget, except for possible transitional costs of structural reforms and adequate provision for infrastructure investment	EFF period	On track
		<i>Save any windfalls relative to the program in interest payments on external debt.</i>	<i>EFF period</i>	
	Issue budget instructions	<i>Prepare a preliminary allocation of general government non-interest expenditure in 2000 to the 9 main GFS functional areas</i>	<i>End-July 1999</i>	
		Maintain adequate balance in the Fiscal Reserve Account (FRA)	EFF period	On track
1.2 Fiscal transparency	Redefine the boundaries of the government sector	Incorporate quasi-fiscal costs of restructuring or liquidating state-owned enterprises and include any support provided to enterprises explicitly in the budget	Budget 1999–onward	On track
		Substantially reduce number of first level spending units	Budget 1999	Done
		Establish a public register for government guarantees	Budget 1999	Done
		<i>Include in the annual budget law limits on the total amount of outstanding government guarantees and on the amount of new guarantees extended</i>	<i>Budget 1999–2000</i>	<i>Done for 1999</i>
		Separate commercial activities from the budget; corporatize and privatize these activities, where appropriate	EFF period	On track
		Eliminate earmarking of privatization receipts under the Privatization Law, except those allocated to privatization expenses	Budget 1999	Done
		Eliminate earmarking of budgetary revenue by amending all the necessary legislation	Budget 1999 Structural Performance Criterion	
	Improve information on fiscal activity of the government	Consolidate the largest extrabudgetary funds (EBFs) into the budget on a gross basis (list to be agreed with IMF staff and reflected in definition of FRA for programming purposes); include government guarantees and other contingent liabilities in budget	Budget 1999 Structural Benchmark	Done
	Enhance government sector accountability	Reduce the number of extrabudgetary funds and accounts, starting with the Energy Resource Fund (ERF) and the SFRD with the 1999 budget. No new EBFs will be established	Budget 1999–onwards Structural Benchmark	
		Amend government chart of accounts and adopt new reporting requirements as recommended in FAD technical assistance report	1999	On track

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>Consolidate all central government extrabudgetary accounts and extrabudgetary funds with the exception of funds in Type 3 suspense accounts and extrabudgetary accounts for private donations on a gross basis into the general government budget, and include them in the single treasury account from January 1, 2000</i>	<i>2000 budget</i>	
		<i>Put in place an improved financial management information system, strengthen the budgetary procurement process, and improve internal audit</i>	<i>End-Dec. 1999</i>	
		<i>Further improve the information content of reports and analyses of the budget and its implementation made available to the public</i>	<i>2000 and onward</i>	
1.3 Tax policy	Improve the efficiency of the tax system	The COM shall adopt a decision to remove existing tax preferences from the Foreign Investment Act. Consistent with understandings reached with IMF staff, the COM will submit to parliament any necessary changes in tax legislation related to the tax treatment of investment	Prior action for first review	Done
		Remove link between deductible allowances and the minimum wage under the Personal Income Tax, Art. 20(2) and those proposed in the draft Voluntary Pension Insurance Act, Art. 91(1); set deductible allowances in fixed amounts in leva	Budget 1999 Structural Performance Criterion	Done
		Reject tax and customs preferences and exceptions proposed in the following legislation: . Securities Law . Bee-Keeping Act . Tourism Act . Draft Steel Act . Voluntary Pension Insurance Act (Art. 92) . Commodity Exchange and Market-Places Act . Draft bill for Agricultural and Forest Equipment Act . Draft bill for Power Efficiency and Renewable Power Sources	Budget 1999 Structural Performance Criterion	Done except for tourism
		Prohibit the offsetting of tax liabilities outside the Tax Procedure and State Receivables Act in the budget law. Refrain from any further offsetting operations in 1998	Budget 1999–onwards Structural Performance Criterion	On track

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		. Establish a schedule through end-1998 to reduce large tax debtors' outstanding tax arrears as of June 1998 . Enterprises under the isolation program will not be allowed to increase their outstanding tax arrears as of June 1998 . Reduce tax arrears according to agreed schedule	Performance Criterion Performance Criterion	Done
		<i>Eliminate VAT exemption for tourism services abroad</i>	<i>Budget 2000, with effect from Jan. 1, 2001</i>	
		<i>Fully implement the rule that tax changes cannot be legislated in laws other than the tax laws. In addition, no new tax exemptions will be introduced</i>	<i>EFF period</i>	
		Harmonize VAT law with EU requirements and reduce the scope of the existing exemptions, but maintain a single rate	Oct. 1998 (effective Jan. 1, 1999)	Done
		If and when overall fiscal situation permits, progressively reduce the tax burden	EFF period	On track
		<i>Establish a tax policy unit in the Ministry of Finance, outside the tax administration department</i>	<i>End-Dec. 1999</i> Structural Benchmark	
		<i>Extend the presumptive ("patent") system to all occupations and review the level of presumptive taxation on a continuing basis</i>	<i>2000 budget</i>	
1.4 Tax, Social Security and Health Insurance administration	Improve collection, enhance enforcement and compliance while reducing compliance costs	Technical requirements and action plan, including detailed timetable, to implement Unique Identification Number (UIN) prepared by Working Group and approved by COM	Prior Action for first review	Done
		Implement UIN in the tax, customs, social security administrations, the National Statistical Institute (NSI), and other major government agencies	Structural Performance Criterion Jan. 1, 1999	Done
		Computerization of LTOs and elimination of double reporting lines from LTOs to Regional Tax Offices (RTOs) and the General Tax Administration Directorate (GTAD)	Dec. 1998	Done
		Computerization of GTAD and Customs	Dec. 1999	On track
		Make the five existing Large Taxpayers Offices (LTOs) fully operational by concentrating all identified large taxpayers in the LTOs, reallocating personnel in the existing 19 satellite units	Prior Action for EFF program	Done

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		Consistent with IMF staff advice, reorganize tax administration along functional lines, legalize tax jurisdiction of LTOs, and strengthen collection enforcement capacity by amending the Tax Administration Act, the Tax Procedure Act, and the State Receivables Act	Amendments passed by end-Dec. 1998 (effective Jan. 1, 1999) Structural Performance Criterion	Done except for State Receivables Act pending decision on which state agency will have responsibility for collecting nontax receivables
		Develop a collection strategy, including enforcement, audit, and fraud investigation consistent with the amendments of the above mentioned legislation	1999–onward	
		Strengthen taxpayers services, including advance rulings	1999–onward	
		<i>COM will pass draft amendments to laws to harmonize the main elements of revenue bases for the Personal Income Tax (PIT), the Social Insurance Fund Contribution (SIFC), and Health Insurance Fund Contribution (HIFC) especially with respect to the self-employed and small business</i>	2000 budget	
		<i>Fully harmonize bases for PIT, SIFC, and HIFC to the extent possible</i>	2001 budget	
		<i>Define work relationships to have an employment character when they satisfy criteria that are prescribed in the laws or regulations</i>	2000 budget	
		<i>Prohibit the offsetting of tax liabilities against SOE inter-enterprise arrears</i>	EFF period	
		<i>Parliament will adopt the draft Tax Procedure Code, which will limit the collection responsibilities of the GTAD to national and local taxes</i>	End-Sept. 1999	
		<i>Produce first-round unified tax register based on the Bulstat number</i>	End-Dec. 1999 Structural Benchmark	
		<i>Set up an automatic file-matching system among GTAD, NSSI and Customs and continuously maintain a national taxpayer master file</i>	End-March 2000 onward	
		<i>Implement a selective audit program to control VAT fraud instead of relying on a full audit of each VAT client</i>	End-1999 onward	
		<i>Set up a mechanism to monitor the stock of VAT refund claims made and VAT refunds processed on a monthly basis</i>	End-August 1999	

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1.5 Public expenditure	Rationalize government financial management, and shift expenditure controls from ex-post cash control to ex-ante authorization and commitment	Improve the existing treasury functions consistent with recommendations of FAD technical assistance report	EFF period	On track
		Improve reporting on domestic and external debt and integrate domestic and external debt management functions	1999	On track
	Rationalize expenditure policy	Review efficiency/effectiveness of major expenditure programs	1999; EFF period	On track
	Improve public investment planning	Update and prepare reports on investment program and its execution on annual and three-year rolling basis	Budget 1999; EFF period	On track
	Civil service reform	Review and amend civil service statute and compensation system to enhance transparency and accountability and insulate civil service from political interference; further reduce overstaffing	1999–2000	Civil Service bill passed but vetoed by President
		<i>Review the regulatory framework to allow for transparent pricing of general government payments</i>	End-Sept. 1999	
		<i>Establish framework agreements with commercial banks for handling of government payments through zero-balance accounts</i>	End-Dec. 1999	
		<i>Switch to electronic payments of budgetary payment transactions</i>	End-June 2000	
		<i>Transfer all central government funds with the exception of Type 3 suspense accounts and extra-budgetary accounts for private donations to the single treasury account in the BNB.</i>	End-Dec. 1999 Structural Benchmark	
		<i>Implement 2000 budget and accounting on the basis of revised chart of accounts.</i>	2000 budget	
	<i>Substantially reduce the number of second level spending units next year</i>	2000 budget		
1.6 Social Security		<i>Submit to parliament a draft Social Security Code consistent with the Tax Procedures Code</i>	End-Oct. 1999	
1.6.1 Social assistance	Improve equity, targeting, and administration of Social Assistance Program	Consolidate current fragmented social assistance system and improve targeting	Budget 1999, 2000	On track
		<i>Enactment by parliament of the law on the first pillar of pension reform</i>	End-Dec. 1999 Structural Performance Criterion	

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
1.6.2 Pensions	Reform the pension system to improve long-term financial viability and help lower payroll taxes	Develop a plan for reform of the existing pay-as-you-go system, including raising minimum retirement age, sharply reducing eligibility for early retirement, and progressively introducing a closer link between benefits and actual lifetime contributions	1998-99	On track
		Progressively move toward a diversified three-pillar system involving both the public and the private sectors by introducing a second (mandatory) defined-contribution pension scheme for new entrants; and establishing a third pillar with one or more voluntary defined-contribution schemes, including occupational funds	EFF period	Voluntary pension insurance law passed second reading on July 1999
		<i>Finalize the parameters of pension reform with a view to fit the need for budgetary support in the framework of the year 2000 budget.</i>	Prior Action	
		<i>Launch a public education campaign on pension reforms</i>	<i>End-Sept. 1999</i>	
1.6.3 Health	Rationalize and make more cost-effective supply of public health services	Prepare the groundwork for effective and efficient implementation of the Law on Health Insurance by continued rationalization of health facilities, including a reduction in overstaffing and the excess capacity of beds, and by strengthening institutional capabilities at central and local health facilities	1998-99	On track
		<i>Implement health insurance system</i>	<i>2000-01</i>	
		<i>Submit draft amendments to the Health Insurance Act to parliament to improve it by harmonizing the definition of the revenue base of the HIFC with that of the pension and unemployment contributions</i>	Prior Action	
		<i>Ensure that the NSSI has appropriate administrative powers to collect the HIFC.</i>	<i>End-Sept. 1999</i>	
2. Labor Market Policies				
		The 100 state-owned enterprises with the largest losses and arrears will as a group keep their wage bill for the first and second quarters of 1999 under the level of their wage bill in Q3 1998; within this total wage bill ceiling, no more than 10 percent of these enterprises may exceed their individual wage bill ceilings	1999 Q1 and Q2 Structural Performance Criteria	Overall criterion met, sub-criterion missed for 1999 Q1 Met for 1999 Q2
		Put in place incomes policy for state-owned enterprises for 1999 consistent with policy commitments	1998 Q4	Done

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>Form a list of enterprises comprising unprivatized enterprises in the original list of 100 state-owned enterprises with the largest losses and arrears, and state monopolies including district heating companies, NEK and Neftochim. Ensure that these state-owned enterprises as a group keep their wage bill for the third and fourth quarters of 1999 under the level of their aggregate base wage bill. The aggregate base wage bill equals the sum of the wage bills in the third quarter of 1998 for enterprises in the original list and of the wage bills in the second quarter of 1999 for the newly added state-owned monopolies. Within this total ceiling, no more than 10 percent of these enterprises may exceed their individual wage bill ceilings. If an enterprise is privatized or ceases operations, it will be dropped from the list and the base wage bill will be appropriately adjusted.</i>	1999 Q3 and Q4 Structural Performance Criteria	
		<i>Submit to parliament amendments to the Labor Code</i>	<i>End-Dec. 1999</i>	
		<i>Conduct a review of existing domestic licensing, permit, and other regulatory requirements to identify those that might inhibit the growth of the private sector</i>	<i>End-March 1999</i>	<i>Delayed. New deadline end-October 1999</i>
3. Structural Reform				
3.1 Privatization and Enterprise Restructuring				
3.1.1 Enterprise privatization	Expedite privatization	Sign contracts with privatization consultants as agreed under the 1997 Stand-by Arrangement	Prior Action for EFF program	Done

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		To ensure adequate progress in privatization of large enterprises: . Provide written clarification to PATA agents defining their responsibilities . Submit to parliament a draft law that creates a legislative basis for reducing Zunk-related debts of enterprises at the time of privatization . Accelerate environmental audits for enterprises in which prospective buyer will take on responsibility for repair of environmental damage . Redefine threshold to account for revaluation of assets	July 1998 Prior Action for EFF program	Done Done Included in amendments to Privatization Law Included in amendments to Privatization Law
		Submit to parliament a draft amendment to the Restitution Law to allow restitution payments in the form of privatization vouchers for enterprises that have been privatized, and shares or vouchers for those not yet privatized	August 1998	Included in amendments to Privatization Law
		Remove remaining restrictions on debt-equity swaps	1998 Q3	Done.
		Privatize or liquidate 50 percent of enterprises under the responsibility of line ministries and municipalities (in terms of fixed assets)	1999 Q1	PA and ministries other than Agriculture and Com. of Energy on track. Min. of Agriculture cannot reach 50% due to huge unprivati-zable assets (irrigation); 78% of assets excluding irrigation and forests privatized.
		Enhance the transparency of the privatization process	Refrain from setting a binding minimum price for auctions with more than one bidder	1998 Q3 Ongoing
	Announce a minimum list of fixed assets to be sold through voucher privatization prior to the first centralized auction	1998 Q3	Minimum list announced. First auction started January 25, 1999.	

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Remove preferences for MEBOs by introducing appropriate discount factors in the valuation of their bids involving deferred payments. Establish list of enterprises not eligible for MEBOs	1998 Q3	Delayed. 10% per annum discount rate included in draft Amendments to the Privatization Law (para. 18)
		Streamline the procedures for granting concessions and make them compatible with the privatization process	1998 Q3	Delayed. Included in draft amendments to the Privatization Law (para. 13)
		Ensure timely and accurate recording in the central share registry of all ownership changes including from mass privatization	1998 Q3	Done
		Sell off residual state-owned shares in privatized companies	End-June 1999	On track. Included in privatization program for 1999 following a decision to this effect by Structural Reform Council
	Refrain from undertaking policy decisions that hamper privatization	Redraft the Steel Act before submission to parliament in accordance with the commitments undertaken in the EFF	1998 Q3	Draft Steel Act not submitted to Parliament; Government is committed to removing tax and customs benefits from it
3.1.2 Financial discipline	Improve monitoring and governance of the SOEs	Reach agreement with Fund staff on an exit policy for each Group B enterprise remaining in the isolation program, on measures to address the losses of Sofia urban transportation, and on measures to continue effective isolation until exit	August 1998	Done.
		Complete the isolation program for Group B enterprises (except Agrotechnika, Arsenal, Beta, Pima, to be completed by September 30, 1999) by transferring ownership for those enterprises that are privatized, and entering enterprises that are not privatized into bankruptcy	1999 Q2 Structural Performance Criterion	Done

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		Liquidate or enter into bankruptcy insolvent state-owned firms with no future prospects	1998 Q3 Ongoing	On track for minor enterprises; no major enterprise liquidation has been completed yet
		Establish system to compile and monitor data on inter-enterprise arrears distinguishing them from current obligations. Data on arrears should identify principal, late interest, and penalty	1998 Q3 Structural Benchmark	System in place; first data from NSI received in December
		For railways and urban transport: . Rationalize services provided and eliminate fare exemptions . Raise prices to limit subsidy needs to those provided in the budget	End-Dec. 1998 Ongoing	Delayed. Some progress, but no decision yet on rapid restructuring Railways prices increased, urban transport exemptions reduced
		Phase in accounting standards according to International Accounting Standards (IAS) for non-financial enterprises	End-June 1999	Done; key standards in place
		<i>Terminate production activities in all Group B enterprises entered into liquidation by June 30, 1999, and sell the core assets (accounting for at least 50 percent of each enterprise's long-term fixed assets) in no fewer than half of these enterprises.</i>	<i>End-Dec. 1999</i> Structural Performance Criterion	
		<i>Complete the liquidation of all Group B enterprises entered into liquidation</i>	<i>End-June 2000</i> Structural Benchmark	
		<i>Submit to parliament draft legislation to expedite the completion of liquidation and bankruptcy proceedings for state-owned enterprises</i>	<i>End-Sept. 1999</i> Structural Performance Criterion	
		<i>Privatize Neftochim without increasing customs tariffs for refined fuels</i>	<i>End-March 2000</i>	
		<i>Bring Bulgartabac to a point of sale</i>	<i>End-Dec. 1999</i> Structural Benchmark	
		<i>Complete the transfer of shares of Kremikovtzi and Lekoko to private sector buyer or enter them into liquidation or insolvency</i>	Prior Action	

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		Complete the transfer of shares of Arsenal to private sector buyer or enter into liquidation or insolvency	End-Sept. 1999 Structural Benchmark	
		Pass a clarifying interpretation of the discount factor for MEBO bids offering deferred payment schemes	End-Sept 1999	
		Approval by MOF of new restructuring plans for all Group A enterprises	End-Sept. 1999 Structural Benchmark	
		For BDZ: (a) Approval of new rehabilitation plan by COM	End-Sept. 1999 Structural Performance Criterion	
		(b) Close 2 loss-making lines, and sectors from other loss-making lines accounting for 200 km of track	End-Dec. 1999	
		(c) Eliminate all fare exemptions and reductions with the exception of the disabled, children, and decorated war veterans effective from January 1, 2000	End-Dec. 1999	
		(d) Privatize or enter into liquidation 8 subsidiaries performing auxiliary activities	End-Sept. 1999	
		Privatize or enter into liquidation 5 additional subsidiaries performing auxiliary activities	End-Dec. 1999	
		(e) Sell at least 10,000 tons of scrap	End-Dec. 1999	
		(f) Keep total wage bill below that in Q3 1998	Q3 and Q4 1999	
		(g) No new commercial bank lending to BDZ from June 30, 1999	Continuous	
3.2 Energy Sector Reform	Establish financial viability	Adopt an action plan (agreed with IMF staff) by COM decree to phase out subsidies over the next three years with specific six-monthly targets on energy tariffs, cost reductions, and the phasing-out of subsidies	Prior Action for EFF program	Done
		Adopt by decree a program to rehabilitate/restructure district heating systems		Done

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		According to the action plan: . Raise prices for the provision of district heating to households	1998 Q3 Prior Action for EFF program	Done
		. Adjust tariffs for non-household users of electricity and heat	Continuous	On track
		. Liberalize the prices of domestic coal and briquettes for: - non-household users - household: coal briquettes	1998 Q4 2000 Q2 2001 Q2	Done
		. Phase out state subsidies for coal mining	2000 Q2	
		. Cease mining operations in non-viable sections of coal mines	1999 Q4	On track
		Develop and adopt a program of targeted assistance to low income households most affected by district heating, coal and electricity price increases	1998 Q3	Done
	Improve efficiency	Adopt by COM decree a program for restructuring the electricity sector, including the creation of separate corporate entities for generation, transmission and distribution of electricity, and access on equal terms to all sellers to the transmission and distribution network, with the objectives of attracting private investment	Prior Action for EFF program	Done
		Submit to parliament a draft Energy Law agreed with the World Bank establishing an independent regulatory agency and including licensing and enforcement in its jurisdiction	1998 Q3	Done

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		According to the restructuring program: <ul style="list-style-type: none"> . Continue to adjust average electricity tariffs to cover a large part of the ongoing investment program out of retained earnings and attract private interest to the sector . Complete accounting separation of NEK's generation, transmission, and distribution functions 	EFF period	On track
		<ul style="list-style-type: none"> . Establish separate legal corporate entities for NEK's components: distribution transmission . Implement privatization <ul style="list-style-type: none"> - <i>Non-generation activities</i> - <i>Small thermal and hydropower generation</i> - One major thermal power plant - Most electricity generation and distribution assets 	1999 Q1 Structural Performance Criterion	Done
			1999 Q4 2000 Q2	On track
			<i>1999 Q4</i> <i>2000 Q2</i> 2000 Q1 EFF period	On track
		Allow concessions for coal mining enterprises as envisaged in the action plan	1999–2000	
		Liberalize household gas supply sector	EFF period	
		Approval by COM of an action plan for Bulgargaz, outlining a basic financial recovery and restructuring program based on the recommendations of World Bank experts.	Structural Performance Criterion End-June, 1999	Done
		Approval by COM of a fully elaborated financial recovery and restructuring plan for Bulgargaz, with a detailed timetable for implementation	Structural Performance Criterion End-Sept, 1999	
		<i>Limit the quarterly wage bill of Bulgargaz to the level of the same quarter of the previous year</i>	<i>Q3 1999</i> <i>Q4 1999</i>	
		<i>Establish an independent regulator in line with the Energy Law</i>	Prior Action	
		<i>Adopt the key pieces of secondary legislation related to the Energy Law</i>	<i>End- Dec. 1999</i>	
		<i>Adopt remaining parts of secondary legislation related to the Energy Law</i>	<i>End-March 2000</i>	
		<i>Evaluate the energy supplement paid under the social assistance scheme targeted to low income households in order to improve design and implementation for the 1999-2000 heating season within the existing budget allocation</i>	<i>End-Oct. 1999</i>	

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>Complete comprehensive audit report for Bulgargaz for 1998 by an international audit firm</i>	<i>End-Dec. 1999</i> Structural Benchmark	
		<i>Complete accounting separation of Bulgargaz into import, transport, storage, distribution, and transmission components</i>	<i>End-Dec. 1999</i> Structural Performance Criterion	
		<i>Bundle the 28 regional distribution companies in the electricity sector into larger units to facilitate their privatization, with the assistance of a qualified privatization advisor.</i>	<i>End-Dec. 1999</i>	
		<i>Introduction of differentiated prices and tariffs for transport and distribution of natural gas</i>	<i>End-March 2000</i>	
		<i>Privatization of gas distribution companies along the lines of the detailed Bulgargaz action plan approved by the COM by Sept.-1999</i>	<i>According to detailed action plan</i>	
		<i>Cut off gas and electricity to state-owned enterprises who do not pay bills on time</i>	<i>EFF period</i>	
		<i>Install metering devices to regulate and control the supply of heat in all substations supplied by the district heating companies</i>	<i>Q3 2000</i>	
		<i>Privatize district heating companies or transfer them to the municipalities that are willing to accept them, under suitable regulatory arrangements for tariff setting and quality of services.</i>	<i>EFF period</i>	
3.3 Financial Sector Reform				
3.3.1 Banking supervision	Ensure soundness of banking system	Ensure that all banks meet the 8 percent capital adequacy ratio	Prior Action for EFF program	Done
		Capital adequacy ratio to increase to 12 percent in steps	End-1998 (10%), End-1999 (12%) Structural benchmark	On track
		Revoke the license of all banks that do not meet the increased minimum capital requirement (leva 10 million) by end-August, 1998	Prior Action for EFF program	Done
		Review regulation on open foreign exchange positions and compliance with transitional arrangements	1998 Q4	Regulation changed from DM to Euro

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Review and amend regulations on large loan exposures	1998 Q4	Draft sent to Bank Association
		Adopt regulations on consolidated supervision	1999 Q1	Draft ready to be discussed at by the BNB management. Adoption expected for implementation end-99. Instructions to the bank ready
		Adopt guidelines on interest rate risk in banking supervision manual	1998 Q4	Done
		Enforce compliance with prudential regulations and implement strategy to bring offending banks into compliance, including the right for the BNB to require prompt corrective action (PCA)	Continuous Structural Benchmark	On track
		Establish internal guidelines for PCA in accordance with action plan		Done
		Present quarterly compliance and enforcement reports Present report for quarter ending September 1998	Quarterly Prior Action for EFF program	On track Done
		Appoint a director of the Deposit Insurance Fund and ensure that the Fund is fully operational	1998 Q4 Prior Action for first review	Done
		Implement a program to develop further banking supervision	1998–2000	On track
		Encourage more frequent and comprehensive financial disclosure by banks	1998 Q4	On track
		<i>Assign CAMEL rating to the remaining banks</i>	<i>1999 Q4</i>	
		<i>Harmonize the early warning system CAEL with CAMELS</i>	<i>1999 Q4</i>	
		<i>Provide regular information on deposit distribution of the commercial banks to the Deposit Insurance Fund</i>	<i>1999 Q3</i>	
		<i>Develop a new management report on the condition of the banking sector, in line with a structure agreed with the IMF, and send to management of the Board for discussion every quarter.</i>	<i>1999 Q3 and onward</i>	
		<i>Improve the timing of issuing the Compliance Report to 5 weeks after the reporting quarter.</i>	<i>1999 Q3</i>	
		<i>Adopt amended regulations on large exposure of banks and on the evaluation of risk exposure of banks and allocation of necessary provisions</i>	<i>1999 Q3</i>	

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>Revise banking regulations to allow replacement of paper trail of payments with electronic trail.</i>	<i>End-1999</i>	
3.3.2 Banking sector	Establish a competitive banking system	Privatize remaining state banks: <ul style="list-style-type: none"> . Appoint privatization advisor for Expressbank . Appoint privatization advisor for Bulbank . Complete negotiations on Postbank . Complete enhanced supervisory audit for Hebrosbank . Define strategy for Hebrosbank . Begin management contract for Biochim . Issue tender for Expressbank . Issue tender for Bulbank . Issue tender for either Expressbank or Bulbank <ul style="list-style-type: none"> . Issue tender for other bank <ul style="list-style-type: none"> . Privatize Hebrosbank . Privatize Biochim 	1998–2000 Prior Action for first review Prior Action for first review August 1998 July 1998 August 1998 September 1998 October 1998 November 1998 1999 Q1 Structural Performance Criterion 1999 Q2 Structural Performance Criterion 1999 2000	Done Done Done Done Done, January 1999 Done, March 1999 Done, June 1999 Done Done Target changed to end-March 2000
		Expedite liquidation of closed banks, and adopt any required legislative changes	1999 Q1	Law on Banks amended to accelerate the liquidation of already closed banks.
		Report the result of the inspection of closed banks and submit proposed solution to Council of Ministers, including draft amendments to legislation, if needed.	1999 Q1 Structural Performance Criterion	Done in April 1999

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		State Savings Bank (SSB): <ul style="list-style-type: none"> . Sign a Memorandum of Understanding with the BNB defining restrictions on activities . Complete supervisory audit, adjust MOU as needed, and issue restricted license . Achieve compliance with reporting requirements for banking supervision . Begin implementing technical assistance program to upgrade SSB capacity . Begin implementing privatization strategy 	August 1998 1998 Q3 1998 Q3 1998 Q3 2000	Done Done Full compliance Delayed start to Sept. 1999; interim program adopted and implemented.
		Reduce and eliminate government intervention in credit markets	1998-99	On track, except for CCB
	Remove impediments to bank intermediation (in consultation with IMF staff)	Review and amend law on: <ul style="list-style-type: none"> . Registered pledges . Banking . Bankruptcy 	1998 Q4	Draft amendments adopted by COM Adopted Law amended June 1998; WB and USAID providing technical assistance on further changes
		Ensure proper functioning of registers of pledges and credits	1998 Q3	Done
		Improve accounting, auditing, and certification of accounts for enterprises	1998-99	On track
		Streamline court procedures for realization of collateral	1998	Progress on realization of collateral by budget
		<i>Issue tender for Hebros bank</i>	<i>End-Sept. 1999</i> Structural Benchmark	
		<i>Design a new administrative system for bank bankruptcies. To implement it, draft a new law, and amendments to the existing laws, if needed, and submit to parliament</i>	<i>End-March 2000</i>	

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>Issue tender for Biochim bank</i>	<i>End-Dec. 1999</i> Structural Performance Criterion	
		<i>Remove Biochim bank from public sector</i>	<i>End-March 2000</i> Structural Benchmark	
		<i>Increase the capacity of the DIF to adequately handle bankrupt banks</i>	<i>End-Sept. 1999 and onward</i>	
3.3.3 Nonbank financial sector	Upgrade nonbank financial sector to Western European standards	Create appropriate regulatory framework for pension funds and submit amendments to the draft Pension Law including (i) legal separation of assets of the pension fund and of the pension fund manager; (ii) legal separation of cash and voucher funds; (iii) for cash funds, establishment of a minimum level of 50 percent of the share of investments in government securities; and (iv) limiting investment in equity to shares listed on the regulated segment of the Stock Exchange	1998 Q4 Structural Benchmark	Done. Adopted by parliament in July 1999
		Establish adequate supervision over nonbank financial institutions not subject to supervision by BNB	1999 Q1	Forex transactions of investment houses to be monitored by the BNB.
		Modernize legal and regulatory framework for securities and secure enforcement (law/SSEC): . Pass new law . Issue rules and bylaws provided for in the law on securities . Develop database for the SSEC . Provide training for experts	1998	First reading, Jan. 1999 On track On track Done
		Improve information exchange among BNB, SSEC (SSC), and nonbank financial institutions	1998-99	On track
3.3.4 BNB	Safeguard assets of issue department	Improve foreign exchange management	1998-99	On track
3.4 Agricultural Policies	Limit the role of government in agriculture	Privatize all flour mills and bakeries, and privatize, liquidate or initiate court supervised bankruptcy of at least 386,000 tons of silo capacity of the Zarneni Hrani enterprise	1998 Q4	Done
		Liquidate non-viable state-owned agricultural enterprises	1999 Q2	On track

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
	Develop market for land	Complete 80 percent of land restitution	1998 Q4	Done
		Submit to parliament appropriate supporting legislation for the creation of a land cadastre and a unified registry of land ownership	1998 Q4	Done
		Provide final, legally binding titles to 18 percent of restituted land	1998 Q4	Done
		Repeal the conveyance tax on purchases and sale of agricultural land	1998 Q4	Sharply reduced but kept owing to legal constraints
		Remove restrictions on land leasing	1998 Q3	Delayed. Completed Q2 1999
Facilitate bank lending to agriculture	Develop a Warehouse Receipts (WR) system consistent with commitments under the World Bank ASAL	1998 Q4	On track	
	Abstain from government financing or guarantees for the harvest	Continuous	On track	
	Establish a clear time limit and quantitative ceilings for the State Fund for Agriculture (SFA) on total short-term loans and subsidies outstanding. For 1998 the limits will be 46 billion leva. The Fund will extend credit only against land collateral with legally binding title	July 1998	Done. Limits for 1999 set at 34 million leva	
Liberalize agricultural markets	Eliminate the contract pricing system and any remaining price or profit margin controls	Prior Action for EFF program	Done	
	Conduct State Reserve or other government purchases and sales of grain at market prices through competitive tender or the commodity exchange	Effective immediately-continuous	Being observed	
	Abolish 2 percent tax imposed in the turnover of agro-processing industries to finance the SFA	End-Sept. 1999		
	Complete restitution and titling of agricultural land	End-Dec. 1999		
	Terminate Zarneni Hrani as a legal entity	End-Dec. 1999		
	Complete privatization or liquidation of long-term assets under the jurisdiction of the Ministry of Agriculture that have been slated for privatization	End- June 2000		
	Reduce the stake of state entities in the Credit Cooperative Bank to under 50 percent	End-June 2000		
	State entities will be excluded from subscribing to future share issues or capital increases in the Credit Cooperation Bank	Continuous		
	Reduce the stake of state entities in the Credit Cooperative Bank to under 33 percent	End-June 2001		

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>Set quantitative limits for long-term lending extended by the State Fund for Agriculture</i>	<i>EFF period</i>	Limits for 1999 set at 58 million leva
3.5 Statistical Issues	Improve the statistical base for macroeconomic decision making	Devote sufficient resources to the compilation and publication of statistics. In particular, improve quality, consistency and timeliness of: <ul style="list-style-type: none"> . high frequency real sector data (retail sales, producer and consumer prices, industrial output, wages, and employment) . annual and quarterly national accounts . banking statistics . foreign assets and foreign liabilities in the monetary accounts . external trade statistics; balance of payments; and external debt, especially the coverage of private sector transactions . NSI will begin to publish a monthly industrial production index . BNB will establish methodology and identify technical assistance requirements for a financial sector survey 	1998 Q4 1999 Q1 Structural Performance Criterion 1999 Q2 Structural Performance Criterion	Problems with PPI and industrial output series On track On track On track Extent of revisions in monthly trade data is declining. Delayed for technical reasons. Begun July 1999 Done
	Improve the availability of statistics for broad use	Take decision to participate in General Data Dissemination System (GDSD) of the IMF	1998 Q4	Done
		Fully implement GDSD	2000 Q4	On track
4. External Sector Policies				
4.1 Trade Policy		Abolish remaining export taxes: <ul style="list-style-type: none"> . For sunflower oils (HS 15, 23) . For sunflower seeds and processed wood components (HS 12, 44) . For live animals, skins and hides, waste paper, wool, scrap metals, copper products (HS 01, 03, 41, 47, 51, 72, 74, 76, 78-79, 85) . For unprocessed lumber and profiled lumber (of HS 44) following the introduction of a stumpage fee system 	Oct. 1, 1998* Jan. 1, 1999* Structural Benchmarks* Jan. 1, 2000	Done Done Done
		Abolish the prohibition on exports of unfermented tobacco	Jan. 1, 1999	Done

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Reduce the import surcharge to 2 percent		Done
		Pass a decree abolishing the surcharge with effect from January 1, 1999		Done
		Abolish registration (automatic licensing) requirements . For live animals, meat, dairy products, Christmas trees, grapes, wheat, barley, maize, rice, cereal flour, sunflower seeds and oils, sugar, yeast, alcohol, brans, oil cakes, forage, tobacco, skins and hides, and wool (HS 01-02, 04, 06, 08, 10-12, 15, 17, 21-24, 41, 51) . For coal and coke, petroleum, liquid fuels, ready-to-use drugs, textiles, ferrous and non-ferrous metals, computer software (HS 27, 30, 52, 54-55, 61-62, 74-76, 78-80, 85)	Jan. 1, 1999 Structural Benchmark Jan. 1, 2000 Structural Benchmark	Done
		Abolish permit (non-automatic licensing) requirements for imports of natural gas and exports of live animals	Jan. 1, 1999 Structural Benchmark	Done
		Pass a Grain Act that replaces the existing quality controls on cereals trade (Section II, Article 3(4) of Annex 7 to Article 9 of the Trade Decree) with voluntary quality standards	By end-1998	Grain Act passed, voluntary standards effective in Sept. 2000
		Refrain from introducing new temporary tariff exemptions and temporary tariff quotas	July 31, 1998 Ongoing	Being observed
		Reduce import tariffs for refined fuel products	EFF period	On track
		Issue a 1999 Trade Decree (to take effect on January 1) that eliminates temporary tariff quotas (Annex 5 of 1998 Trade Decree) and tariff exemptions (Annex 6) except for those specified under international agreements and those for humanitarian, charitable, and diplomatic purposes; lowers MFN import tariffs for non-agricultural goods to 14 % (average) and 35% (maximum, to apply to not more than 150 positions), and for agricultural goods to 26 % (average) and 74% (maximum, to apply to about 30 positions); reduces the number of tariff bands to 40-45; and reduces the dispersion among tariff rates	End-1998 Structural Benchmark	Done
		Issue a 2000 Trade Decree (to take effect on January 1) that lowers MFN tariffs for non-agricultural goods to 11 % (average), and for agricultural goods to 24 % (average), <i>maximum tariffs in industry are lowered to 30%, and the number of tariff bands reduced to 25</i>	End-1999 Structural Benchmark	

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures Under the EFF-Supported Program, 1998-2001

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Issue a 2001 Trade Decree (to take effect on January 1) that lowers MFN tariffs for non-agricultural goods to 10% (average) and for agricultural goods to 22% (average).	End-2000	
		Execute tenders for the privatization of 12 state trading companies (STCs) with foreign trading operations by end-1998, and for the remaining 21 companies by end-1999	Dates as specified	On track; tenders for 23 state-trading companies published in State Gazette
4.2 Capital Account Liberalization	Liberalize capital account to increase integration of Bulgaria in global financial system	Review regulations on capital account transactions and develop a phased plan for further opening of capital account Implement plan	1999 Q1 1999-2001	The draft forex law has been submitted to parliament
4.3 Debt Management	<i>Improve debt management</i>	<i>Develop and start publishing external vulnerability indicators.</i>	<i>End-Dec. 1999</i>	
		<i>Devise a debt management strategy for the medium term</i>	<i>End-March 2000</i>	
		<i>Establish guidelines for approving projects financed or guaranteed by non-concessional external credits</i>	<i>End-Sept. 1999</i> Structural Benchmark	
		<i>Improve reporting of private non-guaranteed short-term debt by incorporating a reporting obligation in the new draft Forex law</i>	<i>End-July 1999</i>	Done
		<i>Remove bilateral debt from the list of state secrets</i>	<i>End-Dec. 1999</i>	

Overall Deficit and Revenues of the General Government

	Overall deficit ceilings 1/	Revenues (Indicative)
	(In millions of leva)	
January 1, 1999–September 30, 1999	86	6,177
January 1, 1999–December 31, 1999	82	8,370
January 1, 2000–March 31, 2000 (indicative)	65	2,060
January 1, 2000–June 30, 2000 (indicative)	75	4,260

1/ The figures denote the largest allowable level of the deficit.

The general government accounts are defined to include the consolidated budget (including the republican budget, the budgets of ministries and local governments, and the social security fund) as well as all extrabudgetary funds and accounts both at the central and local government levels.

The quarterly limits will be cumulative and will be monitored from the financing side as the sum of net credit from the banking system to the general government, net nonbank credit to the general government, privatization receipts of the budget, and receipts from external loans for direct budgetary support minus amortization paid.

The overall deficit ceilings have been defined excluding contingency expenditure related to the cost of structural reform (defined as contingency spending not related to natural disasters), and will be adjusted upward for the cumulative actual contingency expenditure related to the cost of structural reform. This adjustment will not exceed leva (BGN) 240 million.

The overall deficit ceilings will be adjusted downward by the amount that actual external interest payments are less than projected external interest payments.

Floor on the Balance of the Fiscal Reserve Account

	(In millions of leva)
Level on December 31, 1998	1,945
Cumulative change from level on December 31, 1998	
September 30, 1999	-76
December 31, 1999	443
March 31, 2000 (indicative)	709
June 30, 2000 (indicative)	761

The Fiscal Reserve Account (FRA) consists of the balances in leva and in foreign exchange of the following accounts: all budgetary accounts in the banking system, including the central budget, ministries and agencies, and the National Social Security Institute; and the balances of all deposit accounts of the 28 remaining central government extrabudgetary funds and accounts included in Annex 3 of the 1999 budget law.

For the purpose of the program, this performance criterion is defined net of net onlending of purchases from the IMF by the BNB from January 1, 1999. It is also defined before the use of the contingency and will be adjusted by the same amount in opposite direction of the adjustment on the ceiling of the overall deficit for actual use of the contingency (Annex I). The FRA floor will be adjusted upward by the amount that actual external interest payments are less than projected external interest payments.

The floor on the balance of the FRA will also be adjusted downwards by the amount of the shortfall of official financing relative to program projections, up to a limit of US\$100 million. Any excess official financing relative to program assumptions will raise the FRA floor.

The limits will be monitored from the accounts of the banking system, to be provided twice monthly by the BNB and the Ministry of Finance. For the purposes of the program, deposit accounts that are denominated in foreign currencies will be converted into leva at the accounting exchange rate of 1.8 leva per US\$1, US\$1.34 per SDR, and using cross exchange rates to the U.S. dollar prevailing on March 4, 1999 for items denominated in other currencies.

Floor on Deposits of the Banking Department

The available balances of the Banking department will be deposited in the Issue Department, including a deposit in SDRs according to the reserve position and holdings of SDRs at the IMF. The Banking Department may hold part of its deposits in foreign currencies.

From July 1, 1999 until June 30, 2000, the deposit of the Banking Department with the Issue Department shall, on average in any given week, exceed BGN 680 million. The floor on the Banking Department deposits is indicative from January 1, 2000 to June 30, 2000.

The floors set above will be adjusted for:

- (i) cumulative repurchases to the IMF less maturity payments made by the government to the BNB from January 1, 1999.
- (ii) any revaluation loss on the monetary gold which might be debited from the deposit of the Banking Department, if the gold price falls below DM 500 per troy ounce.

During the monitoring period, any increase in outstanding lending by the Banking Department to banks greater than the equivalent of BGN 1.8 million will require consultation with the IMF staff.

Ceiling on Tax Arrears

	(In millions of leva)
Limits on tax arrears (including interests and penalties) 1/ Outstanding as of:	
June 30, 1999 (actual)	759
Cumulative change from level on June 30, 1999: 2/	
September 30, 1999	-415
December 31, 1999	-435
March 31, 2000 (indicative)	-485
June 30, 2000 (indicative)	-545

1/ The following taxpayers will be on the monitored list for tax liabilities outstanding:

1. Neftochim	12. Biovet	23. Gamza
2. Bulgargas	13. Zitomel	24. Mobitel
3. NEC	14. Neochim	25. Varna Shipyard
4. Sodi-Devnia	15. Pleven BT	26. Velour
5. Chimko	16. Sofia BT	27. Maritza-Iztok mine
6. Rosbulneft	17. Vini	28. Kremikovtsi
7. Sea-port Burgas	18. KZM	29. Coal mines Bobovdol
8. Plama	19. Antibiotic	30. Coal-mines Pernik
9. BDZ	20. Sugar factory	31. Rousse shipyard
10. Haskovo BT	21. Slantze BT	32. Elprom
11. Polimery	22. Plastchim	33. VMZ Sopot

2/ The targeted reduction will be reduced by the amount of interest added by new tax assessments issued for arrears incurred before June 30, 1999. This amount is anticipated to be BGN 77 million.

For the purposes of this performance criterion, VAT refund positions (negative outstanding liabilities) will not be netted against liabilities of other enterprises, i.e. if an enterprise has a net refund position, it will count as zero in the total for the monitored enterprises.

Agreements on writing off or rescheduling outstanding liabilities to tax authorities outside of Council of Ministers Decisions 470 and 471 will not reduce amounts counted as outstanding liabilities.

Enterprises in the above list which are entered into liquidation or bankruptcy proceedings will not drop out of the monitored total until they are struck from the register of active enterprises in Bulgaria. However, the total will no longer include new interest and penalty charges accruing after their entry into bankruptcy or liquidation.

If an enterprise ceases to be in the monitored total, the cumulative change will be calculated relative to the adjusted base level that excludes the June 30, 1999 obligations of this enterprise.

Indicative Ceilings on Total Outstanding Liabilities of
Monitored Enterprises to NSSI and Customs

	(In millions of leva)
Outstanding as of:	
June 30, 1999 (actual)	150
Cumulative change from level on June 30, 1999:	
September 30, 1999	-60
December 31, 1999	-65
March 31, 2000	-70
June 30, 2000	-75

This indicative ceiling relates to the total of the outstanding liabilities (including principal, interest and penalty charges) of the 30 largest debtors to NSSI and the 20 largest debtors to the Customs Department. These lists are provided below.

Outstanding liabilities to the Customs Department exclude VAT and excise obligations collected at customs.

Agreements on writing off or rescheduling outstanding liabilities to the NSSI or the Customs Department entered into after June 30, 1999 will not reduce amounts counted as outstanding liabilities.

Enterprises in the list below which are entered into liquidation or bankruptcy proceedings will not drop out of the monitored total until they are struck from the register of active enterprises in Bulgaria. However, the total will no longer include new interest and penalty charges accruing after their entry into bankruptcy or liquidation.

If an enterprise ceases to be in the monitored total, the cumulative change will be calculated relative to the adjusted base level that excludes the June 30, 1999 obligations of this enterprise. Also, once the audited accounts of Kremikovtzi become available, this company will be added to the list of enterprises monitored for customs arrears, and the June 30, 1999 base will be adjusted accordingly.

Customs:

- | | |
|------------------------|---------------------------------|
| 1. Bulgargas | 11. Samotlor |
| 2. Haskovo BT | 12. Neftochim |
| 3. Brilliant Invest | 13. SO MAT |
| 4. Vinzavod Asenovgrad | 14. Seaport Burgas |
| 5. Asenovgrad BT | 15. Bulgarlizing |
| 6. Gradski transport | 16. Forcom-Visulchev |
| 7. Galax | 17. Van Kempen-Rousse |
| 8. Rodopski Rubin | 18. Hovanes Boukian |
| 9. Vinola | 19. Naden Kirov-Rousse |
| 10. VMZ Sopot | 20. Kremikovtzi (being audited) |

NSSI:

1. Bobov Dol Mines Bobov Dol
2. Marbass Mines Dimitrovgrad
3. Pernik Mines Pernik
4. Neftochim Burgas
5. Gorubso Madan
6. Pirin Mines Brezhani
7. Vidachim Vidin
8. Burgas Copper Mines Burgas
9. Plama Pleven
10. ZMM Sofia
11. Berg-Montana Fitting Montana
12. Promet Burgas
13. Veslets Vratsa
14. Quarts Sliven
15. Heavy Machine Building Rouse
16. KK Maritsa Pazardjik
17. Heavy Machine Building Radomir
18. Stara Reka Peshera
19. Balkanbass Mines Sliven
20. VMZ Sopot
21. Dinamo Sliven
22. Ustrem Topolovgrad
23. Kristal Pernik
24. Black Sea Mines Burgas
25. Black Sea Enterprise Varna
26. Kitka Novi Pazar
27. Sugar Factory Gorna Oryahovitsa
28. Trema Tryavna
29. Minstroy Bobov Dol
30. Microprocessor Systems Pravets

Ceilings on Contracting and Guaranteeing of External Debt
(In millions of U.S. dollars)

	One year and Under 1/	Over 1 year 2/	1–5 years 2/
Cumulative change from level on December 31, 1998:			
September 30, 1999	40	650	250
December 31, 1999	80	840	250
March 31, 2000 (indicative)	120	1,200	250
June 30, 2000 (indicative)	160	1,300	250

Debt falling within the ceilings shall be valued in U.S. dollars at the exchange rate prevailing at the time the contract or guarantee becomes effective. Following the end of each month, information on the contracting and guaranteeing of debt falling both inside and outside the ceilings will be reported to the IMF by the Ministry of Finance.

1/ The ceilings apply to the outstanding stock of short-term debt with original maturities of up to and including one year contracted or guaranteed by the general government or the Bulgarian National Bank. The general government is defined in Annex I. Short-term debt is defined for the purpose of this performance criterion to include all short-term obligations other than (i) normal import-related financing credits; and (ii) outstanding balances under bilateral payments arrangements. The actual stock of short-term debt outstanding (according to this definition) as of December 31, 1998 was zero.

2/ The ceilings apply to the contracting or guaranteeing of external non-concessional debt with original maturities of more than one year by the general government or the Bulgarian National Bank. A subceiling on such debt of more than one year and up to and including 5 years is also defined. The general government is defined in Annex I. Concessional loans are defined as those with a grant element of at least 35 percent of the value of the loan, using currency-specific discount rates based on the commercial interest rates reported by the OECD (CIRRS) in effect at the time of contracting or guaranteeing the loan. Excluded from the ceilings are: (i) changes in indebtedness resulting from refinancing credits and rescheduling operations, including the capitalization of interest; (ii) liabilities to the IMF; and (iii) changes in indebtedness resulting from debt exchange operations.

Indicative Ceilings on the Cumulative Change in Net Credit
from the Banking System to the General Government

	(In millions of leva)
Cumulative change from level on December 31, 1998:	
September 30, 1999	81
December 31, 1999	-132
March 31, 2000	-52
June 30, 2000	-152

Net credit from the banking system to the general government for the purposes of the program is defined as the sum of banks' claims on all parts of the general government as defined in Annex I above, less the sum of general government deposits with the banking system, as reported in the accounts of the banking system. Claims cover bank loans and advances to the general government, as well as bank holdings of general government debt. General government deposits cover: (i) deposits of the consolidated budget (including those of local governments and the net balance of the Privatization Agency); and (ii) the net balances of all other extrabudgetary funds and accounts.

For the purposes of the program, those components of net credit to the general government that are denominated in foreign currencies will be converted into leva at the accounting exchange rate of leva 1.8 to the U.S. dollar, U.S. dollar 1.34 per SDR, and at the cross exchanges rates to the U.S. dollar prevailing on March 4, 1999 for items denominated in other foreign currencies.

For assessing compliance with the above limits on the cumulative change of net bank credit to the general government, the reported level of net bank credit to the general government as defined above will be adjusted to exclude: (i) the impact of debt operations (including any government instrument issued to guarantee deposits of a bank which is closed, or to recapitalize banks); (ii) the impact of transactions involving closed banks; and (iii) any reduction in claims on government associated with the removal of government foreign liabilities from the banking system accounts. The indicative ceilings will be raised by an amount equal to the shortfalls in official financing relative to the program assumptions up to a limit of US\$100 million; and lowered by an amount equal to the excess. Both amounts will be converted to leva at the program exchange rate (see Annex II).

The limits will be monitored from the accounts of the banking system, and the FRA, supplemented by information provided monthly by the Ministry of Finance on government debt, nonbank financing, gross and net receipts from cash and mass privatization. The limits will be adjusted appropriately if a revision of the monetary survey affects net banking system credit to general government.

Other Performance Criteria¹

1. The BNB will ensure that gross foreign reserves of the issue department are at least equal to the issue department's liabilities at all times. Issue department liabilities will comprise leva notes and coins in circulation, and deposits from the banking department, banks, government, and the non-financial sector with the BNB, excluding liabilities to the IMF. For the purpose of this performance criterion, issue department liabilities will be converted into foreign exchange using the official exchange rate.
2. The BNB shall not increase credit to the government at any time during the period of the CBA, except as allowed under the Law of the BNB, nor shall it purchase Bulgarian government securities.
3. Required reserves of the banking system will not be reduced to below 11 percent of eligible liabilities during the period of the arrangement and the conditions for banks' access to required reserves will not be changed.
4. During the period of the arrangement, the government does not intend to impose new or intensify existing exchange restrictions on payments and transfers for current international transactions, or introduce or modify multiple currency practices, nor conclude any bilateral payments arrangements that are inconsistent with Article VIII of the IMF's Articles, nor impose or intensify any import restrictions for balance of payments purposes, nor accumulate any payments arrears except for amounts subject to rescheduling.

¹ All performance criteria listed in this annex are applicable on a continuous basis.