

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

Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
1. Fiscal Sector				
1.1 Overall fiscal stance	Ensure fiscal sustainability and support CBA arrangement	<ul style="list-style-type: none"> Maintain a broadly balanced budget, except for possible transitional costs of structural reforms and adequate provision for infrastructure investment Maintain adequate balance in the Fiscal Reserve Account (FRA) 	EFF period	On track
1.2 Fiscal transparency	Redefine the boundaries of the government sector	<ul style="list-style-type: none"> Incorporate quasi-fiscal costs of restructuring or liquidating state-owned enterprises and include any support provided to enterprises explicitly in the budget Substantially reduce number of first level spending units 	EFF period	On track
		<ul style="list-style-type: none"> Establish a public register for government guarantees Include in the annual budget law limits on the total amount of outstanding government guarantees and on the amount of new guarantees extended 	Budget 1999	Done
		<ul style="list-style-type: none"> Separate commercial activities from the budget; corporatize and privatize these activities, where appropriate 	Budget 1999	Done Done
		<ul style="list-style-type: none"> Eliminate earmarking of privatization receipts under the Privatization Law, except those allocated to privatization expenses 	EFF period	On track
		<ul style="list-style-type: none"> Eliminate earmarking of budgetary revenue by amending all the necessary legislation 	Budget 1999	Done
	Improve information on fiscal activity of the government	<ul style="list-style-type: none"> Consolidate the largest extra-budgetary funds (EBFs) into the budget on a gross basis (list to be agreed with IMF staff and reflected in definition of FRA for programming purposes); include government guarantees and other contingent liabilities in budget documentation subject to parliamentary approval 	Budget 1999 Structural PC	Done
	Enhance government sector accountability	<ul style="list-style-type: none"> Reduce the number of extrabudgetary funds and accounts, starting with the Energy Resource Fund (ERF) and the SFRD with the 1999 budget. No new EBFs will be established 	Budget 1999 Structural Benchmark	Done

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		<ul style="list-style-type: none"> Amend government chart of accounts and adopt new reporting requirements as recommended in FAD technical assistance report 	1999	On track
1.3 Tax policy	Improve the efficiency of the tax system	<ul style="list-style-type: none"> The COM shall adopt a decision to remove existing tax preferences from the Foreign Investment Act. Consistent with understandings reached with IMF staff, the COM will submit to parliament any necessary changes in tax legislation related to the tax treatment of investment. Remove link between deductible allowances and the minimum wage under the Personal Income Tax, Art. 20(2) and those proposed in the draft Voluntary Pension Insurance Act, Art. 91(1); set deductible allowances in fixed amounts in lava 	Prior Action	Done
		<ul style="list-style-type: none"> Reject tax and customs preferences and exceptions proposed in the following legislation: <ul style="list-style-type: none"> Securities Law Bee-Keeping Act Tourism Act Draft Steel Act Voluntary Pension Insurance Act (Art. 92) Commodity Exchange and Market-Places Act Draft bill for Agricultural and Forest Equipment Act Draft bill for Power Efficiency and Renewable Power Sources 	Budget 1999 Structural PC	Done
		<ul style="list-style-type: none"> Prohibit the offsetting of tax liabilities outside the Tax Procedure and State Receivables Act in the budget law. Refrain from any further offsetting operations in 1998 	Budget 1999–onwards Structural PC	On track
		<ul style="list-style-type: none"> Establish a schedule through end-1998 to reduce large tax debtors' outstanding tax arrears as of June 1998 Enterprises under the isolation program will not be allowed to increase their outstanding tax arrears as of June 1998 Reduce tax arrears according to agreed schedule 	PC	Done
		<ul style="list-style-type: none"> Harmonize VAT law with EU requirements and reduce the scope of the existing exemptions, but maintain a single rate 	PC	Met for end-September
			October 1998 (effective January 1, 1999)	Done

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		<ul style="list-style-type: none"> If and when overall fiscal situation permits, progressively reduce the tax burden Establish a tax policy unit in the Ministry of Finance, outside the tax administration department 	EFF period 1999–onwards	On track
1.4 Tax administration	Improve collection, enhance enforcement and compliance while reducing compliance costs	<ul style="list-style-type: none"> Technical requirements and action plan, including detailed timetable, to implement Unique Identification Number (UIN) prepared by Working Group and approved by COM Implement UIN in the tax, customs, social security administrations, the National Statistical Institute (NSI), and other major government agencies. Computerization of LTOs and elimination of double reporting lines from LTOs to Regional Tax Offices (RTOs) and the General Tax Administration Directorate (GTAD) Computerization of GTAD and Customs Make the five existing Large Taxpayers Offices (LTOs) fully operational by concentrating all identified large taxpayers in the LTOs, reallocating personnel in the existing 19 satellite units Consistent with IMF staff advice, reorganize tax administration along functional lines, legalize tax jurisdiction of LTOs, and strengthen collection enforcement capacity by amending the Tax Administration Act, the Tax Procedure Act, and the State Receivables Act Develop a collection strategy, including enforcement, audit, and fraud investigation consistent with the amendments of the above mentioned legislation Strengthen taxpayers services, including advance rulings 	<p>Prior Action</p> <p>Structural PC January 1, 1999</p> <p>December 1998</p> <p>December 1999</p> <p>Prior Action Amendments passed by Dec. 1998 (effective January 1, 1999) Structural PC</p> <p>1999–onwards</p> <p>1999–onwards</p>	<p>Done</p> <p>On track</p> <p>On track</p> <p>On track</p> <p>Done</p> <p>Done except for State Receivables Act pending decision on which state agency will have responsibility for collecting nontax receivables.</p> <p>On track</p> <p>On track</p>

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1.5 Public expenditure	Rationalize government financial management and shift expenditure controls from ex-post cash control to ex-ante authorization and commitment	<ul style="list-style-type: none"> Improve the existing treasury functions consistent with recommendations of FAD technical assistance report 	EFF period	On track
		<ul style="list-style-type: none"> Improve reporting on domestic and external debt and integrate domestic and external debt management functions 	1999	On track
	Rationalize expenditure policy	<ul style="list-style-type: none"> Review efficiency/effectiveness of major expenditure programs 	1999; EFF period	On track
	Improve public investment planning	<ul style="list-style-type: none"> Update and prepare reports on investment program and its execution on annual and three-year rolling basis 	Budget 1999; EFF period	On track
	Civil service reform	<ul style="list-style-type: none"> 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 in parliament; passed first reading
2. Social Security				
2.1 Social assistance	Improve equity, targeting, and administration of Social Assistance Program	<ul style="list-style-type: none"> Consolidate current fragmented social assistance system and improve targeting 	Budget 1999, 2000	On track
	Reform the pension system to improve long-term financial viability and help lower payroll taxes	<ul style="list-style-type: none"> Develop a plan for reform of the existing pay-as-you-go system, including raising minimum retirement age, sharply reducing eligibility for early retirement, and progressively introducing a closer link between benefits and actual lifetime contributions 	1998–99	On track
2.2 Pensions		<ul style="list-style-type: none"> 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 Voluntary pension insurance law awaiting second reading

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2.3 Health	Rationalize and make more cost-effective supply of public health services	<ul style="list-style-type: none"> Prepare the groundwork for effective and efficient implementation of the Law on Health Insurance by continued rationalization of health facilities, including a reduction in overstaffing and the excess capacity of beds, and by strengthening institutional capabilities at central and local health facilities Implement health insurance system 	1998–99 2000–01	On track
3. Financial Sector				
3.1 Banking supervision	Ensure soundness of banking system	<ul style="list-style-type: none"> Ensure that all banks meet the 8 percent capital adequacy ratio Capital adequacy ratio to increase to 12 percent in steps Revoke the license of all banks that do not meet the increased minimum capital requirement (lava 10 billion) by end-August, 1998 Review regulation on open foreign exchange positions and compliance with transitional arrangements Review and amend regulations on large loan exposures Adopt regulations on consolidated supervision Adopt guidelines on interest rate risk in banking supervision manual 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) 	Prior Action End-1998 (10%), End-1999 (12%) Structural benchmark Prior Action 1998 Q4 1999 Q1 1998 Q4 Continuous Structural benchmark	Done On track Done Regulation changed from DM to Euro. Other changes under consideration for Q1 1999. Three banks and two branches out of compliance at end-November. On track On track Done On track

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		<ul style="list-style-type: none"> Establish internal guidelines for PCA in accordance with action plan 		Done
		<ul style="list-style-type: none"> Present quarterly compliance and enforcement reports Present report for quarter ending September 1998 	Quarterly Prior Action	Done, Q3 report received
		<ul style="list-style-type: none"> Appoint a director of the Deposit Insurance Fund and ensure that the Fund is fully operational 	1998 Q4 Prior Action	Done
		<ul style="list-style-type: none"> Implement a program to develop further banking supervision 	1998–2000	On track
		<ul style="list-style-type: none"> Encourage more frequent and comprehensive financial disclosure by banks 	1998 Q4	On track
3.2 Banking sector	Establish a competitive banking system	<ul style="list-style-type: none"> Privatize remaining state banks: <ul style="list-style-type: none"> Appoint privatization advisor for Expressbank Appoint privatization advisor for Bulbank Complete negotiations on Postbank Complete enhanced supervisory audit for Hebrobank Define strategy for Hebrobank Begin management contract for Biochim Issue tender for Expressbank Issue tender for Bulbank Issue tender for either Expressbank or Bulbank Issue tender for other bank Privatize Hebrobank Privatize Biochim 	1998–2000 Prior Action Prior Action Done, Aug. 1998 Done, July 1998 August 1998 September 1998 October 1998 November 1998 1999 Q1 Structural Perf. Criterion 1999 Q2 Structural Perf. Criterion 1999 2000	Done Done Done Done Done Done, January 1999 Delayed Delayed On track On track
		<ul style="list-style-type: none"> Expedite liquidation of closed banks, and adopt any required legislative changes 	1999 Q1	Further work required in consultation with World Bank
		<ul style="list-style-type: none"> Report the result of the inspection of closed banks and submit proposed solution to Council of Ministers, including draft amendments to legislation, if needed. 	1999 Q1 Structural Perf. Criterion	

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		<ul style="list-style-type: none"> • State Savings Bank (SSB): <ul style="list-style-type: none"> • Sign a Memorandum of Understanding with the BNB defining restrictions on activities • Complete supervisory audit, adjust MOU as needed, and issue restricted license • Achieve compliance with reporting requirements for banking supervision • Begin implementing technical assistance program to upgrade SSB capacity • Begin implementing privatization strategy 	<p>August 1998</p> <p>1998 Q3</p> <p>1998 Q3</p> <p>1998 Q3</p> <p>2000</p>	<p>Done</p> <p>Done</p> <p>Full compliance</p> <p>Delayed start to March 1999; interim program adopted and implemented</p>
		<ul style="list-style-type: none"> • Reduce and eliminate government intervention in credit markets 	1998–99	Done
	Remove impediments to bank intermediation (in consultation with IMF staff)	<ul style="list-style-type: none"> • Review and amend law on: <ul style="list-style-type: none"> • Registered pledges • Banking • Bankruptcy 	1998 Q4	<p>Draft amendments adopted by COM</p> <p>Draft amendments sent to parliament</p> <p>Law amended June 1998; WB and USAID providing technical assistance on further changes</p>
		<ul style="list-style-type: none"> • Ensure proper functioning of registers of pledges and credits 	1998 Q3	Done
		<ul style="list-style-type: none"> • Improve accounting, auditing, and certification of accounts for enterprises 	1998–99	On track
		<ul style="list-style-type: none"> • Streamline court procedures for realization of collateral 	1998	Progress on realization of collateral by budget

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3.3 Nonbank financial sector	Upgrade nonbank financial sector to Western European standards	<ul style="list-style-type: none"> Create appropriate regulatory framework for pension funds and submit amendments to the draft Pension Law including (i) legal separation of assets of the pension fund and of the pension fund manager; (ii) legal separation of cash and voucher funds; (iii) for cash funds, establishment of a minimum level of 50 percent on the share of investments in government securities; and (iv) limiting investment in equity to shares listed on the regulated segment of the Stock Exchange. 	1998 Q4 Structural benchmark	Bill passed on first reading in parliament; amendments submitted before second reading
		<ul style="list-style-type: none"> Establish adequate supervision over nonbank financial institutions not subject to supervision by BNB 	1999 Q1	Institutional responsibility for supervision over nonbanks to be established by Q1 1999
		<ul style="list-style-type: none"> Modernize legal and regulatory framework for securities and secure enforcement (law/SSEC): <ul style="list-style-type: none"> Pass new law Issue rules and bylaws provided for in the law on securities Develop database for the SSEC Provide training for experts 	1998	First reading, January 1999 On track On track Done
		<ul style="list-style-type: none"> Improve information exchange among BNB, SSEC (SSC), and nonbank financial institutions 	1998–99	Needs government commitment
	Liberalize capital account to increase integration of Bulgaria in global financial system	<ul style="list-style-type: none"> Review regulations on capital account transactions and develop a phased plan for further opening of capital account 	1999 Q1	On track
		<ul style="list-style-type: none"> Implement plan 	1999–2001	
3.4 BNB	Safeguard assets of issue department	<ul style="list-style-type: none"> Improve foreign exchange management 	1998–99	On track
4. State Enterprise Sector				
4.1 Enterprise privatization	Expedite privatization	<ul style="list-style-type: none"> Sign contracts with privatization consultants as agreed under the 1997 Stand-by Arrangement 	Prior Action	Done

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		<ul style="list-style-type: none"> To ensure adequate progress in privatization of large enterprises: <ul style="list-style-type: none"> Provide written clarification to PATA agents defining their responsibilities Submit to parliament a draft law that creates a legislative basis for reducing Zunk-related debts of enterprises at the time of privatization Accelerate environmental audits for enterprises in which prospective buyer will take on responsibility for repair of environmental damage Redefine threshold to account for revaluation of assets 	<p>July 1998</p> <p>Prior Action</p>	<p>Done</p> <p>Done</p> <p>Included in amendments to Privatization Law</p> <p>Included in amendments to Privatization Law</p>
		<ul style="list-style-type: none"> Submit to parliament a draft amendment to the Restitution Law to allow restitution payments in the form of privatization vouchers for enterprises that have been privatized, and shares or vouchers for those not yet privatized 	<p>August 1998</p>	<p>Included in amendments to Privatization Law</p>
		<ul style="list-style-type: none"> Remove remaining restrictions on debt-equity swaps 	<p>1998 Q3</p>	<p>Done.</p>
		<ul style="list-style-type: none"> Privatize or liquidate 50 percent of enterprises under the responsibility of line ministries and municipalities (in terms of fixed assets) 	<p>1999 Q1</p>	<p>PA and ministries other than Agriculture and Com. of Energy on track. Min. of Agriculture cannot reach 50% due to huge unprivatizable assets (irrigation); 78% of assets excluding irrigation and forests privatized.</p>
	Enhance the transparency of the privatization process	<ul style="list-style-type: none"> Refrain from setting a binding minimum price for auctions with more than one bidder 	<p>1998 Q3</p> <p>Ongoing</p>	<p>Done</p>
		<ul style="list-style-type: none"> Announce a minimum list of fixed assets to be sold through voucher privatization prior to the first centralized auction 	<p>1998 Q3</p>	<p>Minimum list announced. First auction started January 25, 1999.</p>

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		<ul style="list-style-type: none"> Remove preferences for MEBOs by introducing appropriate discount factors in the valuation of their bids involving deferred payments. Establish list of enterprises not eligible for MEBOs. 	1998 Q3	Delayed. 10% per annum discount rate included in draft Amendments to the Privatization Law (para. 18); list forthcoming
		<ul style="list-style-type: none"> Streamline the procedures for granting concessions and make them compatible with the privatization process 	1998 Q3	Delayed. Included in draft amendments to the Privatization Law (para. 13)
		<ul style="list-style-type: none"> Ensure timely and accurate recording in the central share registry of all ownership changes including from mass privatization 	1998 Q3	Done
		<ul style="list-style-type: none"> Sell off residual state-owned shares in privatized companies 	6/30/99	On track. Included in privatization program for 1999 following a decision to this effect by Structural Reform Council
	Refrain from undertaking policy decisions that hamper privatization	<ul style="list-style-type: none"> Redraft the Steel Act before submission to parliament in accordance with the commitments undertaken in the EFF 	1998 Q3	Draft Steel Act not yet in Parliament; Government is committed to removing tax and customs benefits from it
4.2 Financial discipline	Improve monitoring and governance of the SOEs	<ul style="list-style-type: none"> Reach agreement with Fund staff on an exit policy for each Group B enterprise remaining in the isolation program, on measures to address the losses of Sofia urban transportation, and on measures to continue effective isolation until exit 	August 1998	Done.
		<ul style="list-style-type: none"> Complete the isolation program for Group B enterprises (except Agrotechnika, Arsenal, Beta, Pima, to be completed by September 30, 1999) by transferring ownership for those enterprises that are privatized, and entering enterprises that are not privatized into bankruptcy. 	1999 Q2 Structural Performance Criterion	
		<ul style="list-style-type: none"> Liquidate insolvent state-owned firms with no future prospects 	1998 Q3 Ongoing	On track for minor enterprises; no major enterprise liquidation has been completed yet

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		<ul style="list-style-type: none"> Establish system to compile and monitor data on inter-enterprise arrears distinguishing them from current obligations. Data on arrears should identify principal, late interest, and penalty Assess implementation of incomes policy each quarter; strengthen enforcement measures; freeze wage bill of firms in violation of ordinances of the COM on incomes policy 	1998 Q3 Structural Benchmark Ongoing	System in place; first data from NSI received in December Problems with enforcement addressed through new structural performance criterion below
		<ul style="list-style-type: none"> The 100 state-owned enterprises with the largest losses and arrears will as a group keep their wage bill for the first and second quarters of 1999 under the level of their wage bill in Q3 1998; within this total wage bill ceiling, no more than 10 percent of these enterprises may exceed their individual wage bill ceilings. 	1999 Q1 and Q2 Structural Perf. Criteria	
		<ul style="list-style-type: none"> Put in place incomes policy for state-owned enterprises for 1999 consistent with policy commitments 	1998 Q4	Adoption expected in February 1999
		<ul style="list-style-type: none"> Conduct a review of existing domestic licensing, permit, and other regulatory requirements to identify those that might inhibit the growth of the private sector 	1999 Q1	
		<ul style="list-style-type: none"> For railways and urban transport: <ul style="list-style-type: none"> Rationalize services provided and eliminate fare exemptions Raise prices to limit subsidy needs to those provided in the budget 	12/31/98 Ongoing	Delayed. Some progress, but no decision yet on rapid restructuring Railways prices increased, urban transport prices not increased
		<ul style="list-style-type: none"> Phase in accounting standards according to International Accounting Standards (IAS) for non-financial enterprises 	By 6/30/99	On track
5. Sectoral Policies				
5.1 Energy sector	Establish financial viability	<ul style="list-style-type: none"> Adopt an action plan (agreed with IMF staff) by COM decree to phase out subsidies over the next three years with specific six-monthly targets on energy tariffs, cost reductions, and the phasing-out of subsidies 	Prior Action	Done.

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		<ul style="list-style-type: none"> Adopt by decree a program to rehabilitate/restructure district heating systems 	1998 Q3	Done
		<ul style="list-style-type: none"> According to the action plan: <ul style="list-style-type: none"> Raise prices for the provision of district heating to households Adjust tariffs for non-household users of electricity and heat Liberalize the prices of domestic coal and briquettes for: <ul style="list-style-type: none"> non-household users households: coal briquettes Phase out state subsidies for coal mining Cease mining operations in non-viable sections of coal mines 	1998 Q3 Prior Action Continuous 1998 Q4 2000 Q2 2001 Q2 2000 Q2 1999 Q4	Done On track Done Progress to be verified
		<ul style="list-style-type: none"> Develop and adopt a program of targeted assistance to low income households most affected by district heating, coal and electricity price increases 	1998 Q3	Done
	Improve efficiency	<ul style="list-style-type: none"> Adopt by COM decree a program for restructuring the electricity sector, including the creation of separate corporate entities for generation, transmission and distribution of electricity, and access on equal terms to all sellers to the transmission and distribution network, with the objective of attracting private investment 	Prior Action	Done
		<ul style="list-style-type: none"> Submit to parliament a draft Energy Law agreed with the World Bank establishing an independent regulatory agency and including licensing and enforcement in its jurisdiction 	1998 Q3	World Bank suggested further revisions to the draft law submitted to Parliament; Follow-up WB mission will work with Parliamentary Committee on details before second reading of the draft law.

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		<ul style="list-style-type: none"> • According to the restructuring program: <ul style="list-style-type: none"> • Continue to adjust average electricity tariffs to cover a large part of the ongoing investment program out of retained earnings and attract private interest to the sector • Complete accounting separation of NEK's generation, transmission, and distribution functions • 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"> - Small thermal and hydropower generation, and non-generation activities - One major thermal power plant - Most electricity generation and distribution assets 	<p>EFF period</p> <p>1999 Q1 Structural Perf. Criterion</p> <p>1999 Q4 2000 Q2</p> <p>1998–99</p> <p>2000 Q1 EFF period</p> <p>1999–2000</p>	<p>On track</p> <p>On track</p> <p>On track</p>
		<ul style="list-style-type: none"> • Allow concessions for coal mining enterprises as envisaged in the action plan 		
		<ul style="list-style-type: none"> • Liberalize household gas supply sector 	EFF period	
5.2 Agricultural sector	Limit the role of government in agriculture	<ul style="list-style-type: none"> • Privatize all flour mills and bakeries, and privatize, liquidate or initiate court supervised bankruptcy of at least 386,000 tons of silo capacity of the Zarneni Hrani enterprise 	1998 Q4	On track; 9 silos sold, 10 more offered for sale, 1 transferred to state reserves
		<ul style="list-style-type: none"> • Liquidate non-viable state-owned agricultural enterprises 	1999 Q2	
	Develop market for land	<ul style="list-style-type: none"> • Complete 80 percent of land restitution 	1998 Q4	Done
		<ul style="list-style-type: none"> • Submit to parliament appropriate supporting legislation for the creation of a land cadastre and a unified registry of land ownership 	1998 Q4	Draft submitted to COM January 25, 1999
		<ul style="list-style-type: none"> • Provide final, legally binding titles to 18 percent of restituted land 	1998 Q4	Done
		<ul style="list-style-type: none"> • Repeal the conveyance tax on purchases and sale of agricultural land 	1998 Q4	Delayed for technical reasons

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		<ul style="list-style-type: none"> Remove restrictions on land leasing 	1998 Q3	First reading in January 1999; awaiting second reading. Content in line with understandings.
	Facilitate bank lending to agriculture	<ul style="list-style-type: none"> Develop a Warehouse Receipts (WR) system consistent with commitments under the World Bank ASAL 	1998 Q4	Pilot projects with USDA support underway; 3 warehouses licensed
		<ul style="list-style-type: none"> Abstain from government financing or guarantees for the harvest 	Continuous	SFA within limits on providing/guaranteeing credit; limits for 1999 needed
		<ul style="list-style-type: none"> Establish a clear time limit and quantitative ceilings for the State Fund for Agriculture (SFA) on total loans and subsidies outstanding. For 1998 the limits will be lava 30 billion for loans and lava 13 billion for subsidies. The fund will extend credit only against land collateral with legally binding title. 	July 1998	Done
	Liberalize agricultural markets	<ul style="list-style-type: none"> Eliminate the contract pricing system and any remaining price or profit margin controls 	Prior Action	Done
		<ul style="list-style-type: none"> Conduct State Reserve or other government purchases and sales of grain at market prices through competitive tender or the commodity exchange 	Effective immediately–continuous	Being observed
6. Trade Policy	Liberalize foreign trade regime	<ul style="list-style-type: none"> Abolish remaining export taxes: <ul style="list-style-type: none"> For sunflower oils (HS 15, 23) For sunflower seeds and processed wood components (HS 12, 44) For live animals, skins and hides, waste paper, wool, scrap metals, copper products (HS 01, 03, 41, 47, 51, 72, 74, 76, 78-79, 85) For unprocessed lumber and profiled timber (of HS 44) following the introduction of a stumpage fee system Abolish the prohibition on exports of unfermented tobacco. 	Oct. 1, 1998* Jan. 1, 1999* Structural Benchmarks* Jan. 1, 2000	Done Done Done
		<ul style="list-style-type: none"> Abolish the prohibition on exports of unfermented tobacco. 	Jan. 1, 1999	Delayed. Amendments to Tobacco Act drafted

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		<ul style="list-style-type: none"> Reduce the import surcharge to 2 percent 		Done
		<ul style="list-style-type: none"> Pass a decree abolishing the surcharge with effect from January 1, 1999 		Done
		<ul style="list-style-type: none"> Abolish registration (automatic licensing) requirements <ul style="list-style-type: none"> For live animals, meat, dairy products, Christmas trees, grapes, wheat, barley, maize, rice, cereal flour, sunflower seeds and oils, sugar, yeast, alcohol, brans, oil cakes, forage, tobacco, skins and hides, and wool (HS 01-02, 04, 06, 08, 10-12, 15, 17, 21-24, 41, 51) For coal and coke, petroleum, liquid fuels, ready-to-use drugs, textiles, ferrous and non-ferrous metals, computer software (HS 27, 30, 52, 54-55, 61-62, 74-76, 78-80, 85) 	<p>Jan. 1, 1999 Structural Benchmark</p> <p>Jan. 1, 2000 Structural Benchmark</p>	Done
		<ul style="list-style-type: none"> Abolish permit (non-automatic licensing) requirements for imports of natural gas and exports of live animals 	<p>Jan. 1, 1999 Structural Benchmark</p>	Done
		<ul style="list-style-type: none"> Pass a Grain Act that replaces the existing quality controls on cereals trade (Section II, Article 3(4) of Annex 7 to Article 9 of the Trade Decree) with voluntary quality standards 	<p>By end-1998</p>	Grain Act passed with mandatory quality controls on imports only
		<ul style="list-style-type: none"> Refrain from introducing new temporary tariff exemptions and temporary tariff quotas. 	<p>July 31, 1998 Ongoing</p>	Being observed
		<ul style="list-style-type: none"> Reduce import tariffs for refined fuel products 	<p>EFF period</p>	MoI proposal being prepared
		<ul style="list-style-type: none"> Passage of a 1999 Trade Decree (to take effect on January 1) that eliminates temporary tariff quotas (Annex 5 of 1998 Trade Decree) and tariff exemptions (Annex 6) except those specified under international agreements and those for humanitarian, charitable, and diplomatic purposes; lowers MFN import tariffs for non-agricultural goods to 14% (average) and 35% (maximum, to apply to not more than 150 positions), and for agricultural goods to 26% (average) and 74% (maximum, to apply to about 30 positions); reduces the number of tariff bands to 40-45; and, reduces the dispersion among tariff rates 	<p>End-1998 Structural Benchmark</p>	Done

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
		<ul style="list-style-type: none"> • Passage of a 2000 Trade Decree (to take effect on January 1) that lowers MFN tariffs for non-agricultural goods to 12% (average) and 32.5% (maximum), and for agricultural goods to 24% (average) and 74% (maximum) • Passage of a 2001 Trade Decree (to take effect on January 1) that lowers MFN tariffs for non-agricultural goods to 10% (average) and 30% (maximum), and for agricultural goods to 22% (average) and 74% (maximum) 	<p>End-1999 Structural Benchmark</p> <p>End-2000 Structural benchmark</p>	
		<ul style="list-style-type: none"> • Execute tenders for the privatization of 12 state trading companies (STCs) with foreign trading operations by end-1998, and for the remaining 21 companies by end-1999 	Dates as specified	On track; tenders for 17 state-trading companies published in State Gazette
7. Statistical Issues	Improve the statistical base for macroeconomic decision making	<ul style="list-style-type: none"> • Devote sufficient resources to the compilation and publication of statistics. In particular, improve quality, consistency and timeliness of: <ul style="list-style-type: none"> • high frequency real sector data (retail sales, producer and consumer prices, industrial output, wages, and employment) • annual and quarterly national accounts • banking statistics • foreign assets and foreign liabilities in the monetary accounts • external trade statistics; balance of payments; and external debt, especially the coverage of private sector transactions • NSI will begin to publish a monthly industrial production index • BNB will establish methodology and identify technical assistance requirements for a financial sector survey 	<p>1998 Q4</p> <p>1999 Q1 Structural Perf. Criterion</p> <p>1999 Q2 Structural Perf. Criterion</p>	<p>Problems with PPI and industrial output series</p> <p>On track</p> <p>On track</p> <p>On track</p> <p>Extent of revisions in monthly trade data is declining.</p>

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Policy Area	Objectives and Targets	Selected Strategies and Measures	Implementation	Implementation Status
	Improve the availability of statistics for broad use	<ul style="list-style-type: none"> Take decision to participate in General Data Dissemination System (GDDS) of the IMF Fully implement GDDS 	1998 Q4 2000 Q4	Done

MOF = Ministry of Finance; COM = Council of Ministers; MOL = Ministry of Labor; MOH = Ministry of Health; BNB = Bulgarian National Bank; BCC = Bank Consolidation Company; SSEC = Securities and Exchange Commission; NSI = National Statistical Institute; PA = Privatization Agency; MOI = Ministry of Industry; MOJ = Ministry of Justice; COE = Committee of Energy; MOA = Ministry of Agriculture; MOTT = Ministry of Trade and Tourism; DPCMF = Data Processing Center, Ministry of Finance.