

		Program Timing	Implementation Status
A.	Prior Action		
1.	Appointment by the Deputy Prime Minister of an Inter-Ministerial Steering Committee to oversee design and implementation of the Unified Revenue Agency. Appoint a full-time project manager reporting to the Chairman of the Steering Committee.	March 15, 2000	
B.	Structural Performance Criteria		
(i)	Existing 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 appropriately adjusted.	End-Dec. 1999	Met. Enterprises with large losses or arrears reduced their combined wage bill by 20 percent between the third quarter of 1998 and the fourth quarter of 1999, and monopolies reduced their total wage bill by 4 percent between the second and fourth quarters of last year. Out of a total of 84 enterprises, only 4 violated the wage freeze.
2.	Enactment by parliament of the law on the first pillar of pension reform.	End-Dec. 1999	Met. Code for Mandatory Social Insurance adopted in December 1999, and in force as of January 1, 2000.
3.	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	Met. Production activities have been terminated. Of the 15 enterprises in liquidation, LTFA exceeding 50 percent of total sold in 4 enterprises, and a mixture of sales and write-offs in another 4 enterprises raised the share of LTFA removed from state sector above 50 percent.
4.	Complete accounting separation of Bulgargaz into import, transport, storage, distribution, and transmission components.	End-Dec. 1999	Met. Experimental separate accounts for end-September 1999 received in January 2000, and accounts for the full year received in March 2000.

		Program Timing	Implementation Status
5.	Issue tender for Biochim bank.	End-Dec. 1999	Done.
(ii)	New Measures		
1.	Submit to COM amendments to the Labor Code with provisions making hiring, firing, and working hours more flexible.	End-March 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.	End-March 2000	
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 and end-June 2000	
4.	COM adoption of comprehensive action plan for restructuring the district heating sector agreed with the World Bank.	End-June 2000	
5.	COM approval of Unified Revenue Agency Strategy.	End-June, 2000	
6.	Sign the sale contract of Biochim that includes a firm deposit.	End-June 2000	

		Program Timing	Implementation Status
C.	Structural Benchmarks		
(i)	Existing Measures		
1.	Establish a tax policy unit in the Ministry of Finance, outside the tax administration department.	End-Dec. 1999	Delayed. Implementation expected in March 2000.
2.	Produce first-round unified tax register based on the BULSTAT number.	End-Dec. 1999	Done.
3.	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	Target revised. Phased implementation during 2000 in line with latest IMF technical assistance recommendations is on track.
4.	Bring Bulgartabac to the point of sale.	End-Dec. 1999	Done. Privatization procedure was opened and information memorandum was sent out in December 1999.
5.	Complete comprehensive audit report for Bulgargaz for 1998 by an international audit firm.	End-Dec. 1999	Done.
6.	Increase capital adequacy ratio to 12 percent in steps.	End-Dec. 1999	Done.
7.	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	Done.
8.	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, 61-62, 74-76, 78-80, 85).	Jan. 1, 2000	Done.
9.	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	On track.

		Program Timing	Implementation Status
(ii)	New Measures		
1.	Enactment by parliament of legislation to expedite the completion of bankruptcy proceedings, including for state-owned enterprises.	End-March 2000	
2.	Ensure that all banks report to the Central Credit Registry necessary information for the Registry to be fully operational.	End-June 2000	
3.	Remove Biochim bank from public sector.	End-March 2000	Condition revised and changed into an end-June 2000 structural performance criterion.
4.	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.	End-April 2000	
5.	Sell through other means or irreversibly put up for sale through the centralized mass privatization auctions 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.	End-June 2000	
6.	Complete the sale of assets of Group B enterprises entered into liquidation.	End-Dec. 2000	
7.	Refrain from a conversion of outstanding privatization vouchers into government debt.	Continuous	

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

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
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
		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 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 will be 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.
		<i>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.</i>	<i>End-2000</i> <i>End-March 2001</i>	
		Strengthen the budgetary procurement process, and improve internal audit.	End-1999	Done
		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

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

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
1.3 Tax policy	Improve the efficiency of the tax system	Eliminate VAT exemption for tourism services abroad.	Budget 2000, with effect from January 1, 2001	Done
		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
		Establish a tax policy unit in the Ministry of Finance, outside the tax administration department.	End-1999 Structural Benchmark	Delayed. Will be implemented by February 2000.
		Extend the occupational coverage of the presumptive ("patent") system and review the level of presumptive taxation on a continuing basis.	2000 budget	Done with amendments of the Personal Income Law.
1.4 Tax, Social Security and Health Insurance administration	Improve collection, enhance enforcement and compliance while reducing compliance costs	<i>Appointment by the Deputy Prime Minister of an Inter-Ministerial Steering Committee to oversee design and implementation of the Unified Revenue Agency. Appoint a full-time project manager reporting to the Chairman of the Steering Committee.</i>	March 15, 2000 Prior Action	
		<i>Create a full-time project team.</i>	April 15, 2000	
		<i>Submit to parliament draft legislation to further rationalize bases for tax and social insurance payments to facilitate collections by the Unified Revenue Agency.</i>	End-June 2000	
		Computerization of GTAD and Customs.	End-1999	Delayed. Timing revised
		<i>Complete computerization of Customs.</i>	End-June 2000	
		Strengthen taxpayers services, including advance rulings.	1999-onward	On track.
		<i>Finalize project implementation strategy, including a clear definition of the project structure.</i>	June 15, 2000	
		<i>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 GTAD and NSSI.</i>	June 15, 2000	
		<i>COM approval of Unified Revenue Agency Strategy.</i>	June 30, 2000 Structural Performance Criterion	
		<i>Complete the review of existing GTAD and NSSI business process.</i>	End-June 2000	
		<i>Develop computerization strategy for Unified Revenue Agency.</i>	End- Sept. 2000	
		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.	2000 budget	Done

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Under the EFF-Supported Program, 1999-2001¹

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
		Harmonize bases for PIT, SIFC, and HIFC to the extent possible.	2001 budget	
		Define work relationships to have an employment character when they satisfy criteria that are prescribed in the laws or regulations.	2000 budget	Done with the adoption of the Social Insurance Code in December 1999.
		Prohibit the offsetting of tax liabilities against SOE inter-enterprise arrears.	EFF period	On track
		Parliament will adopt the draft Tax Procedure Code, which will limit the collection responsibilities of the GTAD to national and local taxes.	End-Sept. 1999	Done with delay. Tax Procedure Code adopted in December 1999 has eliminated GTAD's responsibility for collecting miscellaneous nontax revenues.
		Produce first-round unified tax register based on the BULSTAT number.	End-1999 Structural Benchmark	Met. The NSI has compared the BULSTAT register with the National Tax Register. The identified taxpayers are marked and the list was distributed to regional tax offices for checking.
		Implement a selective audit program to control VAT fraud instead of relying on a full audit of each VAT client.	End-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.
		Set up a mechanism to monitor the stock of VAT refund claims made and VAT refunds processed on a monthly basis.	End-August 1999	Done
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
		Review the regulatory framework to allow for transparent pricing of general government payments.	End-Sept. 1999	Done
		Establish framework agreements with commercial banks for handling of government payments through zero-balance accounts.	End-1999	Done
		Switch to electronic payments of budgetary payment transactions.	End-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.	End-1999 Structural Benchmark	Not met. Phased implementation during 2000 in line with latest IMF technical assistance recommendations is on track.
		Transfer remaining central government fund 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.	End-2000	

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Table 2. Bulgaria: Summary and Timetable for Macroeconomic and Structural Measures

Under the EFF-Supported Program, 1999-2001¹

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
		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.
	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.
		<i>Inter-Ministerial Committee to submit to the Council of Ministers recommendations on linking together public investment planning, budget allocations, and government guarantees.</i>	<i>End-April 2000</i>	
		<i>In line with Inter-Ministerial Committee recommendations:</i> <i>(a) coordinate the Public Investment Program with the budget preparation process.</i> <i>(b) create mechanism for screening projects in their early planning phases.</i>	<i>End-June 2000</i> <i>End-June 2000</i>	
		<i>Strengthen the centralized management of grants in the budget.</i>	<i>End-June 2000</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.
		<i>Develop a strategy to introduce more flexible pay and employment systems in the public sector.</i>	<i>End-March 2000</i>	
1.6 Social Security		Submit to parliament a draft Social Security Code consistent with the Tax Procedures Code.	End-Oct. 1999	Done
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	Met, except for child allowances.
		<i>Prepare strategy paper on targeting child allowances in consultation with the World Bank.</i>	<i>End-April 2000</i>	
		<i>Council of Ministers approval of a strategy paper on targeting child allowances.</i>	<i>End-June 2000</i>	
		Target child allowances.	Budget 2001 onwards	
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.
		Launch a public education campaign on pension reforms.	End-Sept. 1999	Done

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

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
		Enactment by parliament of the law on the first pillar of pension reform.	End-1999 Structural Performance Criterion	Done. Code for Mandatory Social Insurance adopted in December 1999, and in force as of January 1, 2000.
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.
		<i>Sign framework agreement with outpatient health providers.</i>	<i>End-April 2000</i>	
		<i>Sign individual contracts with outpatient health providers.</i>	<i>End-June 2000</i>	
		Ensure that the NSSI has appropriate administrative powers to collect the HIFC.	End-Sept. 1999	Done with delay.
2. Labor Market Policies		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.	End-September 1999 End-December 1999 Structural Performance Criteria	Done Done
		<i>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.</i>	End-March and end-June 2000 Structural Performance Criteria	

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

<u>Policy Area</u>	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		Submit to COM amendments to the Labor Code with provisions making hiring, firing, and working hours more flexible.	End-Dec.1999 <i>End-March 2000</i> Structural Performance Criterion	Delayed Timing revised
		<i>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.</i>	<i>February 1, 2000 onward</i>	
3. Structural Reform				
3.1 Privatization and enterprise restructuring				
3.1.1 Enterprise privatization		<i>Sell through other means or irreversibly put up for sale through the centralized mass privatization auctions 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.</i>	<i>End-June 2000</i> Structural Benchmark	
		<i>Residual shares in enterprises privatized from January 1, 2000 will be sold within six months of their privatization under the above-mentioned conditions.</i>	<i>Continuous</i>	
3.1.2 Financial discipline and transparency	<i>Increase financial transparency</i>	<i>Implement enhanced disclosure requirements for nonfinancial enterprises.</i>	<i>End-June 2000</i>	
	<i>Accelerate liquidation of unviable enterprises and streamline insolvency and liquidation procedures</i>	<i>Establish a Commission consisting of experts from inside and outside the government to review existing practices governing insolvency and liquidation proceedings.</i>	<i>End-June 2000</i>	
		<i>Ensure that the recently created Commission under the Council of Ministers will set requirements for selection, removal, and supervision of liquidators of SOE's.</i>	<i>End-June 2000</i>	
		<i>Enforce requirements for selection, removal, supervision of liquidators for SOEs.</i>	<i>End-June 2000 onward</i>	
		<i>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.</i>	<i>End-June 2000</i>	
		<i>Streamline court procedures for realization of collateral.</i>	1998 <i>End-June 2000</i>	Progress on realization of collateral by budget Target revised.

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

<u>Policy Area</u>	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		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 Structural Performance Criterion	Done. Production activities have been terminated. Of the 15 enterprises in liquidation, LTFA exceeding 50 percent of total sold in 4 enterprises, and a mixture of sales and write-offs in another 4 enterprises raised the share of LTFA removed from state sector above 50 percent.
		Complete the sale of assets of Group B enterprises entered into liquidation.	End-Dec. 2000 Structural Benchmark	
		Submit to parliament draft legislation to expedite the completion of liquidation and bankruptcy proceedings for state-owned enterprises.	End-Sept. 1999 Structural Performance Criterion	Done.
		<i>Enactment by parliament of legislation to expedite the completion of bankruptcy proceedings, including for state-owned enterprises.</i>	<i>End-March 2000</i> <i>Structural Benchmark</i>	
		Privatize Neftochim without increasing customs tariffs for refined fuels.	End-March 2000	Done. Neftochim was privatized Dec. 1, 1999.
		Bring Bulgartabac to the point of sale.	End-Dec. 1999 Structural Benchmark	Done. Privatization procedure was opened and information memorandum were sent out in December 1999.
		Complete the transfer of shares of Arsenal to private sector buyer or enter into liquidation or insolvency.	End-Sept. 1999 Structural Benchmark	Done. Arsenal was privatized in September 1999.
		Pass a clarifying interpretation of the discount factor for MEBO bids offering deferred payment schemes.	End-Sept 1999	Done with delay in October. Measure revised.
		<i>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.</i>	<i>End-March 2000</i> <i>onward</i>	
		Approval by MOF of new restructuring plans for all Group A enterprises.	End-Sept. 1999 Structural Benchmark	Done, two with delay.

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

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
		For BDZ: (a) Approval of new rehabilitation plan by COM (b) Close 2 loss-making lines, and sectors from other loss-making lines accounting for 200 km of track (c) Eliminate all fare exemptions and reductions with the exception of the disabled, children, and decorated war veterans effective from January 1, 2000 (d) Privatize or enter into liquidation 8 subsidiaries performing auxiliary activities (e) Privatize or enter into liquidation 5 additional subsidiaries performing auxiliary activities (f) Sell at least 10,000 tons of scrap (g) Keep total wage bill below that in the third quarter of 1998 (h) No new commercial bank lending to BDZ from June 30, 1999.	(a) End-Sept. 1999 Structural Performance Criterion (b) End-Dec. 1999 (c) End-Dec. 1999 (d) End-Sept. 1999 (e) End-Dec. 1999 (f) End-Dec. 1999 (g) End-Sept. and end-Dec. 1999 (h) Continuous	(a) Implemented with delay on November 17, 1999 (b) Done - Railway lines accounting for 53km and sectors of lines accounting for 313 have been closed. (c) Not done, but remaining exemptions are minimal, and remaining reductions are consistent with minimizing losses. (d) Done. (e) Done with delay by end-January 2000. (f) Done. (g) Observed in both quarters. (h) Observed.
		<i>Implement BDZ Financial Rehabilitation Plan adopted by the COM in November 1999, keeping subsidies at budgeted levels and without incurring arrears.</i>	<i>2000-01</i>	
3.1.3	Improve business climate	Conduct a review of existing domestic licensing, permit, and other regulatory requirements to identify those that might inhibit the growth of the private sector.	End-October 1999	Done. List of measures submitted to COM in January 2000.
		<i>Begin putting in place streamlined systems to facilitate the establishment and operation of businesses.</i>	<i>End-March 2000</i>	
		<i>Council of Ministers to submit to parliament detailed proposals based on working group's recommendations.</i>	<i>End-March 2000</i>	
		<i>Council of Ministers to adopt an agenda for implementing the working group's recommendations.</i>	<i>End-March 2000</i>	
3.2 Energy Sector Reform		According to the Energy Action Plan: . Adjust electricity tariffs . Liberalize the prices of: - domestic coal for households - briquettes . Phase out state subsidies for coal mining	Continuous End-June 2000 End-2001 End-2000	Done Done by end-1999 Deadline revised from end-June 2001 Deadline revised from end-June 2000

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

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
		<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 <ul style="list-style-type: none"> - Distribution activities 	<p>EFF period</p> <p>End-Dec. 1999</p> <p>End-June 2000</p> <p>End-Dec. 1999</p>	<p>On track</p> <p>Delayed since secondary legislation is not yet in place</p> <p>Delayed pending the clarification of the regulatory framework and legal separation.</p>
		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.	End-Dec. 1999	Done, 7 units created.
		Allow concessions for coal mining enterprises as envisaged in the action plan.	1999–2000	Done, allowed from January 1, 2000.
		<i>COM approval of an action plan to prepare coal mines for speedy privatization.</i>	<i>End-March 2000</i>	
		Liberalize household gas supply sector.	EFF period	On track
		Approval by COM of a fully elaborated financial recovery and restructuring plan for Bulgargaz, with a detailed timetable for implementation.	End-Sept, 1999 Structural Performance Criterion	Done, with delay of two weeks.
		<i>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.</i>	<i>End-April 2000</i> Structural Benchmark	
		<i>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.</i>	End-Dec. 1999 <i>End-March 2000</i> Structural Performance Criterion	Delayed New target
		<i>COM adoption of key pieces of secondary legislation.</i>	<i>April 15, 2000</i>	

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Under the EFF-Supported Program, 1999-2001¹

<u>Policy Area</u>	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<i>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.</i>	April 15, 2000	
		<i>Proceed with legal separation of NEK only if all preceding three measures have been completed.</i>		
		Adopt all secondary legislation related to the Energy Law as amended.	End-March 2000 <i>End-Sept. 2000</i>	Deadline modified New target
		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.	End-Oct. 1999	Done
		<i>Implement Bulgargaz Rehabilitation Plan adopted by COM.</i>	2000-01	On track
		Complete comprehensive audit report for Bulgargaz for 1998 by an international audit firm.	End-Dec. 1999 Structural Benchmark	Done
		Complete accounting separation of Bulgargaz into import, transport, storage, distribution, and transmission components.	End-Dec. 1999 Structural Performance Criterion	Done, experimental separate accounts for end-Sept. received, accounts for full year received in [March 2000].
		Limit the quarterly wage bill of Bulgargaz to the level of the same quarter of the previous year.	End-Sept. 1999 End-Dec. 1999	Done Done
		Introduction of differentiated prices and tariffs for transport and distribution of natural gas.	End-March 2000 <i>End-Dec. 2000</i>	Deadline moved owing to delay in putting secondary legislation in place New target.
		<i>COM will adopt a program with the objective of attracting strategic private investors to develop the gas distribution market according to Bulgargaz rehabilitation plan.</i>	<i>End-June 2000</i>	
		Cut off gas and electricity to state-owned enterprises who do not pay bills on time.	EFF period	
		Install control and metering devices in all substations supplied by district heating companies outside Sofia.	End-Sept. 2000	
		<i>Install control and metering devices in all substations supplied by Sofia district heating companies.</i>	<i>End-June 2001</i>	
		<i>Reach agreement with Sofia municipality to cover part of the losses of Sofia district heating company from 2000.</i>	<i>End-June 2000</i>	

¹Text in italics refers to measures agreed or modified during the third review.

Under the EFF-Supported Program, 1999-2001¹

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
		<i>Submit to COM a comprehensive action plan for restructuring the district heating sector.</i>	<i>End-May 2000</i>	
		<i>COM adoption of comprehensive action plan for restructuring the district heating sector agreed with the World Bank.</i>	<i>End-June 2000</i> Structural Performance Criterion	
		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.	EFF period	
3.3 Financial Sector Reform				
3.3.1 Banking supervision	Ensure soundness of banking system	Increase capital adequacy ratio to 12 percent in steps.	End-1999 (12 percent) Structural benchmark	Done
		<i>Reduce minimum reserve requirement ratio from 11 percent to 8 percent.</i>	<i>July 1, 2000</i>	
		Review and amend regulations on large loan exposures.	End-1998	Done in November 1999.
		Adopt regulations on consolidated supervision.	End-March 1999 <i>End-June 2000</i>	Delayed. Partially done. Elements of consolidated supervision were introduced in the newly adopted regulations on large loans and provisions in November 1999. <i>Target revised</i>
		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
		Present quarterly compliance and enforcement reports.	Quarterly	On track
		Implement a program to further develop banking supervision.	1998–2000	On track
		Assign CAMELS rating to the remaining banks.	End-1999	Done, except for two banks that started operations in 1999.
		Harmonize the early warning system CAEL with CAMELS.	End-1999	Done
		Provide regular information on deposit distribution of the commercial banks to the Deposit Insurance Fund.	End-Sept. 1999 onward	On track
		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.	End-Sept. 1999 onward	On track
		Reduce and eliminate government intervention in credit markets.	1998–99	On track, except for CCB.
		Issue the Compliance Report within 5 weeks after the reporting quarter.	End-Sept. 1999 onward	On track

¹Text in italics refers to measures agreed or modified during the third review.

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

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
		Adopt amended regulations on large exposure of banks and on the evaluation of risk exposure of banks and allocation of necessary provisions.	End-Sept. 1999	Done
		Revise banking regulations to allow replacement of paper trail of payments with electronic trail.	End-1999 <i>End-June 2000</i>	Delayed because it requires the adoption of a law on electronic signature, which is being drafted in line with the EU directives on this subject that were adopted in December 1999. <i>Target revised</i>
		<i>Submit to Council of Ministers a draft law on electronic signature.</i>	<i>End-March 2000</i>	
		<i>Submit to the Council of Ministers draft amendments to the Law on Deposit Insurance to improve its effectiveness.</i>	<i>End-March 2000</i>	
		<i>Ensure that the Central Credit Registry is operational, by introducing a new software system and making it accessible to all banks.</i>	<i>End-March 2000</i>	
		<i>Ensure that all banks report to the Central Credit Registry necessary information for the Registry to be fully operational.</i>	<i>End-June 2000</i> Structural Benchmark	
3.3.2 Banking sector	Establish a competitive banking system	Privatize remaining state banks: · Hebrosbank · Biochim.	1999 2000	Sale contract signed in December 1999 On track
		Issue tender for Biochim bank.	End-1999 Structural Performance Criterion	Done
		Remove Biochim bank from public sector.	End-March 2000 Structural Benchmark	Condition revised.
		<i>Sign the sale contract of Biochim that includes a firm deposit.</i>	<i>End-June 2000</i> Structural Performance Criterion	
		State Savings Bank (SSB): Begin implementing technical assistance program to upgrade SSB capacity <i>Transform SSB to a full commercial bank.</i>	End-Sept. 1998 <i>End-2000</i>	Delayed start to Sept. 1999; interim program adopted and implemented.

¹Text in italics refers to measures agreed or modified during the third review.

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

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
		Issue tender for Hebros bank.	End-Sept. 1999 Structural Benchmark	Done
		<i>Receive final binding bids for Bulbank.</i>	<i>End-June 2000</i>	
		Design a new administrative system for bank bankruptcies and submit necessary draft legislation to parliament.	End-March 2000	
		Increase the capacity of the DIF to adequately handle bankrupt banks.	End-Sept. 1999 and onward	On track
3.3.3 Nonbank financial sector	Upgrade nonbank financial sector to Western European standards	Pass new law on securities market.	1998	Done in Dec. 1999.
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.
		Abolish 2 percent tax imposed in the turnover of agro-processing industries to finance the SFA.	End-Sept. 1999	Done
		Set quantitative limits for long-term lending extended by the SFA. <i>Reduce total new short-term financing provided by SFA in 2000, and continue reducing it thereafter.</i>	EFF period	Limit for long-term lending in 2000, including loan guarantees, set at 50 million leva <i>Limit for short-term lending in 2000 set at 30 million leva.</i>
		Complete restitution and titling of agricultural land.	End-Dec. 1999	95.6 percent of restitution completed.
		Terminate Zarneni Hrani as a legal entity.	End-Dec. 1999	Done. 93.9 percent privatized, remainder entered into liquidation.
		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.	<i>End- June 2000</i>	
		<i>Reduce the stake of state entities in the Central Cooperative Bank to under 33 percent.</i>	<i>End-June 2000</i>	
		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"> . <i>PPI</i> . <i>Quarterly GDP</i> . External trade statistics; balance of payments; and external debt, especially the coverage of private sector transactions . <i>Revise historical (1995-97) balance of payments statistics according to the new methodology in trade and services.</i> 	<i>End- 2001</i> <i>End-December 2000</i> End-March 2000 onward <i>End-September 2000</i>	
		Fully implement GDDS.	End-2000	On track

¹Text in italics refers to measures agreed or modified during the third review.

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

<u>Policy Area</u>	<u>Objectives and Targets</u>	<u>Selected Strategies and Measures</u>	<u>Implementation</u>	<u>Implementation Status</u>
		<i>Use the GDDS as the framework for the development of statistics</i>	<i>Continuous</i>	
4. External Sector Policies				
4.1 Trade Policy		Abolish remaining export tax for unprocessed lumber and profiled lumber (of HS 44) following the introduction of a stumpage fee system.	Jan. 1, 2000	Done
		<i>Amend the Tobacco Act to make removal of export prohibition of unfermented tobacco effective from July 1, 2000.</i>	<i>End-June, 2000</i>	
		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, 61-62, 74-76, 78-80, 85).	Jan. 1, 2000 Structural Benchmark	Done
		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 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-1999 Structural Benchmark	Done
		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).	End-2000	
		Execute tenders for the privatization of the remaining 21 state trading companies with foreign trading operations.	End-1999	Privatization tenders announced for 16 companies.
		<i>Issue tenders for the privatization of the remaining 5 state trading companies with foreign trading operations.</i>	<i>End-June 2000</i>	
		<i>Complete privatization of all 33 state trading companies with foreign trading operations.</i>	<i>End-2000</i>	
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.	End-March 1999	Foreign Exchange Law approved in [Sept.] 1999. Implementing regulations in place. No further plan has been developed.

¹Text in italics refers to measures agreed or modified during the third review.

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

<u>Policy Area</u>	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
4.3 Debt Management	Improve debt management	Establish guidelines for approving projects financed or guaranteed by nonconcessional external credits.	End-Sept. 1999 Structural Benchmark	Done
		Remove bilateral debt from the list of state secrets.	End-Dec. 1999	Done
		Develop and start publishing external vulnerability indicators.	End-Dec. 1999	Done
		Devise a debt management strategy for the medium term.	End-March 2000	On track
		<i>Develop an implementation plan for the debt management strategy to be in place by end-2000.</i>	<i>End-March 2000</i>	
		<i>Refrain from a conversion of outstanding privatization vouchers into government debt.</i>	<i>Continuous Structural Benchmark</i>	

¹Text in italics refers to measures agreed or modified during the third review.

Overall Deficit and Revenues of the General Government

	Overall deficit ceilings 1/	Revenues (Indicative)
	(In millions of leva)	
January 1, 2000–March 31, 2000	219	2,061
January 1, 2000–June 30, 2000	-9	4,394
January 1, 2000–September 30, 2000 (indicative)	224	6,692
January 1, 2000–December 31, 2000 (indicative)	95	9,136

1/ The figures denote the largest allowable level of the deficit; a negative figure denotes a surplus.

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 BGN 21 million at end-March, BGN 50 million at end-June, BGN 130 million at end-September, and BGN 269 million at end-December 2000.

Floor on the Balance of the Fiscal Reserve Account
(In millions of leva)

	<u>FRA</u>	<u>Assumed cumulative flow of official external financing to the budget (excluding the IMF)</u>
Level on December 31, 1999	2,601	
Cumulative change from level on December 31, 1999		
March 31, 2000	-444	49
June 30, 2000	-303	152
September 30, 2000 (indicative)	-470	398
December 31, 2000 (indicative)	-178	505

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, central government extrabudgetary funds as defined in Annex No. 6 of the 2000 Budget Law, the National Social Security Institute, and the Health Insurance Fund.

For the purpose of the program, the balance of the FRA is defined net of net onlending of purchases from the IMF by the BNB from January 1, 2000. It is also defined before the use of the contingency (as defined in Annex I) and will be adjusted by the same amount in the opposite direction of the adjustment on the ceiling of the overall deficit for actual use of the contingency.

The floor on the balance of the FRA will also be adjusted downwards by the amount of the shortfall of official external financing to the budget (other than from the IMF) relative to program projections. This adjustment will be capped at US\$25 million per quarter calculated at the program exchange rate, i.e., at a cumulative US\$100 million by the end of 2000. Any excess official financing relative to program assumptions will raise the FRA floor by the amount of this excess.

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 December 31, 1999 exchange rates.

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 January 1, 2000 until December 31, 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 July 1, 2000 to December 31, 2000.

The floor 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, 2000.
- (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 2 million will require consultation with the IMF staff.

Ceiling on Tax and Social Insurance Arrears

	<u>Total</u>	(In millions of leva)	
		<u>GTAD</u> (indicative)	<u>NSSI</u> (indicative)
Outstanding as of:			
December 31, 1999 (actual)	549	383	166
Cumulative change from level on December 31, 1999:			
March 31, 2000	-39	-30	-9
June 30, 2000	-83	-60	-23
September 30, 2000 (indicative)	-133	-90	-43
December 31, 2000 (indicative)	-191	-120	-71

The performance criterion is on the sum of monitored arrears to the GTAD and the NSSI. For the purpose of this performance criterion, arrears are defined to include interest and penalties.

The enterprises monitored for arrears to the GTAD:

1. Lukoil - Neftochim	11. Arsenal EAD	21. Trema AD
2. BDZ	12. Vini EAD	22. Madara AD
3. Plama AD	13. Bourgas Seaport	23. Dunarit AD
4. VMZ AD - Sopot	14. PDNG EAD	24. Maritsa KK AD
5. Haskovo BT AD	15. Bourgas Sugar Factory AD	25. Ledenika AD
6. NEK EAD	16. SKGT EAD	26. Dobrich Mel AD
7. Solntse BT AD	17. Maritsa - Iztok Mines	27. Plovdiv BT AD
8. Arkus AD	18. Great Bulgarian Mills EAD	28. Minstroi Rodopi AD
9. Sugar Factory AD	19. Kambana 1899 AD	29. Pleven BT AD
10. Pernik Mines	20. Bulgargaz EAD	30. Quartz EAD
		31. Bobov Dol Mines

The enterprises monitored for arrears to the NSSI:

1. Bobov Dol Mines AD	15. Kitka AD	29. Elprom EMT AD
2. Stomana AD	16. Stara Reka AD	30. Balkanbas Mines
3. Pernik Mines	17. Tezhko Mashinostroene AD	31. Crystal EAD
4. Marbas Mines	18. Berg-Montana Fitingi OOD	32. Microprocessor Systems
5. Port of Burgas	19. Promet EOOD	33. Ustrem EOOD
6. Varna Shipyard	20. KK Maritsa Chernomore EOOD	34. Etavia AD
7. Entire Gorubso Madan EAD	21. Chernomore EOOD	35. Montana AD
8. Vidachim AD	22. Dynamo AD,	36. Mraz AD
9. Quartz AD	23. Veslets -91 EAD	37. Trema
10. Pirin Mine	24. Podem AD	38. VMZ AD
11. Plama AD	25. ZMM	39. Stomaneni Trabi
12. Burgas Copper Mines	26. Pima AD	40. Andela EAD
13. Higher Medical Institute	27. Rubin AD	41. NITI EAD
14. Polymeri OOD	28. Belopal	42. Obshtinski Avtotransport EOOD

43. Sanya	58. Metalni Konstruktsii	75. Rodopa 95 AD
44. Agropromstroy EAD	59. Orfey OOD,	76. Microak OOD
45. Kombinat za Obrabotka na Tsvetni Metali AD	60. Radomir Le Co Co EOOD	77. Elastic EAD
46. Chavdar AD	61. Darvodobiv i Stroitelstvo	78. ZMD Nikopol AD
47. Filtex AD	62. Dobrichka Mesna Kompania	79. Aves-94 AD
48. Vitamina AD	63. Prikom EAD	80. Sukmo EOOD
49. Strumatex	64. Ilyo Voyvoda AD	81. Gorubso EAD
50. Dobritch Mel AD	65. Dunarit AD	82. Struma OOD
51. Nistra EAD	66. Burya AD	83. Balkan Bank – Headquarters
52. Elprom ZET	67. Mediket EAD	84. Arsenal EAD
53. V i K	68. Harmonia	85. Balkanbas Mines, Paisiy Mine
54. KZU Promishleno Stroitelstvo	69. Pektin EOOD	86. ZMM Technotronica
55. Minstroy AD	70. Uvion OOD	87. Incoms EIM
56. Elena Georgieva AD	71. S-M 33	88. Chepino EAD
57. Ilindentsi Mramor	72. Technologia na Metalite	89. Chernomore Mine
	73. Sparky AD	90. Panagyurski Mini EOOD
	74. Polyma AD	91. Elko OOD
92. Dervent OOD		
93. Kachestvena Metalurgia AD		
94. Dobrich Mel		
95. Kartal EAD		
96. Kamet AD		
97. Djebel Basma Service-4U		
98. Josi EOOD		
99. Tezhko Mashinostroene AD		
100. Sipak-Bis OOD		

These lists are to be updated at the time of the fourth review.

For the purpose of assessing compliance with this performance criterion:

- the measured changes in arrears will exclude the amount of principal and interest added by any new tax and social contribution assessment acts issued for arrears incurred before December 31, 1999;
- 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 tax arrears for the monitored enterprises;
- agreements entered into after December 31, 1999 on writing off or rescheduling outstanding liabilities to tax authorities or the NSSI will not reduce amounts counted as outstanding liabilities;
- enterprises in the 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.

Indicative Ceilings on the Monitored Total Outstanding Liabilities to Customs

	(In millions of leva)
Outstanding as of:	
December 31, 1999 (actual)	5.5
Cumulative change from level on December 31, 1999:	
March 31, 2000	0
June 30, 2000	0
September 30, 2000	-2
December 31, 2000	-2

This indicative ceiling relates to the total of the outstanding liabilities (including principal, interest and penalty charges) of the 20 largest debtors to the Customs Department. The list of enterprises covered is 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 Customs Department entered into after December 31, 1999 will not reduce amounts counted as outstanding liabilities.

Enterprises in the list below which are entered into liquidation or bankruptcy proceedings will continue to be included in 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.

- | | |
|-----------------------|-----------------------------|
| 1. Haskovo BT | 11. Sanvel Lazio EOOD |
| 2. Amal-2000 OOD | 12. Buren Foundation |
| 3. Tri Alkols EOOD | 13. Van Kempen Rousse |
| 4. Galax EOOD | 14. Inter Karlen 1 EOOD |
| 5. VMZ Sopot | 15. Yanex – Yanulcho Petrov |
| 6. Bourgas Port EAD | 16. Elliss M. |
| 7. Samotlor OOD | 17. Offset Express AD |
| 8. Neftochim AD | 18. Y. N. Linda and DZU |
| 9. Bapersugar AD | 19. Glenfield Sofia |
| 10. Grainer-Dippa OOD | 20. Science and Education |

Ceilings on Contracting and Guaranteeing of External Debt 1/
(In millions of U.S. dollars)

	One year and Under 2/	Over 1 year 3/	1–5 years 3/
Cumulative change from level on December 31, 1999:			
March 31, 2000	40	700	250
June 30, 2000	80	850	250
September 30, 2000 (indicative)	120	950	250
December 31, 2000 (indicative)	160	1,100	250

1/ 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 external debt falling both inside and outside the ceilings will be reported to the IMF by the Ministry of Finance.

2/ 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, 1999 was zero.

3/ 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 reference 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, 1999:	
March 31, 2000	391
June 30, 2000	125
September 30, 2000	302
December 31, 2000	51

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 (excluding the balance of suspense accounts), 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, except the type 3 suspense 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 exchange rates and cross exchange rates prevailing on December 30, 1999 (accounting exchange rates).

For assessing observance of 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); and (ii) the impact of transactions involving closed banks. 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 accounting exchange rate defined above.

The limits will be monitored from the accounts of the banking system, including 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 nonfinancial 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 until June 30, 2000, after which they can be reduced to 8 percent. 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.