

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

		Program Timing	Implementation Status
A.	Prior Actions		
1.	Create an inter-institutional URA Commission (URAC) to foster cooperation between the NSSI, GTD, HIF and the National Employment Service by a COM decree to manage the project, design and implement interim processes and policies, and act as an intermediary between the GTD and NSSI on collection issues.		
2.	Raise electricity prices for households by 4 percent effective August 1, 2000		Done in July 2000
B.	Structural Performance Criteria		
(i)	Existing Measures		
1.	Submit to COM amendments to the Labor Code with provisions making hiring, firing, and working hours more flexible.	March 2000	Met with delay in May 2000.
2.	Submit to COM drafts of the key pieces of secondary legislation related to the Energy Law covering the technological aspects of the energy market; the general conditions of contracts for the sale of electricity, heating energy and natural gas; the permit and licensing regime; and price regulation, including the prices paid to generation companies and by distribution companies in the electricity sector. The price regulation for electricity will be effective from July 1, 2001.	March 2000	Met with delay in April 2000. Effective date for price regulation changed to January 1, 2002.
3.	Form a list of 121 enterprises comprising state-owned enterprises with the largest losses and arrears, all monopolies including district heating companies, other state institutions, and enterprises that receive subsidy. Ensure that these state-owned enterprises as a group keep their wage bill for the first and second quarters of 2000 under the level of the base wage bill, which is their aggregate wage bill in the third quarter of 1999. Within this total ceiling, no more than 10 percent of these enterprises may exceed their individual wage bill ceilings unless their total wage bill remains below 10 percent of the aggregate wage bill of all the enterprises in the list. If an enterprise is privatized or ceases operations, it will be dropped from the list and the base wage bill will be appropriately adjusted.	End-March 2000 End-June 2000	Met Met. The group's total wage bill was reduced by 9 percent between the third quarter of 1999 and the second quarter of 2000. Out of 102 enterprises, only 7 violated the wage bill freeze, and their combined wage bill amounted to only 3.3 percent of the total wage bill.
4.	COM adoption of comprehensive action plan for restructuring the district heating sector agreed with the World Bank.	End-June 2000	Met
5.	COM approval of Unified Revenue Agency Strategy.	End-June 2000	Met
6.	Sign the sale contract of Biochim that includes a firm deposit.	End-June 2000	Not met. Waiver requested. A new tender will be issued by end-September 2000 (see below).

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(ii)	New Measures		
1.	Issue a new tender to sell Biochim.	September 2000	
2.	Ensure that the 121 closely monitored state-owned enterprises subject to a wage bill freeze keep their wage bill as a group for the third quarter (end-September test date) and fourth quarter (end-December test date) of 2000 under the level of the base wage bill, which is their aggregate wage bill in the third quarter of 1999. Within this total ceiling, no more than 10 percent of these enterprises may exceed their individual wage bill ceilings unless their total wage bill remains below 10 percent of the aggregate wage bill of all the enterprises on the list. Excluded from the list for both test dates will be those enterprises that are privatized, or ceased operations, and those that had profits in 1999 and the first two quarters of 2000, unless they are monopolies. If an enterprise is excluded from the list, the base wage bill will be reduced by the amount of that enterprises' wage bill in the third quarter of 1999.	September 2000 and December 2000	
3.	COM to adopt: (i) a decision to withdraw direct and indirect central government subsidies from 3 DHCs before the 2000-01 heating season; and (ii) a decision identifying 5 DHCs from the remaining 19 DHCs from which all central governments subsidies will be drawn effective July 1, 2001. The final draft of the 2001 budget will incorporate these decisions.	September 2000	
C.	Structural Benchmarks		
(i)	Existing Measures		
1.	Refrain from introducing new temporary tariff exemptions and temporary tariff quotas.	July 31, 1998 ongoing	On track
2.	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	On track
3.	Enactment by parliament of legislation to expedite the completion of bankruptcy proceedings, including for state-owned enterprises.	March 2000	The second reading of the amendments started in parliament in July 2000.
4.	Ensure that all banks report to the Central Credit Registry necessary information for the Registry to be fully operational.	June 2000	Met

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5.	Sell or irreversibly put up for sale through the centralized mass privatization auctions or other means residual state-owned shares in nonstrategic companies privatized by end-1999 net of those shares held due to restitution or legal proceedings or reserved for employees. In addition to these exclusions, there will be no more than 20 enterprises with remaining state-owned shares.	June 2000	Good progress but not fully met. Revised timing December 2000
6.	Complete the sale of assets of Group B enterprises entered into liquidation.	December 2000	
7.	Refrain from a conversion of outstanding privatization vouchers into government debt.	Continuous	On track
8.	Submit to parliament amendments to the Energy Law to establish rules for the future financing of the Regulatory Commission primarily from licensing fees and penalties rather than only from budgetary allocations.	April 2000	Not met. Delayed so that a single package of amendments to the Energy Law can be submitted to Parliament. Revised timing: September, 2000 (see (ii) 9. Below).
9.	Issue a 2001 Trade Decree (to take effect on January 1) that lowers MFN tariffs for non-agricultural goods to 10 percent (average) and for agricultural goods to 22 percent (average).	December 2000	
10.	Remove Biochim bank from the public sector.	March 2000	Condition revised (see B (i) 6 and B (ii) 1 above).
(ii)	New Measures		
1.	COM to amend regulation to allow privatization bodies to publish main parameters of all bids of interested buyers after a sale is completed.	September 2000	
2.	The Ministry of Finance, the National Social Security Institute, the Health Insurance Fund, and the Ministry of Health to jointly formulate a detailed plan to finance the next stage in hospital care from mid-2001.	December 2000	
3.	Complete consolidation of 90 percent of all leva accounts of government held in the BNB into the Single Treasury Account (including budgetary, extra-budgetary, deposit and suspense accounts).	December 2000	

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		Program Timing	Implementation Status
4.	Initiate joint audits of social contribution and PIT withholdings.	September 2000	
5.	URAC to ensure that: Tax and social insurance forms are streamlined based on a harmonized definition of "labor income" as a common part of the bases for PIT and all social contributions.	December 2000	
6.	URAC to ensure that: Draft legislative amendments are prepared, providing clear criteria for defining the employer-employee relationship, including for self-employed persons and the small business sector.	March 2001	
7.	Ensure that NEK does not enter into power purchase agreements with terms longer than one year unless approved by the standing commission appointed by the Prime Minister.	From July 1, 2000 through end-2001	On track
8.	Until the implementation of the two-component tariff, apply an obligatory fixed payment for disconnected volumes in connected buildings with effect from November 1, 2000.	September 2000	
9.	Submit to parliament the draft package of amendments to the Energy Law agreed with the World Bank.	September 2000	
10.	Incorporate the elimination of outstanding municipal expenditure arrears into the 2001 municipal budgets.	2001 budget	

Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures
Under the EFF-Supported Program, 1999-2001¹

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
1.2 Fiscal transparency	Redefine the boundaries of the government sector	Incorporate quasi-fiscal costs of restructuring or liquidating state-owned enterprises and any support provided to enterprises explicitly in the budget.	Budget 2000-01	On track
		Include in the annual budget law a limit and on the amount of new government guarantees extended.	Budget 2000-01	Done for 1999. Not included in the budget law for 2000, but implemented through a separate Council of Ministers decree in February.
		Separate commercial activities from the budget; corporatize and privatize these activities, where appropriate.	EFF period	On track
	Enhance government sector accountability	Reduce the number of extrabudgetary funds and accounts. Do not establish new EBFs.	Budget 2000-01	Done. No new funds and accounts have been opened. The 2000 Budget law envisages ten extrabudgetary funds and accounts to be transformed into second level budget spending units under the respective ministries.
		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.	2000 Budget	Done as part of the 2000 Budget, except when contracts signed with official donors prohibited inclusion into the single treasury account.
		Put in place phase I of an improved financial management information system for the treasury covering all first-level spending units and selected second- level spending units of the central government.	March 2001	Done in April, 2000.
		Further improve the information content of reports and analyses of the budget and its implementation made available to the public.	2000 and onward	On track
		<i>Finalize a new unified chart of accounts for the general government based on national accounting standards and generally following GFS requirements.</i>	<i>December 2000</i>	

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Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
1.3 Tax policy	Improve the efficiency of the tax system	Eliminate VAT exemption for tourism services abroad.	Budget 2001	
		Fully implement the rule that tax changes cannot be legislated in laws other than the tax laws and do not introduce new tax exemptions.	EFF period	On track
		If and when overall fiscal situation permits, progressively reduce the tax burden.	EFF period	On track
		<i>Transform the Tax Policy Directorate into a Revenue Policy Division to quantify overall revenue implications of policy options contemplated in the budget preparation process.</i>	<i>2001 budget</i>	
		<i>Simplify the presumptive (patent) tax to make it easier for small businesses to employ additional workers.</i>	<i>2001 budget</i>	
		<i>Reduce the national corporate profit tax rate to 20 percent for enterprises with profits over 50,000 leva, and 15 percent for others.</i>	<i>2001 budget</i>	
		<i>Lower the PIT burden by raising the threshold for nontaxable income up to 100 leva per month and adjusting tax brackets upward.</i>	<i>2001 budget</i>	
1.4 Tax, Social Security and Health Insurance administration	Improve collection, enhance enforcement and compliance while reducing compliance costs	Complete computerization of Customs.	June 2000	Original program expanded into a more ambitious PHARE-supported project (see below).
		<i>Complete computerization of customs in accordance with the PHARE-supported program. Document in three phases:</i> <ul style="list-style-type: none"> • <i>Phase 1</i> • <i>Phase 2</i> • <i>Phase 3</i> 	<i>December 2000</i> <i>May 2001</i> <i>December 2002</i>	
		Strengthen taxpayers services, including advance rulings.	1999 onward	On track
		Finalize URA project implementation strategy, including a clear definition of the project structure.	June 15, 2000	Completed in conjunction with the URA concept paper by end-June.
		Prepare a strategy paper to develop the Unified Revenue Agency, covering the functions, organization and procedures of the Agency, and the interim steps to improve the coordination of revenue collection efforts of the GTD and NSSI.	June 15, 2000	Done. URA concept paper including strategy completed.

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Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		COM approval of Unified Revenue Agency Strategy.	June 30, 2000 Structural Performance Criterion	Met. COM approval on June 29, 2000.
		Complete the review of existing GTD and NSSI business process.	June 1, 2000	Done in the context of implementing the new functional organization of the GTD.
		Develop computerization strategy for Unified Revenue Agency.	September 2000	Modified in light of Concept Paper.
		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 businesses.	2000 budget	Done
		Submit to parliament draft legislation to further rationalize bases for tax and social insurance payments to facilitate collections by the Unified Revenue Agency.	June 2000	Condition modified under revised strategy (see below).
		<i>Prepare and submit to the COM legislative amendments to harmonize the bases for the PIT, the social insurance contribution and the health insurance contribution including a common definition of labor income.</i>	<i>September 2000</i>	
		Prohibit the offsetting of tax liabilities against SOE inter-enterprise arrears.	EFF period	On track
		Implement a selective audit program to control VAT fraud instead of relying on a full audit of each VAT client.	December 1999 onward	On track. A selective audit program has been developed and sent to the tax offices for testing. A software for automatic selection is being developed.
		<i>Review the process of taxpayer registration, submission of processing of returns, collection, audit and taxpayer services to make them compatible with the future processes of the URA.</i>	<i>December 2000</i>	
		<i>Create an inter-institutional URA Commission (URAC) to foster cooperation among the NSSI, GTD, HIF and the National Employment Service by a COM decree to manage the project, design and implement interim processes and policies, and act as an intermediary between the GTD and NSSI on collection issues.</i>	2000 Prior Action	

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		<i>Initiate joint audits of social contribution and PIT withholdings.</i>	<i>September 2000</i> Structural Benchmark	
		<i>Develop and start implementing a computerization strategy for GTD.</i>	<i>December 2000</i>	
		<i>URAC to ensure that:</i> <i>(i) A detailed implementation plan is prepared based on the agreed concepts with activities, timelines and projected costs for the first stage.</i> <i>(ii) Formal procedures are established for effective information exchange on an ongoing basis between GTD and NSSI.</i> <i>(iii) Tax and social insurance forms are streamlined based on a harmonized definition of "labor income" as a common part of the bases for PIT and all social contributions.</i> <i>(iv) Draft legislative amendments are prepared, providing clear criteria for defining the employer-employee relationship, including for self-employed persons and the small business sector.</i> <i>(v) PIT is included in the monthly NSSI withholding form.</i> <i>(vi) A redesigned Annex K for year 2000 is filed with the NSSI.</i> <i>(vii) Staff in the regions and the external community are educated about the project.</i> <i>(viii) A program is developed for acquisition of buildings and rationalization of the current accommodation.</i>	<i>September 2000</i> <i>December 2000</i> <i>December 2000</i> Structural Benchmark <i>March 2001</i> Structural Benchmark <i>December 2000</i> <i>December 2000</i> <i>December 2000</i> <i>December 2000</i>	
		<i>Provide proper resources and office spaces for the URAC and project team.</i>	<i>2001 budget</i>	
		<i>Prepare an action plan to separate the payment of short term benefits from collection of social insurance contributions.</i>	<i>December 2000</i>	
		<i>Prepare first draft of a strategy to rationalize the structure of tax administration as outlined in the Concept Paper, assessing the need for the 5 regional directorates, concentrating activities connected with the central taxes in the 28 territorial and 5 large taxpayer directorates, and isolating activities connected with municipal taxes and fees.</i>	<i>December 2000</i>	
		<i>Reduce the refund period for non-exporter VAT taxpayers from 6 to 4 months.</i>	<i>2001 budget</i>	
1.5 Public expenditure	Rationalize government financial management	Improve the existing treasury functions consistent with recommendations of FAD technical assistance report.	EFF period	On track

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Switch to electronic payments of budgetary payment transactions.	June 2000	On track
		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.	December 1999 Structural Benchmark	Not done. Phased implementation during 2000 in line with IMF technical assistance recommendations is on track.
		Transfer remaining 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, except where disallowed by donors.	December 2000	
		Implement 2000 budget and accounting on the basis of revised chart of accounts.	2000 budget	On track
		Substantially reduce the number of second level spending units.	2000 budget	Some reduction achieved from January 1, further reduction expected during 2000.
		<i>Continue reducing the number of second level spending units.</i>	<i>2001 budget</i>	
		<i>Incorporate the elimination of outstanding municipal expenditure arrears into the 2001 municipal budgets.</i>	<i>2001 budget</i> Structural Benchmark	
		<i>Complete consolidation of 90 percent of all leva accounts of government held in the BNB into the Single Treasury Account (including budgetary, extra-budgetary, deposit and suspense accounts).</i>	<i>December 2000</i> Structural Benchmark	
		<i>Start limited testing of the electronic budgetary payments system</i>	<i>October 2000</i>	
		<i>Regularly disseminate timely information on central budget execution and composite parts of the consolidated budget.</i>	<i>Continuous</i>	On track
		<i>Ensure timely payment of district heating bills by budget-dependent organizations.</i>	<i>September 2000 onward</i>	
	Improve public investment planning	Update and prepare reports on investment program and its execution on annual and three-year rolling basis.	EFF period	On track, but its coordination with the budget process is inadequate and the prioritization of projects unresolved.
		Inter-Ministerial Committee to submit to the Council of Ministers recommendations on linking together public investment planning, budget allocations, and government guarantees.	April 2000	Delayed

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Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		In line with Inter-Ministerial Committee recommendations: (a) coordinate the Public Investment Program with the budget preparation process. (b) create mechanism for screening projects in their early planning phases.	June 2000 June 2000	Delayed Delayed
		Strengthen the centralized management of grants in the budget.	June 2000	Delayed
		<i>Create mechanism to ensure incorporating into the budget only cost-effective projects included in the PIP that fall within the external debt ceilings.</i>	<i>2001 budget</i>	
	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 promulgated, substantial reductions in budgetary employment planned for 2000.
		Develop a strategy to introduce more flexible pay and employment systems in the public sector.	March 2000	Done
1.6.1 Social assistance	Improve equity, targeting, and administration of Social Assistance Program			
		Prepare strategy paper on targeting child allowances in consultation with the World Bank.	April 2000	Delayed. Strategy still under discussion.
		Council of Ministers approval of a strategy paper on targeting child allowances.	June 2000	Delayed.
		Target child allowances.	Budget 2001 onward	
1.6.2 Pensions	Reform the pension system to improve long-term financial viability and help lower payroll taxes	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	On track. Law on Voluntary Pension Insurance and Code for Mandatory Social Insurance are in force as of January 1, 2000. The occupational pension funds are already included in the above-mentioned laws.
		<i>Complete the licensing of voluntary pension funds registered by June 2000.</i>	<i>September 2000</i>	
1.6.3 Health	Rationalize and make more cost-effective supply of public health services	Implement health insurance system.	2000–01	On track. Health Insurance Fund launched in mid-1999, health reform for primary and specialized care in mid-2000, for hospital care a year later.
		Sign framework agreement with outpatient health providers.	April 2000	Done

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Sign individual contracts with outpatient health providers.	June 2000	Ongoing
		<i>The Ministry of Finance, the National Social Security Institute, the Health Insurance Fund, and the Ministry of Health to jointly formulate a detailed plan to finance the next stage in hospital care from mid-2001.</i>	December 2000 Structural Benchmark	
2. Labor Market Policies		Form a list of 121 enterprises comprising state-owned enterprises with the largest losses and arrears, all monopolies including district heating companies, other state institutions, and enterprises that receive subsidy. Ensure that these state-owned enterprises as a group keep their wage bill for the first and second quarters of 2000 under the level of the base wage bill, which is their aggregate wage bill in the third quarter of 1999. Within this total ceiling, no more than 10 percent of these enterprises may exceed their individual wage bill ceilings unless their total wage bill remains below 10 percent of the aggregate wage bill of all the enterprises in the list. If an enterprise is privatized or ceases operations, it will be dropped from the list and the base wage bill will be appropriately adjusted.	March 2000 June 2000 Structural Performance Criteria	Done Done
		<i>Ensure that the 121 closely monitored state-owned enterprises subject to a wage bill freeze keep their wage bill as a group for the third quarter (end-September test date) and fourth quarter (end-December test date) of 2000 under the level of the base wage bill, which is their aggregate wage bill in the third quarter of 1999. Within this total ceiling, no more than 10 percent of these enterprises may exceed their individual wage bill ceilings unless their total wage bill remains below 10 percent of the aggregate wage bill of all the enterprises on the list. Excluded from the list for both test dates will be those enterprises that are privatized, or ceased operations, and those that had profits in 1999 and the first two quarters of 2000, unless they are monopolies. If an enterprise is excluded from the list, the base wage bill will be reduced by the amount of that enterprises' wage bill in the third quarter of 1999.</i>	September 2000 and December 2000 Structural Performance Criteria	
		Submit to COM amendments to the Labor Code with provisions making hiring, firing, and working hours more flexible.	March 2000 Structural Performance Criterion	Done with delay
		Substantially increase the flexibility in enforcing employment and investment clauses in existing privatization contracts and in formulating new ones to enable privatized enterprises to adapt to market conditions.	February 1, 2000 onward	On track

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Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
3. Structural Reform				
3.1 Privatization and enterprise restructuring				
3.1.1 Enterprise privatization		Sell or irreversibly put up for sale through the centralized mass privatization auctions or other means residual state-owned shares in nonstrategic companies privatized by end-1999 net of those shares held due to restitution or legal proceedings or reserved for employees. In addition to these exclusions, there will be no more than 20 enterprises with remaining state-owned shares.	June 2000 Target revised December 2000 Structural Benchmark	Not fully met
		Residual shares in enterprises privatized from January 1, 2000 will be sold within six months of their privatization under the above-mentioned conditions.	Continuous	On track
		<i>COM to amend regulation to allow privatization bodies to publish main parameters of all bids of interested buyers after a sale is completed.</i>	<i>September 2000</i> Structural Benchmark	
		Complete the sale of assets of Group B enterprises entered into liquidation.	December 2000 Structural Benchmark	On track
3.1.2 Financial discipline and transparency	Increase financial transparency	Implement enhanced disclosure requirements for nonfinancial enterprises.	June 2000	Delayed. Will be implemented in the context of further improving accounting standards.
	Accelerate liquidation of unviable enterprises and streamline insolvency and liquidation procedures	Establish a Commission consisting of experts from inside and outside the government to review existing practices governing insolvency and liquidation proceedings.	June 2000	Done
		Ensure that the recently created commission under the Council of Ministers will set requirements for selection, removal, and supervision of liquidators of SOEs.	June 2000	Done
		Enforce requirements for selection, removal, supervision of liquidators for SOEs.	June 2000 onward	On track
		Introduce a body within the Ministry of Justice that will establish uniform practices, training, general reporting requirements, and selection criteria for trustees appointed in bankruptcy cases.	June 2000	Done

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		Streamline court procedures for realization of collateral.	June 2000	
		Enactment by parliament of legislation to expedite the completion of bankruptcy proceedings, including for state-owned enterprises.	March 2000 Revised deadline <i>September 2000</i> Structural Benchmark	The second reading of the amendments started in parliament in July 2000
		Implement the clarifying interpretation of the discount factor for MEBO bids offering deferred payment schemes to require proper calculation of discounted value of deferred payments.	March 2000 onward	On track
		For BDZ: No new commercial bank lending to BDZ from June 30, 1999.	(b) Continuous	(b) On track
		Implement BDZ Financial Rehabilitation Plan adopted by the COM in November 1999, keeping subsidies within the parameters agreed with the IMF and without incurring arrears.	2000-01	Measures implemented according to the plan through mid-2000, but higher-than-projected energy costs resulted in increased subsidy needs. Additional measures taken in response as listed below.
		<i>Improve BDZ's financial results by 2 million leva in the second half of 2000 in line with BDZ's passenger tariff policy included in the Financial Rehabilitation Program.</i>	<i>July 2000</i>	Done
		<i>Establish a unit in BDZ to sell non-operational assets.</i>	<i>August 2000</i>	Done
		<i>Sell non-operational assets of BDZ worth at least 20 million leva.</i>	<i>December 2000</i>	
		<i>Cut operations and maintenance spending and achieve additional savings in labor costs equivalent to 9 million leva.</i>	<i>December 2000</i>	
3.1.3 Business Climate	Improving business climate	Begin putting in place streamlined systems to facilitate the establishment and operation of businesses.	March 2000	Done
		<i>Publish information on tax regimes and administrative regulations applying to the opening and operating of businesses on the government website. Publicize the availability of this information.</i>	<i>December 2000</i>	

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Council of Ministers to submit to parliament detailed proposals based on working group's recommendations.	March 2000	Done
		Council of Ministers to adopt an agenda for implementing the working group's recommendations.	March 2000	Done
		<i>Undertake a review of the progress made so far in reducing the number of licensing regimes by each ministry. Determine new targets for 2001.</i>	<i>December 2000</i>	
3.2 Energy Sector Reform		<p>According to the Energy Action Plan:</p> <ul style="list-style-type: none"> . Adjust electricity tariffs . Liberalize the prices of: <ul style="list-style-type: none"> - domestic coal for households - briquettes . Phase out state subsidies for coal mining. . Cease mining operations in non-viable sections of coal mines. 	<p>Continuous</p> <p>June 2000 December 2001</p> <p>December 2000</p> <p>December 1999</p>	<p>Revised (see below)</p> <p>Done by December 1999 Deadline changed to October 2000 Deadline changed to December 2001 Done, mining operations ceased in 9 sections.</p>
		COM approval of an action plan to prepare coal mines for speedy privatization.	March 2000	Done
		<i>Complete the preparation for liquidation or privatization of remaining unviable coal mine sections.</i>	<i>September 2000</i>	
		<i>Enter additional 3 coal mine sections into liquidation.</i>	<i>November 2000</i>	
		<i>Submit tender documents to Privatization Agency for accelerated privatization for 7 coal mines.</i>	<i>December 2000</i>	Done

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<p>According to the electricity sector restructuring program:</p> <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 . Establish separate legal corporate entities for NEK's components: <ul style="list-style-type: none"> - distribution - transmission . Implement privatization of distribution activities 	<p>EFF period</p> <p>December 1999</p> <p>June 2000</p> <p>December 1999</p>	<p>On track</p> <p>Done by June 2000</p> <p>Done by June 2000</p> <p>Delayed pending the clarification of the regulatory framework and legal separation.</p>
		Liberalize household gas supply sector.	EFF period	On track
		Submit to parliament amendments to the Energy Law to establish rules for the future financing of the Regulatory Commission primarily from licensing fees and penalties rather than only from budgetary allocations.	April 2000 Structural Benchmark	Not met. Delayed so that a single package of amendments to the Energy Law can be submitted to parliament .Revised timing: September 2000 (see below).
		<i>Submit to parliament the draft package of amendments to the Energy Law agreed with the World Bank.</i>	<i>September 2000</i> Structural Benchmark	
		Submit to COM drafts of the key pieces of secondary legislation related to the Energy Law covering the technological aspects of the energy market; the general conditions of contracts for the sale of electricity, heating energy and natural gas; the permit and licensing regime; and price regulation, including the prices paid to generation companies and by distribution companies in the electricity sector. The price regulation for electricity will be effective from July 1, 2001.	March 2000 Structural Performance Criterion	Done by April, 2000. Effective date for price regulation changed to January 1, 2002.
		COM adoption of key pieces of secondary legislation.	April 15, 2000	Done

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Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures
Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Agree with the Regulatory Commission and the World Bank on close monitoring by the Regulatory Commission of NEK with the assistance of the State Agency of Energy, its sole shareholder. This monitoring mechanism will ensure that the contractual relationships with and price setting by the Single Buyer (NEK transmission) remain in line with the adopted secondary legislation during the transition period ending no later than mid-2001, upon the decision of the COM. The agreement will commit NEK to abide by rulings of the Regulatory Commission.	April 15, 2000	Done. The monitoring mechanism (including the financial monitoring module) will be in place from September, 2000, with data submission by all successor enterprises of NEK from that date. Effective date for price regulation changed to January 1, 2002.
		<i>Appoint qualified auditors to complete a diagnostic audit of the opening financial statements and internal controls of the newly created power sector enterprises.</i>	<i>August 2000</i>	
		<i>Complete audit of the opening financial statements and internal controls of the newly created power sector enterprises.</i>	<i>December 2000</i>	
		<i>Put in place individual contracts between NEK and the generation and distribution companies, consistent with NEK's demand forecast and approved legislation.</i>	<i>September 2000</i>	
		<i>Ensure that NEK does not enter into power purchase agreements with terms longer than one year unless approved by the standing commission appointed by the Prime Minister.</i>	<i>From July 1, 2000 through end-2001</i> Structural Benchmark	
		<i>Reduce the average cost of electricity purchased by the Single Buyer by purchasing electricity from the least-cost suppliers.</i>	<i>From July 2000 onward</i>	
		<i>Complete drafting the full set of secondary legislation to the Energy Law.</i>	<i>December 2000</i>	
		<i>Monitor monthly the implementation of the business plans of the newly formed companies from NEK.</i>	<i>July 2000 onward</i>	
		<i>Reduce technological losses of electricity sector companies by 70 million leva.</i>	<i>December 2000</i>	
		<i>Raise electricity prices for households by 4 percent effective August 1, 2000.</i>	Prior Action	Done in July 2000
		Adopt all secondary legislation related to the Energy Law as amended.	March 2000 March 2001	Deadline modified New target
		Implement Bulgargaz Rehabilitation Plan adopted by COM.	2000-01	On track

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Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures
Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Introduction of differentiated prices and tariffs for transport and distribution of natural gas.	December 2000	On track
		COM will adopt a program with the objective of attracting strategic private investors to develop the gas distribution market according to Bulgargaz rehabilitation plan.	September 2000	On track
		Cut off gas and electricity to state-owned enterprises who do not pay bills on time.	EFF period	Done for commercial companies, not for budgetary sector (schools, hospitals, and defense).
		<i>Improve revenue collection of Bulgargaz to 95 percent.</i>	<i>December 2000</i>	
		<i>Do not use transit revenues of Bulgargaz to offset customer arrears.</i>	<i>July 2000 onward</i>	
		Install control and metering devices in all substations supplied by district heating companies outside Sofia.	September 2000	
		Install control and metering devices in all substations supplied by Sofia district heating companies.	June 2000 <i>June 2001</i>	Delayed Target revised in agreement with the World Bank
		Reach agreement with Sofia municipality to cover part of the losses of Sofia district heating company from 2000.	June 2000	Done
		Submit to COM a comprehensive action plan for restructuring the district heating sector.	May 2000	Done
		COM adoption of comprehensive action plan for restructuring the district heating sector agreed with the World Bank.	June 2000 Structural Performance Criterion	Done
		<i>Supply heat on the basis of a single general contract between building occupants and DHCs with effect from November 1, 2000.</i>	<i>September 2000</i>	
		<i>Enable district heating companies to disconnect buildings which are not cost-effective to supply with heat, or in which more than 50 percent of building space has been disconnected.</i>	<i>September 2000</i>	
		<i>Implement a two-component district heating tariff (a fixed capacity charge for all building occupants, and a variable charge according to actual heat consumption), with effect from January 1, 2002.</i>	<i>December 2001</i>	

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Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures
Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>Until the implementation of the two-component tariff, apply an obligatory fixed payment for disconnected volumes in connected buildings with effect from November 1, 2000.</i>	September 2000 Structural Benchmark	
		<i>COM to adopt: (i) a decision to withdraw direct and indirect central government subsidies from 3 DHCs before the 2000-01 heating season; and (ii) a decision identifying 5 DHCs from the remaining 19 DHCs from which all central governments subsidies will be withdrawn effective July 1, 2001. The final draft of the 2001 budget will incorporate these decisions.</i>	September 2000 Structural Performance Criterion	
		<i>Close down uneconomical services in the remaining 14 DHCs.</i>	June 2001	
		<i>Agree with the municipalities in cities with district heating companies on sharing DHCs financial burden.</i>	September 2000	
		<i>Determine which DHC ownership to transfer to the respective municipalities.</i>	December 2000	
		<i>Refrain from merging DHCs with other state-owned enterprises.</i>	July 1, 2000 onward	
3.3 Financial Sector Reform		Reduce minimum reserve requirement ratio from 11 percent to 8 percent.	July 1, 2000	Done
		Adopt regulations on consolidated supervision.	June 2000	Done on July 6, 2000
		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 Structural Benchmark	On track
		Implement a program to further develop banking supervision.	1998–2000	On track
		<i>Further enhance the quality of quarterly reports on compliance and the condition of the banking system.</i>	December 2000	
		<i>The Banking Supervision Department to maintain regular meetings with banks' managements.</i>	Continuous	On track
		Revise banking regulations to allow replacement of paper trail of payments with electronic trail.	June 2000	Done on July 11, 2000 with effect from September 1, 2000.
		<i>Close the tender on hiring a supervisor to manage the projects related to BISERA 4.</i>	October 2000	

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Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures
Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>Link the system developments within the institutions involved in the payment system.</i>	<i>December 2000</i>	
		<i>Launch the next generation payment system BISERA 4.</i>	<i>2001</i>	
		Submit to Council of Ministers a draft law on electronic signature.	March 2000	Done on April 15, 2000.
		<i>Prepare and adopt secondary legislation related to the law on electronic signature.</i>	<i>December 2000</i>	
		Ensure that the Central Credit Registry is operational, by introducing a new software system and making it accessible to all banks.	March 2000	Done
		Ensure that all banks report to the Central Credit Registry necessary information for the Registry to be fully operational.	June 2000 Structural Benchmark	Done
		<i>Expand the coverage of the credit registry to include information on credits from abroad.</i>	<i>September 2000</i>	
		<i>Refrain from issuing bearer bonds.</i>	<i>Continuous</i>	On track
		<i>Issue government securities with a view to:</i> <i>. Maintaining sufficient stock of government security collateral in the interbank market</i> <i>. Avoiding liquidity shocks stemming from large movements in government accounts, coordinating with the BNB</i> <i>. Lengthening the maturity structure of lev-denominated domestic debt.</i>	<i>2001 onward</i>	
		Remove Biochim bank from the public sector.	March 2000 Structural Benchmark	Condition revised (see below)
		Sign the sale contract of Biochim that includes a firm deposit.	June 2000 Structural Performance Criterion	Not done. A new tender will be issued by end-September 2000 (see below).
		<i>Issue a new tender to sell Biochim.</i>	<i>September 2000</i> Structural Performance Criterion	
		<i>Sign the sale contract of Biochim.</i>	<i>March 2001</i>	

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Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures
Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Transform the State Savings Bank (SSB) into a full commercial bank.	December 2000	
		<i>SSB:</i> <ul style="list-style-type: none"> . Start improving branch network . Introduce foreign exchange services on a pilot basis . Upgrade the information system. 	<i>September 2000</i> <i>September 2000</i> <i>2000-2001</i>	Done
		Receive final binding bids for Bulbank.	June 2000	Done. Share purchase agreement signed on July 7, 2000.
		Design a new administrative system for bank insolvencies and submit necessary draft legislation to parliament.	March 2000 September 2000	Delayed to expand the scope of the bank insolvency law. Target revised
		Increase the capacity of the DIF to adequately handle insolvent banks.	September 1999 and onward	On track
		Submit to the Council of Ministers draft amendments to the Law on Deposit Insurance to improve its effectiveness.	March 2000 <i>September 2000</i>	Delayed because of the delay in submitting the related draft bank insolvency law to parliament. Target revised.
		Provide regular information on deposit distribution of the commercial banks to the Deposit Insurance Fund.	September 1999 onward	On track
3.4 Agricultural Policies	Liberalize agricultural markets	Conduct State Reserve or other government purchases and sales of grain at market prices through competitive tender or the commodity exchange.	Continuous	Being observed
		Set quantitative limits for long-term lending extended by the SFA. Reduce total new short-term financing provided by SFA in 2000, and continue reducing it thereafter. Limit for long-term lending in 2000, including loan guarantees, set at 50 million leva. Limit for short-term lending in 2000 set at 30 million leva.	EFF period	On track
		Complete restitution and titling of agricultural land.	December 1999 <i>December 2000</i>	Delayed. 97.6 percent of restitution completed. Target revised
		<i>Establish an Agency for the Cadastre to implement the parcel-based registration system for land.</i>	<i>December 2000</i>	

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Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures
Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>Include any SFA guarantee on commercial bank credit against warehouse receipts in the SFA's lending ceilings.</i>	<i>Continuous</i>	
		Complete privatization or enter into liquidation long-term assets under the jurisdiction of the Ministry of Agriculture that have been slated for privatization, except for those transferred from other Ministries.	June 2000 <i>December 2000</i>	75.5 percent done Target revised
		Reduce the stake of state entities in the Central Cooperative Bank to under 33 percent.	June 2000 <i>September 2000</i>	Delayed Target revised
		State entities will be excluded from subscribing to future share issues or capital increases in the Central Cooperative Bank.	Continuous	On track
3.5 Statistical Issues	Improve the statistical base for macroeconomic decision making	Improve quality, consistency, and timeliness of: <ul style="list-style-type: none"> . PPI . Quarterly GDP . External trade statistics; balance of payments; and external debt, especially the coverage of private sector transactions . Revise historical (1995-97) balance of payments statistics according to the new methodology in trade and services. 	December 2001 December 2000 March 2000 onward September 2000	On track On track
		Fully implement GDDS.	December 2000	Done in May 2000
		Use the GDDS as the framework for the development of statistics.	Continuous	On track
4. External Sector Policies				
4.1 Trade Policy		Amend the Tobacco Act to make removal of export prohibition of unfermented tobacco effective from July 1, 2000.	June, 2000	Done. Amended in April, 2000.
		Refrain from introducing new temporary tariff exemptions and temporary tariff quotas.	July 31, 1998 Ongoing Structural Benchmark	Being observed
		Reduce import tariffs for refined fuel products.	EFF period	Import tariffs reduced from 25 percent in 1998 to 22.5 percent in 1999. No further reductions are envisaged during 2000, except in the context of free trade agreements.
		Issue a 2001 Trade Decree (to take effect on January 1) that lowers MFN tariffs for non-agricultural goods to 10 percent (average) and for agricultural goods to 22 percent (average).	December 2000 Structural Benchmark	On track

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Under the EFF-Supported Program, 1999-2001¹

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>Reduce the number of tariff bands to 22 by January 1, 2001.</i>	<i>December 2000</i>	
		Issue tenders for the privatization of the remaining 5 state trading companies with foreign trading operations.	June 2000	Privatization tenders announced for 3 companies. Legal obstacles caused delays in remaining 2 cases.
		Complete privatization of all 33 state trading companies with foreign trading operations.	December 2000	On track
4.2 Debt Management	Improve debt management	Devise a debt management strategy for the medium term.	March 2000	Done. Approved by COM in March 2000.
		Develop an implementation plan for the debt management strategy to be in place by end-2000.	March 2000	Done
		Refrain from a conversion of outstanding privatization vouchers into government debt.	Continuous Structural Benchmark	On track
		<i>Submit the draft Sovereign Debt Law to COM.</i>	<i>September 2000</i>	
		<i>BNB and MOF to agree on terms of reference for Joint Committee to improve coordination between the two institutions on cash and debt management issues.</i>	<i>August 2000</i>	
		<i>Joint Committee for cash and debt management to begin meeting on a monthly basis to discuss relevant debt and asset management issues.</i>	<i>October 2000</i>	
		<i>Develop a plan to improve fiscal risk assessment of government-guaranteed debt.</i>	<i>September 2000</i>	
		<i>Begin implementing fiscal risk assessment plan.</i>	<i>March 2001</i>	
		<i>Finish implementing the first stage of system for management of public debt.</i>	<i>December 2000</i>	
		<i>Assess operation of the first stage of the debt management strategy and prepare an action plan for 2001.</i>	<i>December 2000</i>	
		<i>Develop a 3-year plan regarding the contracting of public debt, specifying the level of aggregate external and domestic debt as well as various categories of debt.</i>	<i>March 2001</i>	

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