

INTRODUCTION

The accession to the European Union is a main political priority of the Republic of Bulgaria. This aim enjoys wide political and public consensus in the country.

Decisions of the European Council in Luxembourg /December, 1997/ and Helsinki /December, 1999/ put the beginning of a new period of the relations between Bulgaria and the European Union. With the beginning of the accession negotiations /February, 2000/ the preparation for accession has oriented towards assuming and implementing of the obligations of full membership. Bulgarian negotiation strategy is based on the assumption /working hypothesis/ that Bulgaria will be a full member of the EU till the end of the year 2006. This date serves as a basic orientation for the national schedule in the preparation for assuming the obligations of the full membership.

The immediate foreign policy priorities of the Republic of Bulgaria, laid down in the National Strategy for Accession to the EU/ March, 1998/ are achieved: positive assessment for the progress of Bulgaria in the first/ 1998/ and the second /1999/ Regular Report from the European Commission on the implementation of membership criteria and the priorities of the "Accession Partnership". This paved the way for the decision, taken in Helsinki for opening the accession negotiations.

With the present up-dated National Programme for the Adoption of the Acquis the Bulgarian government aims at consolidating the efforts for preparation and assuming the obligations of membership in the pre-accession period.

PRINCIPLES

NPAA is based on the principle for further development of the achieved results in the preparation of Bulgaria for membership in the EU.

The priority aims include the implementation of the Copenhagen criteria /political and economic criteria and the adoption of the acquis/ and of the criteria for administrative capacity laid down by the European council in Madrid in 1995. Main instruments for the elaboration of the NPAA were:

- Europe Agreement on association between the Republic of Bulgaria and the European Communities /1995/,
- Bulgarian Government Program " Bulgaria 2001" /1997/,
- Bulgarian Government Program "Bulgaria 2001" up-dated /2000/,
- The revised Accession Partnership, adopted by the Council of the European Union in November 1999, which establishes short-term and Medium term priorities in the preparation of Bulgaria for full membership,
- Regular Report from the European Commission on Bulgaria's progress towards accession /1999/,
- Screening Reports on the chapters of the future Treaty of Accession, prepared as a result of the bilateral screening sessions,
- the obligations undertaken by the Bulgarian party in written negotiation positions on the opened for negotiation chapters, as well as the draft negotiation positions on the other chapters.

In its basics the NPAA covers all areas of the *acquis communautaire*:

- The texts, the principles and the political aims of the treaties / including the Treaty of Amsterdam/
- Secondary legislation, as well as the jurisprudence /*case-law*/ of the European Court of Justice
- Declarations and resolutions, adopted by the EU
- Joint actions, common positions, conclusions and declarations and other acts in the framework of the CFSP.
- Joint actions, common positions, conventions, declarations and other acts in the framework of the cooperation in the field of JHA
- The international treaties, signed by the European Community, as well as the treaties signed between the member-states in the field of activity of the European Union.
- NPAA follows the structure of the Regular Report of the European Commission, taking into account its conclusion and recommendations as well as the obligation undertaken by the Bulgarian party as a result of the screening of the *acquis*. NPAA transforms the external priorities and obligations in internal obligations and national priorities.

The time-schedule of the national priority aims is:

- short-term - for the year 2000
- medium-term - for the period of 5 years

The NPAA is elaborated in the framework of the National mechanism for coordination for preparation of Bulgaria for accession to the EU and for conducting accession negotiations, in accordance with Decree №3 of the Council of Ministers as of January 20, 2000. In accordance with the provisions of this decree the level of the Council on European integration is raised - the Council is headed by the Prime -Minister and is comprised by the heads of the main ministries, related with the preparation of Bulgaria for EU membership. The Committee on European Integration / as it had been known till the end of 1999/ was transformed in **Coordination Council for the preparation of the accession of Bulgaria to the EU**, presided by the respective Deputy Foreign Minister. The Council is assisted by working groups on the problems of European integration, which form part of the enlarged team on negotiations and elaborate the draft negotiation positions, as well as draft of national legislative acts for the approximation of the Bulgarian and EU legislation. The working groups are thematically related to the future Treaty for Accession.

As a result of the work, done by the working groups comparing the requirements for membership, emerging from the *acquis communautaire* and from the latest Regular Report of the European Commission on Bulgaria's progress towards accession, the national priorities are laid down and the measures for their achievements are specified.

The NPAA consists of an executive summary, summarizing the priorities for meeting the membership criteria, and a more detailed part concretising the actions, which should be taken in each sector for the attainment of the priorities in short-term and mid-term perspective.

The draft prepared on the proposal of the working groups was discussed at a session of the Coordination Council with the participation of the Core Team for negotiations and was approved by the Council of Ministers, on 27th of April 2000.

IMPLEMENTATION

The National Assembly adopted on February 29, 2000 Decision for the amendment of the Rules on the organization and the activity of the National Assembly which created a standing commission, called "Council on European issues". The Council is constituted on the principle of the consensus and includes representatives from all political parties in the Parliament. The Council gives opinions on the legislative priorities according to the NPAA, as well as on the compliance of the legal drafts with the EU legislation.

In response to the challenges connected with the entering in a stage of intensive negotiations for EU accession, the Government has elaborated up-dated program "Bulgaria 2001", which provides for the meeting of the membership criteria and of the short - term priorities of the Accession Partnership.

POLITICAL CRITERIA

In its 1999 Regular Report the EC confirmed that Bulgaria fulfilled the Copenhagen political criteria, which is a base for the opening of the negotiations for the accession to the EU, which is materialized in the Helsinki conclusions of the EC.

During the last years Bulgaria continued to lead a policy of further consolidation of the democracy, mainly directed at the recognition of the rule of the law, observing the principle of the division of powers, institutional strengthening and reinforcement of the administrative capacity.

DEMOCRACY AND THE RULE OF LAW. STRENGTHENING THE RULE OF LAW. STRENGTHENING THE DEMOCRATIC INSTITUTIONS

The functioning democratic political system in Bulgaria is based on the stability of the State institutions and the rule of the law. The political processes are held in line with the principle of the division of powers and in accordance to the rules of the modern democracy.

The Bulgarian Parliament conducts the legal activities, related to the challenges of the negotiation process for the EU accession. They reflect the good cooperation among the State institutions on different levels, as well as among them and the civil society.

The role of the civil society as a key element in the development of the democratic processes is getting bigger. Realizing the values of the democracy and the responsibilities for guaranteeing them, stimulate the participation of the Bulgarian society in the processes of affirming the rule of law and the stability of the democracy.

ADMINISTRATIVE REFORM

During the last year was achieved a substantial progress in the establishing the legal framework of the reform in the Bulgarian administration and the building of a modern administrative system with clear rules of functioning mutual integration between the different administrative structures in the executive power, and the external subordination of the administrative units. This process developed in couple of ways:

- In respect of the restructuring of the administrations The Council of Ministers adopted regulations on the structures of the administration in the executive power.
- The organizational and the staff development in the strategic units in the administration was ensured through establishing directorates as in every key department are framed independent directorates on the matters of European integration.
- With a view to the effective management of the governmental administration was established directorate "State administration" in the Council of Ministers and was formed State Administrative Commission. The last one will observe the adherence to the status of the civil servant and the procedure of obtaining it.
- With regard to building up a stable administrative capacity the Law on Civil Service was entered into force as of 28 August 1999. The necessary for its implementation secondary legislation was adopted and entered into force: Ordinance of the Council of Ministers (CM) № 34/ 20.03.2000 for implementing the Regulation of the status of the civil servants; Ordinance of the CM № 35/ 20.03.2000 for adopting an Unified classification of the positions in the administration and the Regulation for the implementation the Unified classification of the positions in the administration; Regulation No1 of the Minister of the state administration from 21.03.2000 for the documents for joining the Civil Service.
- A draft Code of Conduct of Civil Servant was developed and there is an ongoing elaboration of criteria for the career development.
- With regard to the necessity of professional development of the civil servants and improving their qualification with the Law on Civil Servants was established Institute for Public Administration and European Integration.
- A law on service of physical and legal persons was adopted.
- The information and coordination between the different administrative structures on national and regional level are significantly improved with the introduction of the electronic configurator for organizational modelling of the administrative structures in the executive power.

The objective of the administrative reform is the establishment of functioning and effective state administration with new, open to the citizens' administrative culture, and creation of the necessary administrative capacity for work in the new conditions, as well as the ensuring the compliance with the European administrations.

In short and mid-term perspectives is being foresaw the realization of the following measures, outlined in the Governmental Programme:

- Completion of the establishment of the informational infrastructure of the administration, aimed at ensuring the communicational links between all the administrative structures for managing the informational and work flows, including the tax and customs administration and institutions, conducting the insurance activities, as well as the completion of the Unified register for identifying economic and other subjects, performing on the territory of the Republic of Bulgaria – BULSTAT register.
- Completion of the establishment of the Unified Informational System for combating the crimes for ensuring cooperation and data exchange between the administrative information systems and the judicial institutions;
- Completion of the process of adopting the civil servant's status so as to be ensured stability and long-termed implementation of the civil service and conditions for professional and career development;
- Improvement the activity of the inspectorates in the Ministries and the governmental agencies by the model of the ombudsman, aimed at effective assistance to the citizens in cases of misadministration and exercising a civil control upon the administrative activity, quality of the services and the demeanour of the servants;
- Providing a quick and effective access to information about the sequence, organization and the types of the conducted administrative services from central and territorial administrations;
- Establishing a State Administrative Commission for supervising the adherence of the status of the civil servant and adopting a regulation for its work;
- Establishing units for administrative service in every structure with clear and widely accessible rules for servicing the citizens;
- Introduction of a common system for developing the professional skills and prequalification of the civil servants as well as developing concrete programs for implementing the modern achievements in this field with the cooperation of the Institute of public administration and European integration;
- Establishing a register of the public procurements as an important instrument of ensuring publicity and preventing act, leading to corruption in the state administration on whole levels.

THE JUDICIARY

Measures are taken for increasing the effectiveness and transparency of the judiciary, and its capacity to enforce the *acquis communautaire* as well as assuring the full independence of the judiciary, further legislative amendments in particular to streamline or clarify procedures for the administration of justice, improving access to justice, etc.

With the amendments of the Civil Procedure Code in 1999 was implemented "quick legal procedure" on some cases of crucial importance, in line with the European convention on protection of the Human rights and fundamental freedoms for "reasonable terms". Substantial progress in the process of democratisation and improving of the legal system and the system for protection is the adoption of the "claim of slowness" in the civil procedure, which is considered immediately and its submission is not restricted by a deadline.

In the implementation of the adopted institutional regulation of the Ministry of Justice (12.11.1999) are made statistical analysis regarding the structure of the cases, assumption of the responsibility of the courts, the activity of the legal-executive services and the Judges on entries. An ordinance for the organization and the work of the Conviction Status Bureaux. In the process of creation is a unified electronic system for statistical report and control of the development of the cases.

We foresee changes in the Law on the Judiciary related to the provision of staff for the system – regarding the requirements for qualification and the disciplinary procedures.

The Inspectorate of the Ministry of Justice is organizational and staff supported with the increasing of the complete control with a perspective to embrace all the courts, prosecutions and investigating services by the middle of 2000.

Programmes for qualification of training the heads of the independent units in the judiciary and of the executive staff, aimed at improvement of the assistance of the citizens have been developed.

The ongoing reforms are a part of the process of improving the structures and functions of the judiciary and aim at increasing the public confidence in the judicial system.

ANTI-CORRUPTION MEASURES

During the last period a substantial attention was paid to the conduction of active policy on prevention and combating the corruption in all its forms. There are further efforts for legal regulation and establishment of the necessary anti-corruption environment in various aspects of the economic and social life. 14 laws were adopted, introducing clear rules for the economic activity, transparency, and adherence to the rules of the market economy and guaranteeing the competition, introduction of the European standards, basic of which are: Taxation Procedure Code, Currency Law, Public Procurement law, Law on Public Offering of Securities, Hazard Law, Law on service of physical and legal persons. Law on Civil Servant, Administration Law, etc. For guaranteeing the freedom of the economic initiative and elimination of the corruption factors Bulgarian government adopted a Programme for revoking and simplifying of over 140 licensing and registration regimes. Implementation of the Programme will eliminate the excessive administrative obstacles and will simplify the procedures in guaranteeing the social safeties, moral, health and public order.

A substantial progress was achieved in the process of improving the legal basis and in achieving conformity of the Bulgarian judiciary with the international standards. In relation with its commitments to The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (SG 6.06.1999 and adopted as a part of the national legislation) National Assembly adopted a law of amending and supplementing of the Penal Code, which criminalizes the bribery of foreign officials in the international business transactions.

Republic of Bulgaria participates in the "Group of Countries for the Fight against Corruption (GRECO)" under the auspices of OECD, which was formally established on 1 may 1999. In the framework of the monitoring of this group was conducted a screening of the national legislation. Following the implementation of the international commitments and considering the notes made during the monitoring, CM deposited in the NA Law amending the Penal Code which criminalizes active and passive corruption of local and foreign public officials, as well as the demanding and the consent of bribing. In April CM deposited in the NA law amending, which introduces administrative responsibility of the legal persons for, committed in their interest violations of their executives, employees or representatives.

In March 2000 the government deposited for ratification with NA The Civil Convention on Corruption of the Council of Europe.

The full harmonization with the European anti-corruption legislation will be achieved with the adoption of new Penal Code by the end of 2000.

Substantial progress was achieved in the establishment of the legal framework for enforcement of the supervision of the executive power body for prevention the abuse of power, especially in areas like customs, police, tax services, municipalities, judicial administration, involved in the privatisation. In July 1999 NA adopted a Law on The Civil Servant, envisaging annual declaration of the welfare of the civil servants. It is foreseen the adoption of a Law on The Public Register of the welfare and incomes of the persons from the high administration. The Law on The Civil Servant clearly outlined the tasks and functions of the control units – inspectorates, which will exercise effective control on the administration. It is foreseen the strengthening of the internal and external financial control, considering the fact that the new Law on State and Financial Control, introduces ex-ante control on the public procurements and the funding from the pre-accession cohesion funds, will be adopted by the CM in May and deposited in the NA for adoption by the end of 2000. A Law on Counteraction to the Financial Crimes and Infringements is being elaborated. There is an ongoing work on elaboration and adoption of codes of conduct for some categories of servants.

It is high on the agenda the strengthening of the organizational and staff capacity of the services and systems in the state administrations for preventing and eliminating the corruption activities. In Chief Department of Customs, with the financial support of the Phare Programme, started the implementation of a programme for combating the corruption. Also high on the agenda is the implementation of a substantial programme with the World Bank for eliminating the corruption in the customs. A special attention will be paid on these services and systems, which secure the public order and safety, in accordance to the new requirements for their participation in the penal process.

Special attention was paid on the improvement of the cooperation of the different institution, related to the combating the corruption. Close cooperation was established between Mol, NIS with the leading role of the Public Prosecutor's Office of the Republic of Bulgaria for speeding up the investigations and optimising the efforts of the different institution for combating the corruption. It is foreseen the establishment of an Inter-institutional commission for combating the corruption, in which The Ministry of Justice, Mol, Ministry of Finance, BCA and the Public Prosecutor's Office will be introduced. Crucial element is the final establishment of the Unified Information System for counteraction the crime and corruption.

By the end of 2000 is envisaged the adoption of new Law on the Political Parties, which will clearly regulate the financing the political parties, guaranteeing transparency of the process for the society.

PROTECTION OF HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

The provisions of the Constitution of the Republic of Bulgaria, which refer to the Human Rights and Fundamental Freedoms of the citizens are directly applicable.

In pursuance to its international obligations and its national priorities for the enhancement of the principle of the rule of law and for the promotion of the human rights and protection of the rights of persons, belonging to minorities, Bulgaria has taken the following measures:

- Ratified protocol № 6 to the European Convention for the Protection of Human Rights and Fundamental Freedoms, concerning the abolition of the death penalty / 07.07.1999/
- ratified Second optional protocol to the International Covenant for Civil and Political Rights, concerning the abolition of the death penalty / 07. 07.1999/
- ratified the Framework Convention of the Council of Europe for the Protection of National Minorities /18.02.1999/
- ratified Protocol for Amendment of the European Convention of Transfrontier Television / 12.02.2000/
- signed Convention № 108 of the Council of Europe for the Protection of Individuals with regard to Automatic Processing of Personal Data / 02.06. 1999/

Protocols № 6 and № 7 to the European Convention for the Protection of Human Rights and Fundamental Freedoms will be ratified until the end of the year 2000.

CIVIL AND POLITICAL RIGHTS

In pursuance of its national priorities Bulgaria continues its efforts for enhancement of the effectiveness of the protection of the rights of the citizens and the exercise of the fundamental freedoms, in particular the right to liberty and security, the right to a fair trial and the right to respect for private personal and family life.

The amendments in the Code of Civil Procedure in 1999 enhanced the safeguards for fast and fair trial, respecting the principle for equality before the justice.

The amendments in the Code of Criminal Procedure /as of 01.01.2000/ reflect the requirements of the European Convention on Human Rights and of the case-law of the European Court of Human Rights with respect to the right to liberty and security. New safeguards for the protection of the defendants and particularly of the persons in detention were introduced, as well as explicit powers of the court and strict procedural terms for the decision and duration of the measure "detention in custody" and for the examination of the applications on such decisions.

Ordinance №2 of the Ministry of Justice regulates the situation of the defendants in conformity with the right of everyone to defend himself through legal assistance, the presumption that everyone is innocent until proven guilty, and the aims of art.147 of the Code of Criminal Procedure.

Priorities in the protection of the civil and political rights include improvement of the respective legislation and enhancement of the effectiveness of its application.

Measures for the application of Convention № 108 of the Council of Europe for the Protection of Individuals with regard to Automatic Processing of Personal Data has been prepared until its entry into force.

An expert conception on approximation of legislation has been elaborated and the necessary measures for the application of the Convention and the introduction of the Regulation 95/46/EEC for the protection of the individuals with regard to the processing of personal data and the free movement of such data.

Introduction of draft Law on Protection of Personal Data in the National Assembly is forthcoming.

Law for protection of the rights of the child will be passed until the end of the year 2000. Its provisions are in compliance with the UN Convention on the rights of the child / which in force for Bulgaria since 1991/.

In pursuance of the said Convention and of the minimal standard rules of the UN for administration of justice with respect to individuals of minor age , discussion of Law on prevention of the crimes of individuals of minor age is forthcoming. This law will establish alternative measures for social and educational influence, thus avoiding the initiation of legal proceedings.

The adoption of law on equality of men and women is envisaged until the end of the year 2000, pursuant to the obligations, stemming from the European convention on Human Rights and Fundamental Freedoms.

ASYLUM

The Law on Refugees entered into force on 1 August 1999. It addresses the organizations of the system of granting asylum and provides a framework, which will allow the asylum seekers to exercise their right and duties in a way compatible with the European standards. The Law is in conformity with the Geneva Convention and the Protocol of 1967 relating to the status of refugees, as well as with the *acquis communautaire* in the field of asylum. The following major principles have been incorporated in it as well: the principle of non-refoulement; the principle for the access to a procedure for any person that seeks asylum status; the principle that the acceptance of the requests has to be done by authorities (local, border), that have clear and detailed instructions on the asylum problems; the principle of establishing the relevant facts through an initiative of the interviewer.

The Refugee Agency coordinates the participation of the Republic of Bulgaria in the Phare horizontal programme on Justice and Home affairs on the matters of asylum and refugees.

Regarding that a National Action Plan has been developed concerning the future measures in the asylum field, providing for improving the legislation of the asylum and refugee's matter, construction of an infrastructure (it is foreseen the establishment of transit centres for accepting refugees on the two busiest border check-points). The administrative capacity of the structures implementing *acquis* is strengthening. It is foreseen special training in the short-term proceeding for servants in the NS "Border police" in the Mol.

Structural changes in the Refugee Agency are stipulated in compliance with the Dublin Convention on safe countries by origin

Programmes have been elaborated for the social adaptation foreigners through their professional qualification, language training, centres for social support, etc.

NON-GOVERNMENTAL ORGANIZATIONS

The policy of the Republic of Bulgaria in regard to non-governmental organizations is in full compliance with the international legal standards in this area. The right of free association of citizens is fully guaranteed.

Non-governmental organizations play an important role both at national level and at regional level, including in the investigation and advocacy of human rights issues including prisons conditions, women's and children's rights, etc.

The Government updated Programme 2001, which foresees additional measures for increasing the financial support for the organizations of disabled people, and organizations providing services for them.

Among the major priorities in the governmental programme is the improvement of the cooperation with the structures of the civil society and establishing additional possibilities for public control on the activity of the state bodies, including the law enforcement body.

ECONOMIC, SOCIAL AND CULTURAL RIGHTS

The Republic of Bulgaria is party to the major international legal documents in the area of economic, social and cultural rights, inter alia:

- The International Covent on Economic, Social and Cultural Rights;
- European Convention for Protection of Human Rights and Fundamental Freedoms;
- European Cultural Convention;
- Convention for Protection of the Architectural Heritage in Europe;
- European Framework Convention for Cross-border Cooperation Between Regional Communities and Authorities.

During the passed period in compliance with the National Programme was conducted the following:

- European Social Charter (revised) was signed on 21.9.1998 ratified by the NA on 29.03.2000.
- UNESCO and Council of Europe's Convention on recognition of the qualifications, related to the high education in the European region (1997), signed on 11.04.1997 and ratified on 15.03.2000.

In addition to the guaranteed by the Constitution and the appropriate legislation economic and social rights measures were undertaken for administrative protection of those rights.

The Law on Administration (adopted 1998, amended 1999) and The Civil Servant Law (1999), and related by-laws guarantee the adherence to the principles of the respect of the law, transparency, accessibility and coordination; supplying information to the citizens, legal persons and the state authorities; exercising the rights for receiving an answer and the solving of problems, which represent a legal interest.

INTEGRATION OF ROMA POPULATION

The adopted in April 1999, Programme for "Full Integration of the Roma Population into the Bulgarian Society" (supported by over 150 Roma organizations) established the principles and the common measures for fighting the discrimination and unemployment, improvement of the educational and health care level, improvement of the conditions of living, ensuring the protection of culture and access to the national media. Consultations were conducted between the government and a lot of the Roma organizations and non-governmental organizations for protection of the human rights in the framework of the National Council for Ethnic and Demographic Affairs /NCEDA/.

With the aim of overcoming the negative consequences of the economic crisis for the Roma population, a joint working group was established with the NCEDA, comprising representatives of different Roma NGOs, as well as governmental experts. By the end of 1999 representatives of the Roma populations were appointed in 15 out of 28 regional centres; towards some of the Ministries are working Roma consultants.

In 2000 the efforts for fulfilling the obligations of the government on improving the Roma situation and encouraging the tolerance and mutual understanding between the Bulgarian citizens from different ethnic and religious groups.

For further integration of the persons, belonging to the minorities and in the implementation of the Frame Programme of equal integration of the Roma in the Bulgarian society we foresee:

- Involvement of Roma in the expert group and forming working parties towards the ministries and local administrations;
- Further implementation of the Phare Programme, comprising exclusively the modules "Access to education" and "Urbanization of the Roma districts", for which stipulated 1 mil NBG from the EC;
- Elaboration of a National programme for youth employment aimed at decreasing the unemployment among the young people, training no less than 50 Roma for work in the police structures.

ECONOMIC CRITERIA**CURRENT SITUATION**

The invitation of Bulgaria to start negotiations for accession to the EU, dating December 1999, coincided with the favourable conditions for economic development, achieved by Bulgarian government.

The implementation of the overall economic policy of the Government, incorporated in "Bulgaria 2001" program leads to the establishment of sustainable macroeconomic environment: stable currency board, low inflation rate, low base interest rate, considerable foreign currency reserves, real economic growth of 3.5% in 1998 and 2.5% in 1999. There is a gradual recovery of real income rates. Stabilization of the banking system is achieved. The private sector already produces 70% of the GDP.

The functioning market economy in Bulgaria is a result of the active Government policy for sustaining stable macroeconomic environment, in which the economic agents are able to plan their activities with adequate certainty; strengthening of the framework of laws and by-laws and existence of strong and efficient institutions; successful restructuring of enterprises and establishment of a vital and efficient financial sector.

The year 1999 was characterized by full manifestation of the stabilization effect of the present economic policy, based on the principles of the currency board regime, strict fiscal policy, liberalization of the domestic prices and foreign trade, as well as progress in the structural reform.

The delay of the economic growth in the first half of 1999 (0.5%) is attributed mainly to temporary factors, such as Kosovo crisis, restructuring, privatisation and liquidation of state-owned enterprises, with export-oriented production. The structural changes led to the deterioration of the current account balance of 5.2% of GDP. In the second half of 1999 the macroeconomic indicators considerably improved. The real growth of the economy reached 4.5%, while the annual average was 2.5% of GDP. The annual inflation rate fell to 1.8%. The budget deficit of 1% is considerably lower than the forecast of 2.7%, while the base interest rate keeps its steady decreasing rate, falling from 5.04% to 4.46% in 1999.

The Government program for structural changes is being successfully implemented. The main instruments used for this purpose are: privatisation, liquidation of the loss-generating enterprises, improvement of the investment climate and encouraging foreign strategic investment. Bulgaria underwent the most intensive phase of restructuring and privatisation in 1999. The accelerated process of liquidation and privatisation and the bankruptcy of inefficient state enterprises is a main cause for the increasing productivity of the economy. 1999 marks the highest number of privatisation contracts concluded since the beginning of the privatisation process – 1225, 639 of which are for whole enterprises and 586 – strategic business units. The privatisation of big natural monopolies such as the Bulgarian Flying Company "Balkan Airlines", Kremikovtzi and Nevtochim, is indicative for Government's determination to abstain from direct economic intervention. The legislative and executive initiatives for the liberalization of markets, dominated by natural monopolies, and free rendering of public services, continue. The share of the private sector reached 70% of GDP. There is a stable trend of increasing private sector's share in employment creation.

The procedure for review of the existing license, permits and registration regimes is concluded. Cancellation of 39 and preferential procedures for another 69 regimes were proposed to guarantee transparency and predictability of the regulatory environment and encourage the market entry of new small and medium enterprises /SMEs/.

In 1999 the SMEs account for 98.6% of the economic entities in the country. To legislatively regulate and encourage their development, an Act on SMEs was adopted in 1999. The priority financing by "Encouragement bank" AD and the credit scheme "Kreditanstalt fur Wiederaufbau", increase the investment opportunities for SMEs. The efforts in this area are further enhanced by the forthcoming introduction of a Guarantee Scheme by United Bulgarian Bank, jointly prepared with the US Agency for International Development /USAID/. To achieve sustainable development of the SME sector, further simplification of the administrative, tax and regulatory framework is envisaged. The access to financial and information resources is further encouraged through strengthening of the institutions, serving SMEs.

In accordance with the objectives for sustaining stable macroeconomic environment and banking sector, Bulgarian authorities carefully approach the issues of financial liberalization. The adoption of the new Foreign Currency Act marks a considerable progress in this respect (enforcement date 01/01/2000). The latter allows for high degree of liberalization of financial flows, related to investments of non-residents and residents abroad.

The advanced restructuring of the financial sector allows for the effective functioning of the banks under the currency board regime. 4 out of total 7 enterprises are privatised and two are undergoing sales procedure. The

last essential amendments of the Law on Banks that entered into force in 1999 supplemented and improved the measures regulating the bank supervision and insolvency procedures. As a result of this, efficiency of the banking supervision, protection of the depositors' interests and overall stability of the banking system was achieved. The Law on BNB is fully harmonized with the EU requirements for central bank independence.

In 1999 the land restitution process was completed. The subsequent reactivation of the land market serves as a basis for sustainable development of the agricultural sector. In the end of 2000, finalization of the privatisation of agricultural assets is expected, as well as beginning of the privatisation of forestry assets. Investment projects will focus on the establishment of wholesale markets, auctions and adequate infrastructure in the village regions.

In 1999 Bulgarian foreign trade regime was entirely liberalized through the adoption of measures for cancelling temporary customs duties. Bulgaria unilaterally cancels import duties on some goods with EU and EFTA origin. The weighted average level of customs protection under the "Most-favoured nation" regime in 1999 is 8.2%.

The process of integration of Bulgarian trade into the Paneuroean free trade zone continues by gradually establishing free trade areas with the EU associated countries. In 1999, the export for the Paneuroean zone account for 66.4% of Bulgarian exports, where 52.6% are directed to the EU countries.

For the coordination of economic policy of Republic of Bulgaria with the EU requirements, in 1999 the document "Joint Assessment of the short-term priorities of the economic policy of Republic of Bulgaria" was adopted. Its main objective is the definition of measures for economic policy and reforms, necessary for the preparation of Republic of Bulgaria for EU accession.

SHORT-TERM PRIORITIES

After the decision of Helsinki European Council in December 1999 to invite Bulgaria for accession negotiations, the Government mobilized/focused its efforts on the preparation of Republic of Bulgaria for EU accession.

The objective of the updated economic program of the Government for the period 2000-2001 is to encourage and deepen the structural reforms both in the real and in the budget sector, achieve considerable and sustainable economic growth and improve the standard of living.

The International financial institutions support the updated Government program for reforms. Two agreements with the World Bank and a loan agreement FESAL II for BOP support were signed in 1999. At the end of March 2000, an agreement was concluded under the three-year extended agreement for financing balance of payments difficulties stemming from macroeconomic imbalances and structural problems.

Taking into consideration the Accession Partnership short-term priorities for encouraging/promoting the competitiveness of Bulgarian economy, the Government sets the following priorities/priority goals:

- Achieve over 10 % of GDP nominal economic growth rate for 2000 and 2001, with over 4 % of GDP real growth rate in 2000, and 5 %t in 2001, respectively;
- Increase productivity and efficiency as a necessary condition for an increase in population income rate and decrease of the difference between Bulgarian and EU average population income rates;
- Promote private investment, and increase public investment as a main source of economic growth and a factor for higher employment rate;
- Encourage economic activity and investment growth by overall tax burden relief, particularly for small businesses;
- Completion of Government public investment program. For the period 2000-2001 the Government has envisaged for public sector investment expenditures the amount of BGL 4 430 million, out of which BGL 1 664 million from sources under the consolidated budget program, and BGL 2 766 million from own funds of commercial companies with state interest, and credits by commercial banks;
- Encourage land market development by introducing a national information system for agrarian land demand and supply; creating conditions for agrarian land consolidation, with realization of the state land fund;
- Accomplish the restitution of woods and land included in the forestry fund, and creating conditions for efficient land and wood use by establishment of lasting land employment relations.

MEDIUM-TERM PRIORITIES

The updated Government program for 2000-2001 contains the necessary preconditions for achieving the political goal of Bulgaria accession to the EU full membership by the end of 2006. In accordance with the

Accession Partnership medium-term priorities, the Government program sets economic criteria for EU membership:

- Strengthen the overall macroeconomic stability;
- Improve economic competitiveness by market-oriented restructuring, including small and medium enterprises;
- Accomplish the privatisation process and strengthen the market institutions;
- Improve the legislative and normative framework for enterprises;
- Set a procedure for annual financial surveillance, aiming at setting accountability and public finance surveillance procedures in accordance with EU requirements;
- Establish a functioning land market and complete the Register on land and property.

ABILITY TO ASSUME THE OBLIGATIONS ARISING FROM MEMBERSHIP

1. FREE MOVEMENT OF GOODS**GENERAL BAN UNDER ARTICLE 28 (EX ART.30) OF THE TREATY****CURRENT SITUATION**

Bulgaria applies the provisions of the Europe Agreement as regards the prohibition of quantitative restrictions and measures having equivalent effect. The national measures are applied in conformity with the general and security exceptions. Safeguard measures are introduced in conformity with the provisions of WTO, taking into consideration the relevant procedures under the Europe Agreement.

PRIORITIESHarmonisation pursuant to Article 28 of the Treaty

Review of the conformity of the current legislation with the decisions of the European Court of Justice as regards Article 28 of the Treaty.

Progressive harmonization with the decisions of the European Court of Justice, pursuant to Article 28 of the Treaty, through amendments to the national legislation.

Major issues

Taking into account the importance of the free movement of goods, the national priorities are focused on:

horizontal measures - standardisation, metrology and accreditation;
implementation of the New Approach Directives;
adoption of the legislation under the Old Approach.

HORIZONTAL MEASURES – STANDARTISATION, METROLOGY AND ACCREDITATION**CURRENT SITUATION**

The Law on National Standardisation (SG No 55/18.06.1999) was adopted on June 4, 1999. The main objectives of the Law are voluntary application of standards, transparency and access to information of all interested parties involved in standardisation.

The Committee of Standardisation and Metrology was reorganised into a State Agency for Standardisation and Metrology (SASM) to the Council of Ministers by Decree of the Council of Ministers No 269/30.12.1999 (SG No 10/04.02.2000). Rules of Procedure of SASM were adopted.

By Decree of the Council of Ministers No 270/30.12.1999 (SG No 13/15.02.2000) the Bulgarian Accreditation Service to the Committee on Standardisation and Metrology was reorganised into an Executive Agency "Bulgarian Accreditation Service" (EA "BAS") to the Minister of Economy. Rules of Procedure of EA "BAS" were adopted.

Rules of procedure for accreditation of laboratories, certification bodies and control bodies in compliance with the relevant standards of the series BDS EN 45 000 and EA requirements are in place.

SHORT-TERM PRIORITIES

Adjustment of national standardisation in accordance with the principles applied in the EU

Preparation for full membership in CEN and CENELEC

Reinforcement of the National Enquiry Point to ensure compliance with the requirements of TBT/WTO and Directive 98/34/EC

Setting up a national calibration system, meeting the requirements of the industry and conformity assessment system

Screening of the legislation in the field of Metrology to identify differences with the *acquis communautaire*.

Implementation of the requirements regarding pre-packaged products

Ensuring independence and impartiality of EA "BAS"

Progressive compliance of the accreditation system with the EA requirements

MEDIUM-TERM PRIORITIES

Completion of the short term priorities

Fulfilment of the requirements for full membership in CEN and CENELEC

Meeting the EA requirements for membership, thus providing for mutual recognition of certificates and test protocols

ADMINISTRATIVE CAPACITY

EA "BAS" (staff - 21 employees).

Standardisation Directorate to the State Agency for Standardisation and Metrology (staff - 69 employees).

General Directorate to the SASM (the former National Centre for Metrology) (staff - 112 employees). It includes 16 laboratories with more than 35 national measurement standards, as well as a laboratory for gambling and fiscal equipment.

Measures and measuring instruments General Directorate to SASM operates in the field of Legal Metrology (staff - 427 employees).

SASM also includes the following directorates:

- Market Surveillance General Directorate – 118 employees;
- Testing and Certification General Directorate – 117 employees;
- International Co-operation and European Integration Directorate – 31 employees.

FINANCIAL NEEDS

The administrative structures are funded by the state budget. The standardisation body and the accreditation body have no possibility for self-financing at this stage because of the particular economic circumstances and the initial phase of their operation.

The state budget provides financing for the metrology system as well. The primary and secondary standards are the major beneficiaries.

Under PHARE 2000 a proposal for project "Establishing of conformity assessment system - modernisation of metrology laboratories, institutional reinforcement of Bulgarian accreditation system and conformity assessment bodies" has been prepared. It provides for the allocation of the following funds:

- for accreditation, certification and programme management – 890 000 EUR;
- for metrology – 1 050 000 EUR.

The Dutch Government will finance a project "European Conformity assessment in Bulgaria. Strengthening the institutional structures and relevant infrastructures" (PSO 99/BG/9/1). The project will be carried out by NMi/RvA. Its goal is the joint accreditation of 5 laboratories.

NEW APPROACH DIRECTIVES

CURRENT SITUATION

The Law on Technical Requirements to Products was adopted on the 17-th of Sept. 1999 (SG, No 86/01.10.1999). Ordinances under this act shall regulate the implementation of the New Approach directives. The timetable for drafting these ordinances is set out by Decree of Council of Ministers No 727/22.11.1999.

SHORT-TERM PRIORITIES

Preparation for introduction of the safety requirements to products in accordance with the New Approach directives

Creating a network of certification bodies (potential notified bodies), necessary for the implementation of the New Approach directives

Developing the institutional framework necessary for the proper functioning of Market Surveillance System in the context of the New Approach directives

MEDIUM-TERM PRIORITIES

Progressive implementation of the safety requirements, emphasizing on sectors in which trade between Bulgaria and the EU is well developed

Setting up a Conformity Assessment System

Setting up a Market Surveillance System

ADMINISTRATIVE CAPACITY

The SASM will be responsible for market surveillance in the field of the New Approach Directives. Until 1999 the Border Control Directorate to the Committee for Standardisation and Metrology used to have functions, similar to market surveillance. After the restructuring of the Committee for Standardisation and Metrology into State Agency for Standardisation and Metrology Border Control Directorate was reorganised into Directorate General for Market Surveillance (DG MS) with new functions and staff of 118 employees. Training of the staff is needed because of the new functions of the authority.

FINANCIAL NEEDS

Financing is expected from:

The project "European conformity assessment in Bulgaria - strengthening of institutional structure and relevant infrastructure" for Low Voltage Directive financed by the Dutch Government (950 000 Dutch guilders) for a period of two years, started in January 2000.

Under the PHARE 2000 a project "Creating of a Conformity Assessment System - modernisation of metrology laboratories, institutional strengthening of Bulgarian Accreditation System and Conformity Assessment Bodies" has been proposed.

Under the above-mentioned PHARE 2000 project for building up Market Surveillance System in the field of New Approach directives 1 060 000 EUR are required.

Considerable investment will be needed in the mid-term period for setting up testing laboratories. According to a preliminary estimation, the equipment for one laboratory costs approximately 1 500 000 EUR - resources that could hardly be covered by Bulgarian entrepreneurs. Additional financing will be needed for building up certification bodies (potential notified bodies).

In the fields covered by the Old Approach, the national legislation, pursuant to the respective EC legislation, is being developed and applied on a sector-by-sector basis.

MOTOR VEHICLES**CURRENT SITUATION**

The Road Traffic Law entered into force on 01.09.1999 (SG 20/1999). According the Law (art. 138) competent for the type approval of motor vehicles is the Minister of Transport and Communications.

The Law on Automobile Cargo entered into force on 17.09.1999 (SG 82/1999). It provides for setting up of administrative structures (automobile administration) connected with the establishment of Technical services appointed by the Minister of Transport and Communications.

The Law for Ratification of the Agreement concerning the adoption of uniform technical prescriptions for wheeled vehicles, equipment and parts, which can be fitted and/or used on wheeled vehicles and the conditions for reciprocal recognition of approvals granted on the bases of this prescriptions (Revision 2) was adopted on 20.10.1999 (SG 95/1999). Bulgaria has declared the acceptance of the following UN-ECE Regulations: 6, 13, 13-H, 24, 27, 28, 30, 39, 43, 48, 49, 51, 54, 55, 58, 73, 83, 84, 89, 93 and 105.

SHORT-TERM PRIORITIES

Preparation for setting up a system of type-approval of motor vehicles

Following the provisions of the Road Traffic Law (art.138) a draft Ordinance on type approval of motor vehicles was prepared in December 1999 with the assistance of GTZ. It will enter into force not later than 01.07.2000. The ordinance defines the documentation required by the competent authority, including the certificate of conformity for type-approval, from manufacturers and importers of motor vehicles.

The technical requirements relevant for the different types of vehicles are provided in the annexes of the Ordinance. Initially the technical requirements will comply with Directive 70/156/EEC and its amendments and with the above-mentioned UN-ECE Regulations and corresponding directives. (76/759/EEC - UN-ECE Reg.6, 73/320/EEC - UN-ECE Reg.13, UN-ECE Reg.13-H, 72/306/EEC - UN-ECE Reg.24, UN-ECE Reg.27, 70/388/EEC - UN-ECE Reg.28, 92/23/EEC - UN-ECE Reg.30, 75/443/EEC - UN-ECE Reg.39, 92/22/EEC - UN-ECE Reg.43, 76/756/EEC - UN-ECE Reg.48, UN-ECE Reg.49, 70/157/EEC - UN-ECE Reg.51, 92/23/EEC - UN-ECE Reg.54, 94/20/EEC - UN-ECE Reg.55, 70/221/EEC - UN-ECE Reg.58, 87/297/EEC - UN-ECE Reg.73, 70/220/EEC - UN-ECE Reg.83, 80/1268/EEC - UN-ECE Reg.84, 92/24/EEC - UN-ECE Reg.89, UN-ECE Reg.93, 98/91/EC - UN-ECE Reg.105). At the second stage (2001-2003) technical requirements will be supplemented and will cover Directive 92/61/EEC and its amendments. After 2005 Directive 74/150/EEC will be fully implemented. The Responsible institution is Ministry of transport and communications.

MEDIUM-TERM PRIORITIES

Progressive implementation of the technical requirements to motor vehicles as regards the system of type approval

ADMINISTRATIVE CAPACITY

As provided for by Article 2 of the Law on Automobile Cargo, the General Directorate - Automobile Administration under the Minister of Transport and Communications was established. Its Rules of Procedure were adopted (SG № 113/1999).

FOODSTUFFS

CURRENT SITUATION

The Law on Foodstuffs was adopted on 30.09.1999 (SG No90/15.10.1999). It provides for better structuring of the current legislation and sets the framework for the adoption of new legislation, which will be in full compliance with the European legislation in this field. A considerable work on development and adoption of secondary legislation on the application of the act is forthcoming.

SHORT-TERM PRIORITIES

Implementation of certain requirements to foodstuffs

Implementation of the requirements to foodstuffs in regard to:

Labelling, presentation and advertising. The following drafts have been drafted:

- Ordinance relating to the labelling, presentation and advertising of foodstuffs implementing the provisions of Directives 79/112/EEC, 89/396/EEC;
- Ordinance on nutrition labelling for foodstuffs (Directive 90/496/EEC);
- Ordinance on hygiene requirements to the plastic materials and articles intended to come into contact with foodstuffs (Directives 82/711, 85/572, 90/128, 80/590).

plastic materials and articles intended to come into contact with foodstuffs;
contaminants - Regulation 315/93;
additives - Directives 89/107, 94/35, 94/36, 95/2;
flavourings - Directive 88/388 and Regulation 2232/96;
extraction solvents - Directive 88/344.

Implementation of the requirements for foodstuffs hygiene, conditions of manufacture and trade - Directives 93/43, 89/397, 85/591.

MEDIUM-TERM PRIORITIES

Implementation of the requirements for foodstuffs in regard to materials and articles other than plastic intended to come into contact with foodstuffs - Directives 89/109, 84/500, 93/10, 93/11, 80/509

Implementation of the requirements for foodstuffs intended for specific nutrition purposes and the novel foodstuffs and food ingredients - Directives 89/398, 91/321, 96/5 and 96/8 and Regulation 258/97

Implementation of the requirements relating to quick-frozen foodstuffs - Directives 89/108, 92/1, 92/2

Implementation of the requirements for different types of foodstuffs according to the vertical Directives - 76/62, 73/241, 73/437, 74/409, 93/77, 79/693, 76/118, 83/417, 80/777, 77/436

ADMINISTRATIVE CAPACITY

The competent authorities, responsible for the official control of foodstuffs, are defined by the Law on Foodstuffs. They are:

- The Hygiene-Epidemiology Inspection
- The National Veterinary Service
- The National Service for Plants Protection, Quarantine and Agrochemistry.

The Law specifies the functions of the competent authorities and provides for better co-ordination of their activities.

The National Council on Foodstuffs Safety under the Council of Ministers will be established. It shall co-ordinate the state policy on foodstuffs safety.

The Law provides for establishing a Register of foodstuffs manufacturing enterprises at the Ministry of Economy.

The official control of foodstuffs is connected with tests carried out by laboratories under the Ministry of Health and Ministry of Agriculture and Forestry. Some of the laboratories need to be reinforced in terms of equipment and trained personnel.

There is a need of strengthening the administrative capacity of Ministry of Health regarding the elaboration of secondary legislation.

There is a need of involving a wider range of expertise in the preparation of a handbook on the implementation of the new legislation. This handbook will be helpful to producers and control authorities.

FINANCIAL NEEDS

For upgrading of a minimum of 6 laboratories for foodstuffs analyses for the purpose of the official control - approximately 2 500 000 EUR;

For foreign expertise on the development of the statutory regulations – approximately 200 000 EUR;

For staff training - 500 000 EUR;

For participation in seminars in the country and abroad – approximately 100 000 EUR;

For setting up an information system on the safety of foodstuffs and a register of foodstuffs producers - approximately 300 000 EUR.

CHEMICALS

CURRENT SITUATION

The Law on Protection against Harmful Impact of Dangerous Chemical Substances, Preparations and Products was adopted on 20.01.2000 (SG No 10/04.02.2000). It is a framework law providing for further introduction of the *acquis* in this field through secondary legislation. The law envisages a two-year period for setting up administrative structures and preparing secondary legislation.

SHORT-TERM PRIORITIES

Preparation for the implementation of the requirements on classification, packaging and labelling of dangerous preparations (Directive 1999/45/EC)

Preparation for the implementation of the restrictions on the marketing and use of certain dangerous substances and of preparations or products, containing such substances (Directive 76/769/EEC)

Preparation for the implementation of the requirements to detergents (Directive 73/404/EEC)

Preparation for the implementation of the requirements to fertilizers (Directive 76/116/EEC and 80/876/EEC)

MEDIUM-TERM PRIORITIES

Implementing the requirements for classification, packaging and labelling of dangerous preparations, according to Directive 1999/45/EC

Implementing the restrictions on the marketing and use of certain dangerous substances and preparations or products, containing such substances, according to Directive 76/769/EEC.

Implementing the requirements to detergents, according to Directive 73/404/EEC

Implementing the requirements to fertilizers, according to Directive 76/116/EEC and 80/876/EEC

ADMINISTRATIVE CAPACITY

The Regional Inspections of Environment and Waters, State Sanitary Control and General Labour Inspection are the administrative structures under the Law on Protection against Harmful Impact of Dangerous Chemical Substances, Preparations and Products.

FINANCIAL NEEDS

Financing is needed for impact assessment studies, preparation and training of producers, assessment of existing laboratories and defining the need for proper equipment and for translations of the relevant directives (103 pages).

PRECURSORS**CURRENT SITUATION**

The Law on Control of Narcotic Substances and Precursors (SG, No. 30/02.04.1999) was adopted.

SHORT-TERM PRIORITIES

Further harmonisation of the legislation

On the basis of Article 35 (2) of the Law on Control of Narcotic Substances and Precursors (SG, No. 30/02.04.1999) a draft Ordinance on precursors control has been drafted. It stipulates the functions of precursors control bodies and conditions for issuing licenses. The draft Ordinance is harmonised with the requirements of Directive 92/109/EEC, Regulations 1485/96, 3677/90, 900/92, 3769/92 and 2959/93, and with

the United Nations Convention on fight against illegal traffic of drugs and psychotropic substances. This Ordinance will repeal Decree No 38/1997.

Improving the precursors control

Legislative and administrative measures for efficient fight against the illegal use of precursors are to be taken.

MEDIUM-TERM PRIORITIES

Combating efficiently against the illegal use of precursors

Combating efficiently against the illegal use of precursors in the context of the measures against illegal traffic of narcotic substances.

Improving the legal and administrative basis

Improving the legal and administrative basis, based on experience gained.

ADMINISTRATIVE CAPACITY

National Council on Narcotic Substances is operating within the Council of Ministers as a collective body with developed structure and responsibilities.

The responsible institution for control on precursors according to the Law on Control of Narcotic Substances and Precursors is the Inter-Ministerial Commission for precursors control chaired by the Minister of Economy. The Commission is a collective body, which includes representatives of the Ministry of Health, Ministry of Finance, Ministry of Interior and Ministry of Justice. The Law provides for certain responsibilities of the Regional Administrations in the field of precursors control.

Natural and Legal persons are obliged to perform control over their activities with a view of preventing any use of precursors for illegal purposes. One of the most important tasks of the control bodies in the field of precursors is to ensure close co-operation with business operators.

FINANCIAL NEEDS

For the proper functioning of the Inter-Ministerial Commission on Precursors Control initial financing for printing licenses is needed (2 000 EURO).

Under PHARE 2000 a project has been proposed aiming at:

- developing national policy and a strategy for drugs control
- institution building and support for the Inter-Ministerial Commission for Precursors control
- Municipal Drugs Councils staff training in the field of precursors control.

PHARMACEUTICAL PRODUCTS FOR HUMAN AND VETERINARY MEDICINE

CURRENT SITUATION

The Law on Medicinal Products and Pharmacies in Human Medicine (LMPPHM), adopted in 1995, as well as the supplementary ordinances harmonise to a great extent the Bulgarian legislation in this field with the relevant acquis. On 20.01.2000 LMPPHM was amended to further develop the legislative framework.

The most important amendments are as follows:

The term for delivering market authorisation was changed from 12 to 7 months in compliance with the acquis;

The National Institute for Medical Products was transformed into an Executive Agency for Medicines (EAM) under the Minister of Health;

EAM will:

- issue manufacture authorisations
- suggest to the Minister of Health granting and withdrawing market authorisation and permissions for wholesale and retail sale
- keep the registers of producers, traders, authorised medicines and clinical tests.

Transparency Commission for approval and control of lists of medicines, which could be reimbursed completely or partially by the State Budget or the National Health-secure Fund has been established. The requirements for the implementation of Good Manufacturing Practice (GMP) are compulsory for issuing manufacture authorisation and market authorisation. The deadline for implementing GMP in the manufacturing process by the so-called "existing manufacturers" (manufacturers established before 1995) was postponed until 18.04.2002. That was due to the considerable investment needed and the recent completion of the privatisation of the 3 big pharmaceutical companies. The process of implementing GMP in these companies continues with the methodological assistance of EAM. Significant progress has been achieved.

SHORT-TERM PRIORITIES

Improvement of the legislative basis

Achieving a considerable progress in the implementation of GMP in the pharmaceutical companies

MEDIUM-TERM PRIORITIES

Introduction of the requirements to radio-pharmaceutical products in compliance with Directive 89/343/EEC

Introduction of the requirements to colouring agents in medicines in compliance with Directive 78/25/EEC

Introduction of GMP and meeting the criteria for the terms of production, storage and control of medical products

ADMINISTRATIVE CAPACITY

The relevant structures for the implementation of the legislation have been set up and successfully perform their functions. These structures are the Executive Agency for Medicines to the Minister of Health and Pharmaceutical Policy Directorate to the Ministry of Health.

FINANCIAL NEEDS

The implementation of GMP will entail an increase in the production costs of medicines, which will require the allocation of more funds from the budget for reimbursement.

COSMETICS

CURRENT SITUATION

Ordinance No34 on the hygienic requirements to cosmetic products has been adopted.

SHORT-TERM PRIORITY

Ensuring the transition to the new requirements to cosmetic products

An Ordinance on the requirements to cosmetic products has been drafted and presented to the Minister of Health for adoption. The Ordinance transposes Directive 76/768/EEC and envisages entry into force 18 months after its publication. The decision for this 18 months period has been taken after consultations with Bulgarian producers. Ordinance No34 will be in force till the entry into force of the new ordinance.

Developing and maintaining an effective control system for cosmetic products to ensure the protection of consumers health

MEDIUM-TERM PRIORITIES

Introduction of methods of analysis and criteria for microbiological and chemical purity of cosmetic products

Developing the administrative and technological capacity for introduction of methods of analysis and criteria for microbiological and chemical purity of cosmetic products and methods for checking the compliance with these criteria needed for the control of cosmetic products' composition.

Promoting principles and requirements of Good Manufacturing Practice (GMP) in the field of cosmetics

ADMINISTRATIVE CAPACITY

There is a need for financial strengthening of the structures within the system of State Sanitary Control under the Ministry of Health (laboratories and inspectorate) to ensure the functioning of an efficient system for control of cosmetic products.

FINANCIAL NEEDS

For providing modern equipment for a minimum of 6 laboratories for testing cosmetic products for the purposes of the State Sanitary Control: approximately 1 500 000 EUR.

For staff training - approximately 300 000 EUR.

For participation in seminars in Bulgaria and abroad and other training activities - approximately 70 000 EUR.

For translation of EC directives concerning the methods of analysis necessary for checking the composition of cosmetic products (80/1335/EEC; 82/434/EEC; 83/514/EEC; 85/490/EEC; 93/73/EEC; 95/32/EEC; 96/45/EEC) – 170 pages.

GLASS, TEXTILES AND FOOTWEAR

SHORT-TERM PRIORITIES

Introduction of the requirements relating to crystal glass

An ordinance on crystal glass has been drafted. The interested parties are currently discussing it.

Introduction of the requirements relating to footwear

An ordinance on footwear has been drafted. The interested parties are currently discussing it.

Evaluation of the possibilities for application of methods for quantitative analysis of textile fibre mixtures (Directives 96/73/EC and 73/44/EEC)

Introduction of the requirements relating to labelling of the materials used in the main components of footwear

Draft Ordinance on labelling textiles and quantitative analysis of textile fibre mixtures is being prepared.

MEDIUM-TERM PRIORITIES

Introduction of the requirements for labelling of textiles and methods for quantitative analysis of textile fibre mixtures

ADMINISTRATIVE CAPACITY

The Law on Consumers Protection and Rules for Trade regulates the administrative structures necessary for the implementation of this legislation (see Chapter Consumer and Health Protection).

FINANCIAL NEEDS

After evaluation of the possibilities for application of methods for quantitative analysis of textile fibre mixtures the necessary financing for equipment of laboratories will be determined. Funds are necessary for the transposition of Directives on methods for quantitative analysis of textile fibre mixtures (96/73/EC and 73/44/EEC).

PUBLIC PROCUREMENT

CURRENT SITUATION

The new Law on Public Procurement was adopted on the 08.06.1999. It is in compliance with the following directives: 92/50/EEC (Public Services Directive), 93/36/EEC (Public Supplies Directive), 93/37/EEC (Public Works Directive), 93/38/EEC (The Utilities Directive). The Law entered into force on 25.06.1999. A Public Procurement Register was established and is currently updated.

SHORT-TERM PRIORITY

Ensuring publicity, transparency, equal opportunities and objectivity in awarding contracts

Implementation of rules and procedures ensuring publicity, transparency, equal opportunities and objectivity in awarding contracts, as well as elimination of pre-conditions for corruption.

MEDIUM-TERM PRIORITY

Guaranteeing public procurement assignment in competitive environment

Implementation of all the necessary procedures to guarantee public procurement assignment in competitive medium, realisation of Government Investment Programme ensuring maximum protection of public interest and maximum publicity and transparency of the process.

ADMINISTRATIVE CAPACITY

The Public Procurement Law sets up a specialised administrative structure (Public Procurement Directorate within the administration of the Council of Ministers), which is to perform the monitoring and review of the implementation of the Law.

2. FREEDOM OF MOVEMENT OF PERSONS

MUTUAL RECOGNITION OF PROFESSIONAL QUALIFICATIONS

GENERAL DEVELOPMENT OF THE SECTOR

Current Situation

The activities, referring to sub-sector *Mutual Recognition of Professional Qualifications*, are related both to the education system and its legal provisions and to the legislation concerning the right to practice a profession.

Measures have been undertaken in two main directions – improvement of legal basis in the field of education and elaboration of normative acts that reflect the changes in terms and conditions for practicing some of the regulated professions.

In general, activities within the system of education concern issues of vocational and higher education. These activities are aimed at quality and European dimension of the national education; they contribute to the mobility of trainees and trainers, incl. academic recognition of diplomas and study periods; finally, they are oriented towards improving the exchange of information between educational institutions.

During the period May 1999 – 1 March 2000 the following actions have been undertaken:

Amendments to the national legislative framework, regulating recognition of diplomas and qualifications, have been adopted: the Higher Education Act (HEA), the National Education Act (NEA) and the Rules for its implementation, the Vocational Education and Training Act (VETA).

Amendments to the Act on Academic Degrees and Titles have also been prepared.

The most significant changes in the legal basis provide opportunities for **equal access** to education for Bulgarian nationals and provide guarantees for **quality of education** through intensifying the role of the National Agency for Vocational Education and Training (NAVET) and the National Accreditation and Evaluation Agency (NAEA). The emphasis is placed on the importance of institutional accreditation and on the establishment of internal quality assessment systems.

Among its functions the National Agency for Vocational Education and Training (NAVET), established under Art. 41 of the VETA, envisages assistance in recognition of the documents, certifying vocational education or professional qualification acquired.

As a result of a PHARE-project the Bulgarian Ministry of Education and Science has established standards, based on the modular principle, for 18 professions.

Under Art. 10, Para. 5 and in compliance with Art. 33a, Para.1, P. 3 of the NEA, as of January 1, 2000 a Human Resources Development Centre has been established. Its activities comprise: organization, consultation, co-ordination and carrying into effect of projects and researches in the sphere of vocational education and training (VET); in-service training and studies on human resources in the Republic of Bulgaria; completion of PHARE projects in co-operation with the Ministry of Education and Science (MES), the Ministry of Labour and Social Policy (MLSP) and other institutions.

Under Council of Ministers' Decision No. 8 of January 10, 2000 the Republic of Bulgaria adheres to the second phase of the Community vocational training action programme "Leonardo da Vinci" ("Leonardo da Vinci" II) which shall contribute to foster the relations between European training systems and the institutions, participating in accomplishment of the training (such as social partners, educational institutions, enterprises), in order to promote employability and mobility of people.

Elaboration of the system of Uniform National Requirements for acquiring higher education in respective degree courses continues in compliance with the three-staged structure of the national higher education system.

In 1999 a sector strategy Education 2000-2006 was elaborated. It strives at the attainment of the European educational standards and the implementation of the *acquis communautaire*.

Short-term priorities

General development of the sector

Activities in the sub-sector Mutual Recognition of Qualifications shall be developed in line with the European tendencies in that field. The main objectives defined by the European Commission are as follows:

- encouraging acquisition of new skills and competencies;
- fostering co-operation between schools and employers;
- promoting competencies in three languages of the Community;
- adopting measures intended to restrict the exclusion of vulnerable people from society (qualification and training of disadvantaged groups);
- providing equal support for equipment and training.

The achievement of these objectives shall be based on improvement of national legislation regulating the Vocational Education and Training (VET), on extension of Bulgarian participation in EU initiatives in the field of VET and on maintenance and refinement of national legislation in the system of higher education in respect of academic recognition of qualifications.

Improvement of national legislation concerning regulation of the VET.

Recently adopted VETA constitutes the basis for acquiring VET.

Participation of the Republic of Bulgaria in EU initiatives in the field of VET .

activities aimed at including Bulgaria in new Community programmes for VET (EUROPASS);

effective membership in the second phase of Community vocational education and training programmes "Leonardo da Vinci" II and "Socrates" II.

Maintaining and improvement of national legal framework of higher education system in respect of academic recognition of qualifications.

The implementation of this priority is facilitated by changes adopted in the new Higher Education Act (HEA) introducing three-staged system for acquiring higher education. Taking into consideration the higher education system, recognition of qualifications concerns the following:

- maintaining the system of Uniform National Requirements for acquiring higher education in the respective specialities;
- updating the State Register of Specialities in the system of higher education as a factor for recognition-of-professional-qualifications activity;
- amending the Rules for the activity of the National Accreditation and Evaluation Agency (NAEA) directed towards optimising the role in the external evaluation and provision of quality in the higher education system that would facilitate the international recognition of qualification acquired in Bulgaria.
- adoption of an Act on Academic Degrees and Academic Titles, which shall synchronize the contemporary needs of the academic community in Bulgarian education system with European dimensions.

Development of the system for qualification recognition

ratification of the Convention of the Council of Europe/UNESCO on recognition of qualifications referring to higher education in the European region (Lisbon Convention);

fostering the activity of the National ENIC Centre in the Ministry of Education and Science (MES) in compliance with the new tendencies in the sphere of academic recognition within the frame of the European ENIC network;

adoption of Rules and elaboration of the activity of the National Agency for Vocational Education and Training (NAVET);

improvement of the national legal base concerning recognition of educational degrees and qualifications.

Medium term priorities*General development of the sector*

The medium-term priorities in the sub-sector Mutual Recognition of Professional Qualifications shall be directed towards further optimisation of the national legal system related to mutual recognition of educational and professional qualifications; towards harmonization of activities of the existing national structures with European tendencies; and towards promotion of wider opportunities for practicing of a profession.

The national measures shall be complied with the final objectives provisioned by the European Commission in regard to involvement of the countries from Central and Eastern Europe in Community's initiatives on recognition of qualifications:

- establishing an information network serving the labour market and vocational guidance, incl. professional consulting;
- updating the equipment in that sphere;
- elaborating new educational and training programmes based on development of new professional standards;
- training of trainers – improving quality of trainers' skills and competencies;

life-long learning – promoting access to continuing acquisition of skills and competencies;
development of the system that assures transparency of qualifications.

Among the main directions for developing national higher education system shall be to increase its relevance to social and economic requirements. Following this objective, measures to be undertaken shall comprise also permanent updating of the system for academic recognition of qualification obtained.

Access to education

Promoting **distance** and **continuing education** directed towards development of new forms for acquiring educational and professional qualification.

Measures reducing social exclusion of disadvantaged people and protecting young people from premature school leaving.

Facilitating and promoting free movement of trainees – improving activities that regulate academic and professional recognition of qualifications. Active participation in Community Programmes “Leonardo da Vinci” and “Socrates” with sub-programmes “Comenius,” “Lingua” and “Erasmus” and joining new initiatives aimed at fostering co-operation between European vocational education and training institutions.

Quality of education

Due to dynamic processes in the period of transition to market economy and considering changes in the labour market, the medium-term steps, fostering quality of education, shall extend the objectives of the short-term priorities.

Particular attention shall be paid to maintenance of a uniform state requirements system for acquiring vocational education and higher education in degree courses as well as to permanent update of the List of Professions for VET and of the State Register of Specialties in higher education system.

An important precondition for improving the quality of VET shall be the participation of social partners in defining the contents and tasks of professional competencies.

Establishment of unified criteria for evaluating the stages of professional qualification.

As an additional measure it has been provisioned, the establishment of a system for transfer of credits in education and training, including recognition of periods of education completed, is provisioned.

Optimisation of the infrastructure of education – re-structuring of secondary- and higher-school networks and of their basic sections (faculties, branches etc.).

Effectiveness of education

Transparency and compatibility of qualifications

Development of the system for professional qualification certification

Maintenance of the State Register of degree courses in Higher Education System, which supports the activity for recognition of educational qualification.

VET shall correspond to the requirements of the labour market through promotion of new professions and elimination of others.

Promotion of border profiled professions aimed at fostering flexibility and adaptability of labour force.

Facilitation of the acquisition of key skills improving competitiveness and entrepreneurship of labour force.

Fulfilment of the VET policy by NAVET and MLSP which shall provide mobility, competitiveness and adaptability for the labour force engaging employers, social partners and other institutions interested in VET.

Participation of the Republic of Bulgaria in the European network for mutual recognition of diplomas and professional qualifications

The legal basis for introduction of criteria and procedures for recognition of documents, certifying education obtained, shall be provided by ratification of the Lisbon Convention. Within the context of free movement of people, mutual recognition of diplomas and professional qualifications shall be considered as a process that requires:

mutual recognition of diplomas and qualifications, including recognition of diplomas and qualifications of the regulated professions;

further implementation of the Lisbon Convention, including update of normative acts related to recognition of levels of education and educational qualifications;

active participation in Community programmes and projects in the field of education.

ARCHITECTS

Current situation

Within the above mentioned period a draft Ordinance on the Uniform National Requirements for acquiring higher education in degree course of "Architecture" in the professional department of "Architecture" has been prepared.

A Bill on Organization of the Territory has been elaborated by an inter-institutional group including specialists from the Ministry of Regional Development and Public Welfare (MRDPW), the Directorate for National Construction Control (DNCC), the National Construction Centre (NCC), the University for Architecture, Construction and Urban Development (UACUD), and professional associations from the construction sector. The Bill has passed first reading in the National Assembly (NA).

Short-term priorities

Establishing preconditions for effective practice of professions of architects and building-engineers.

Elaborating of the legal basis concerning activities on construction of territory.

Medium term priorities

A Bill on construction of territory (BCT) has been elaborated by the Ministry of Regional Development and Public Welfare. One of its main objectives is to establish the necessary preconditions for effective practice of the professions of architects and building-engineers. BCT provides special texts regulating legal capacity for persons, in accordance with their education and qualification obtained, whose activities concern building and territorial construction.

Further on, in addition to the diploma for higher education completed, the accomplishment of certain activities shall require a document, certifying acquired qualification in design. Terms and conditions for issuing this document (license) will be regulated by special law/laws on the activities of branch organisations of builders. This/these law/laws shall also regulate terms and conditions for registration of persons, exercising the independent technical control of building projects. The adoption of these acts is envisaged upon adoption of the BCT.

Establishing preconditions for effective practice of the professions of architects and building-engineers.

LAWYERS

Current situation

The Bar Act (promulgated in State Gazette, No 80/1991, as amended - SG, No, No 104/1996 and 59/1998) partially corresponds to Directive 77/249/EO in the area of observing the rules of professional conduct and control exercised on it during the pursuance of the lawyers activities as well as the prescriptions on representation of the clients in the court and the possibility to provide services in the country and wherever it is necessary. The Act does not contain provisions facilitating the effective exercise by lawyers from foreign countries of freedom to provide services like: rules of establishment in the host member state; rules for registration by the competent bodies in the host member state; rules regulating the incompatibility of the lawyers profession with other professions, etc. The reason is that the Bar Act contains an imperative provision providing that only Bulgarian citizens have the right to be registered and exercise the profession of a lawyer in the Republic of Bulgaria.

Directive 98/5/EC is based on the possibility under art. 49 (2) of the EU Treaty the provisions for free movement of persons to cover the provision of services to citizens of third countries. Such possibility, even if implemented on a bilateral basis with separate Member-States will contradict to the national legislation since the Bar Act does not provide any opportunity for persons – non-Bulgarian citizens and who have not passed successfully the legally stipulated term of practice to present their candidature for lawyers.

Regarding the above mentioned and in order to harmonize the Bar Act with the EU legislation, it is necessary the Ministry of Justice to take an initiative on preparing a Bill (individually or together with Supreme Lawyers Council, which has already elaborated a draft version) on the amendment and supplement to the above Act with the aim to remove the requirement of Bulgarian citizenship on exercise of the profession of a "lawyer " in the Republic of Bulgaria in the medium-term aspect.

Medium term priorities

The preparation for the introduction of new provisions into the legal system of Bulgaria will soon begin. They will ensure the compliance with EC law in relation to the mutual recognition of the lawyer professions. The provisions will be co-coordinated with the European Commission. They are only part of the range of issues on

the legal professions and part of the new policies in that field. In that relation, it is deemed necessary to develop a programme on the scope of juristic professions. It is to solve the issue of the different forms of professional qualification that are now valid in the regulated forms of practical qualification (judicial candidates), and for the possibilities of new forms of that qualification.

Harmonization of Bulgarian legislation with the *acquis* in the sphere of mutual recognition of the profession of a "lawyer".

MEDICAL AND PARAMEDICAL ACTIVITIES

Current situation

The Health Care Establishments Act was adopted and entered into force in July 1999 (promulgated in the State Gazette, No 62/09.07.1999) who regulates the organisation and the activity of health care establishments in the Republic of Bulgaria.

The new Act on the Veterinary Activity entered into force on the 22nd of April/1999. It regulates the right to practice the veterinary profession. It requires a diploma for a completed veterinary medicine education issued by an accredited educational institution either in the country or abroad. Foreign diplomas must be legally certified. Foreign nationals can exercise the veterinary profession provided they hold a diploma, issued by a country with which Bulgaria has an Agreed for mutual recognition of veterinary education.

The National Veterinary Service (NVS) together with the Union of Veterinary Doctors shall organize and manage all events meant to raise the qualification of veterinary doctors.

Short-term priorities

Enhancement of the organization and structure of the system for mutual recognition and exercising medical professions.

Adoption of secondary legislation under the provisions of the Health Insurance Act, the Act on vocational organizations of doctors and dentists and the Health Care Establishments Act. Development of a new organization and structure of the Public health system and appropriate rules on practicing of medical professions.

Development of the legislative basis regarding the mutual recognition and exercising of veterinary profession in compliance with the EC *acquis*.

Adoption of secondary legislation under the Act on the Veterinary Activity and appropriate rules on practicing of the veterinary professions

Medium term priorities

The activities carried out so far and the analysis of the branch directives on the medical professional qualifications lead to the following priorities in our further actions:

Further development of the structures and system for mutual recognition of diplomas and qualifications of medical specialists and their right to practice the profession in the Member-States and vice versa.

Establishment of a department at the Ministry of Health to co-ordinate the activities on the postgraduate training (specialization) of medical specialists.

Revision of the Ordinance on postgraduate training so that it complies with the changes to be made to the health care system- to its organization and structure. These changes will be introduced after the passing of the Act on medical treatment institutions (1999) and the entry into force of the Health Insurance Act.

Establishment of an information centre to supply information to interested persons about the legislative documents on health care, social security, professional ethics and other similar topics, so that the activities for legislative harmonization would be continued. It would be helpful to exchange experience with other countries and organizations on the creation of such centres, for example TAIEX and other competent institutions.

Once the comparison of all the directives on the medical education has been completed, the appropriate legislation will be drafted and adopted in co-operation with EU experts. They will set in the regulation for a mutual recognition of diplomas, certificates and other proofs of professional qualification of medical specialists. In that relation we think it would be extremely useful to be consulted by TAIEX experts.

Development of the structures and legislative system of mutual recognition of diplomas and qualifications of veterinary doctors and their right to practice their profession in the EU Member-States and vice versa.

According to the **Act on the veterinary activity**, it is necessary to do the following:

The National Medical Veterinary Council (NMVC) at the Ministry of Agriculture and Forestry (MAF) should co-ordinate the postgraduate training of veterinary doctors.

Drafting and adoption of an Ordinance on the postgraduate training of veterinary doctors, which responds to the harmonization of our legislation with that of the EC.

There is a need for an information centre to provide information to the interested persons. This is seen as a continuation of the harmonization of the legislation on the medical veterinary profession.

Once the comparison of all the directives on the medical veterinary qualification has been completed (78/1026, 78/1027, 78/1028), the appropriate legislation will be drafted and adopted in co-operation with EU experts. They will set in the regulation for a mutual recognition of diplomas, certificates and other proofs of professional qualification of medical specialists. In that relation we think it would be extremely useful to be consulted by TAIEX experts.

Preparation and establishment of institutions and drafting of legislative acts on the mutual recognition of diplomas and professional qualifications of doctors, pharmaceutical specialists, medical nurses and midwives - the recognition of their right to practice their profession in EU Member States. It is also related to the recognition of that right of doctors, dentists, pharmaceutical specialists, medical nurses and midwives from EU member countries in the Republic of Bulgaria.

Preparation and establishment of institutions and normative documents on the mutual recognition of diplomas and professional qualifications of veterinary doctors- the recognition of their right to practice their profession in EU Member States. It is also related to the recognition of that right of veterinary doctors from EU Member States in the Republic of Bulgaria.

ADMINISTRATIVE CAPACITY

Besides already established institutions a Human Resources Development Centre was established.

FINANCIAL NEEDS

The implementation of the short-term priorities, related to development of normative mechanisms for recognition of educational qualifications, require financial support of 7,6825 million EURO.

The implementation of the short-term priorities, related to the prerequisites for efficient practice of the architecture and building-engineering profession requires 0,035 million EURO.

Financial means provisioned to support the accomplishment of medium-term priorities amount to 0.8205 million EURO.

The medium term priorities in the sphere of access to education, quality of education and efficiency of education comprise 0,8205 million EURO.

Paramedical specialties require 2,13 million EUROS.

EXPECTED RESULTS

Expected results from the implementation of measures of the accomplishment of short-term priorities include:

Within the short-term period the legislative basis, regulating acquisition and certification of vocational education, shall be elaborated and improved. The participation of the Republic of Bulgaria in Community programmes for VET shall increase. National legal framework related to academic recognition of qualifications shall also be reinforced and refined. Attention shall be paid to the establishment and development of effective structures facilitating recognition of qualifications as well.

Developing and maintaining the system of uniform state requirements for acquiring higher education in specialties and the State Register of Specialties in the Higher Education System;

Improving evaluation and quality-assuring activities in the system of education;

Regulating the system for acquisition of academic degrees and titles and harmonizing the national legislation with European tendencies in that sphere;

Development of the structures for recognition of educational and professional qualifications in compliance with European legislative provisions.

Expected results from the implementation of measures for the accomplishment of medium-term priorities:

Enrichment of the forms for acquiring educational and professional qualification through fostering distance and life-long learning;

Optimisation of educational infrastructure;

Free movement of trainees (from one institution to another and from one programme to another);

Promoting possibilities for development of a system for transfer of credits, including recognition of periods of education;

Fostering compatibility and comparability of national higher education with that of EU Member States;

Improving the system for certification of professional qualifications;

Facilitating the inclusion of the Republic of Bulgaria into the European network for mutual recognition of diplomas and professional qualifications.

CIVIL RIGHTS

CURRENT SITUATION

Last year, the Civil Regulation Act (enforced as of 5 July, 1999) was adopted, which is related to Directive 93/109a and 94/80 in its part concerning the registers of the population. The Act regulates the entering in the registers of the Bulgarian citizens, as well as of foreign ones who have received a permit for continuous residence in the country. The entering in the register is made at the municipal office as per the permanent address of residence of the physical person.

The current national legislative basis in the sphere of civil rights is complied with the following EC acts:

Directives 90/364/EEC, 90/365/EEC, 93/96/EEC, 73/148/EEC, 68/360/EEC, 72/194/EEC and 64/221/EE, Regulation (EC) 1683/95, Regulation (EC) 2317/95, Regulation (EEC) 1612/68, Regulation (EEC) 2434/92, Regulation (EEC) 1251/70 and Decisions of the Council and the Committee 68/359/EEC, 93/569/EEC and 88/384/EEC.

With the Rules on the implementation of the Foreigners in the Republic of Bulgaria Act to be adopted in 2000, the effective legislation concerning the administrative provisions of the foreigners shall be harmonised with the EU standards.

SHORT-TERM PRIORITIES

Rules on the Implementation of the Foreigners in the Republic of Bulgaria Act have been drafted in accordance with the following EC acts: 90/364/EEC, 90/365/EEC, 73/148/EEC, 64/221/EEC, 64/221/EEC, Regulation (EC) 1683/95, Regulation (EC) 2317/95, Regulation (EEC) 1612/68, Regulation (EEC) 2434/92, Regulation (EEC) 1251/70, 68/360/EEC, 72/194/EEC, 68/359/EEC, 93/569/EEC, 88/384/EEC.

The draft Rules aim at enacting of the Foreigners in the Republic of Bulgaria Act. It will apply specific provisions in order to meet the requirements for the legal status of foreigners. The regulation is due to be adopted by the end of year 2000.

Concrete measures have been undertaken for harmonizing the current Bulgarian legislation with the acquis: a Bill for amendment and supplement of the Foreigners in the R. Bulgaria Act regulating the right of residence of members of family of citizens of EU Member States with the aim of employment; education; employed and self-employed terminated their activity and persons desiring to reside with the aim to perform activities as self-employed or to provide services as well as residing on other terms and conditions. Regarding the above mentioned a new p. 14 to art. 24 (1) is envisaged regulating the right of the above mentioned foreigners to be granted a permit for continuous residence in the Republic of Bulgaria for the same period as the corresponding category of EU citizens when it is envisaged under bilateral or multilateral agreements. At this stage until the accession of the Republic of Bulgaria to the EU it will be implemented under multilateral and bilateral agreements the R. Bulgaria is a party to. A supplement to art. 25 is envisaged as well envisaging the right of permanent residing foreigners under art. 25 (1), 2 and their families. The amendments and supplements are scheduled for adoption under the Bill on amendment and supplement to the Act on Unemployment and Employment Promotion in 2000.

MEDIUM -TERM PRIORITIES

Regarding the harmonisation of the national legislation in the Civil rights sub sector amendments to the Political Parties Act and the Local Election Act on the application of Directives 93/109 and 94/80 are necessitated related to the requirement of Bulgarian citizenship in order to the right of voting for local authorities. Amendments in the Local Election Act are required in Chapter "Voting", art. 79 (1) – regarding identity identification.

The above mentioned amendments are envisaged to be adopted in medium term – to the date of accession because the R Bulgaria could not apply in practice the provisions of Directives 93/109 and 94/80 before the accession date.

ADMINISTRATIVE CAPACITY

Development of the structures for administrative, border and visa control with respect to the entry, residence and leave of the country, as well as improvement of co-ordination between all authorized law-enforcement bodies.

It is deemed necessary to legally enlarge the powers of the law-enactment bodies at the ministries and local government authorities, directly involved in the application of the laws and by-laws that govern the rights of residence and employment.

FINANCIAL NEEDS

The entry into force of the Act on the Bulgarian Identification Documents stipulated the necessary funding. It is needed for printing the Bulgarian identification documents for Bulgarian citizens and foreigners with long-term residence. The funds amount to 40.5 mill. EURO. This sum has been used and new negotiations are being taking place for providing additional funds.

Concrete measures have been undertaken for decreasing the time of wholesome introduction of the new Bulgarian identification documents for Bulgarian citizens and foreigners residing in the R Bulgaria, which meet all criteria of EU Member States and other leading countries.

EXPECTED RESULTS

Expected results from the implementation of measures for the accomplishment of short-term priority objectives:

To guarantee the right of EU citizens and members of their families of entry, residence and leaving the territory of the R Bulgaria.

Expected results from the implementation of measures for the accomplishment of medium-term priority objectives:

The guaranty of all rights of EU citizens and members of their families will be provided upon the accession of the R Bulgaria to the EU on the basis of harmonizing the national legislation with the EC acquis.

The international legal protection of citizens' right adopted by the EU related to the right of voting for European Parliament (Directives 93/109 и 94/80), and the strict observation of the provisions for public order in the country (Directive 64/221/EEC).

FREEDOM OF MOVEMENT OF WORKERS

CURRENT SITUATION

The Europe Agreement between the European Communities and their Member States and the Republic of Bulgaria underlines the necessity for ensuring the approximation of Bulgarian legislation to EU acquis, whereof special attention should be devoted to the status of legally employed foreign workers – nationals of the Member States, the right of residence, as well as the creation of favourable conditions for foreign investments.

The national legal and regulatory framework in the field of free movement of workers in force in the country complies with the following EU acts: Regulation (EC) No 1683/95, Regulation (EC) No 2317/95, Regulation (EEC) No 1612/68, Regulation (EEC) No 2434/92, Regulation (EEC) No 1251/70, Council (EEC) Decisions No 68/359, 93/569 and 88/384.

The legal basis concerning the free movement of workers is pursuant to the basic requirements referred to in Regulation (EC) No 1612/68 and regulates the following:

Prevention of discrimination on the grounds of race, nationality, ethnicity, origin, gender, age, religious beliefs, political affiliation, membership in trade union organizations and movements, social status, property status or state of health;

Equal treatment of workers who are non-nationals of Bulgaria concerning working conditions, remuneration and dismissal;

Provision for labour and social security relations of workers who are non-nationals and are hired by local employers in accordance with the Bulgarian labour and social security legislation;

Tripartite cooperation in the implementation of the national labour market policy;

Provision is also made for:

on the right of nationals of the Republic of Bulgaria to work in another state by virtue of an intergovernmental agreement and in compliance with the Bulgarian legislation on the grounds of a contract concluded with a Bulgarian employer entitled to conducting activities involving Bulgarian workers within the territory of another state, or a contract with a foreign employer through the intermediary of the National Employment Agency or another Bulgarian natural or legal person;

The terms and procedures for conducting mediation activities related to information and employment of Bulgarian nationals abroad;

The specific functions of the state institutions labour market;

INTERNATIONAL AGREEMENTS SIGNED

An agreement between the Federal Labour Bureau of the Federal Republic of Germany and the National Employment Agency of the Republic of Bulgaria on providing mediation services to Bulgarian workers to take up fixed-term employment in hotels and restaurants in the Federal Republic of Germany /signed on 15.09.1999/;

The procedures from the national legislation of Bulgaria and Greece, connected with the implementation of an intergovernmental Agreement for seasonal employment are about to be put into action – the opinion of the Greek party is expected regarding the proposals of the Bulgarian party on amending art. 11 of the Annex 1 and annex 2 to the Agreement reflected in the Minutes of the last meeting of the Bulgarian-Greek joint commission on economic cooperation (February 1999);

An intergovernmental agreement with the Check Republic on the mutual employment of labour force /signed on 06.12.1999/. Its authorization is being expected.

SHORT-TERM PRIORITIES

Constant analysis of the extent to which the national legislation complies with EU legislation in the field of free movement of workers.

Updating the information data base concerning the achievements of EC law;

Regular examination of the tasks accomplished concerning the adoption of EC acquis.

Elaboration of a specific time schedule for the implementation of the adopted national priorities in the field of free movement of workers.

A draft amendment of the Act on Protection against Unemployment and Employment Promotion;

A draft Ordinance on Work Permits for Non-nationals in the Republic of Bulgaria;

Considering the possibilities for the conclusion of bilateral agreements on the exchange of labour force between EU Member States and the Republic of Bulgaria;

Considering the possibilities and establishing a mechanism for cooperation between NEA (the National Employment Agency of Bulgaria), the Employment Services of the Member States and the European Commission in the field of employment;

Discussion of the measures for carrying out the national priorities together with the social partners;

Establishing a structure within NEA to conduct activities related to the adoption and application of EC acquis and to organize the training of the relevant staff.

MEDIUM-TERM PRIORITIES

Further harmonization of the legislation

Enhancement of the legislative basis regulating the usage of mediation services of EU citizens provided by the NEA as well as their insurance in case of unemployment in the R Bulgaria and of Bulgarian citizens in EU Member States.

Drafting of legislative acts establishing a system for registration in the labour offices and insurance in case of unemployment of EU migrant-workers and members of their families as per the provisions of Regulation 1612/68 and 1408/71.

Establishment of procedure for the application of the unemployment insurance system between the R. Bulgaria and EU Member States.

Drafting of legislative acts (related to the stepwise accession to the EURES) for establishing a system for mediation services to the labour offices for EU Member States' migrant-workers and their families under the provisions of Regulation 1612/68.

Strengthening of the institutional and administrative structures to adopt and apply the EC acquis.

Establishing administrative bodies within NEA, at a central and regional level and staff training to conduct the above activities (registration in labour offices and insurance in case of unemployment);

Establishing administrative bodies at a central and regional level and staff training aimed towards mediation activities in employment of EU migrant-workers and their families in the R Bulgaria as well as of Bulgarian migrant workers and their families in the EU (regarding the stepwise accession of NEA to EURES);

Reforming the information system of the domestic labour market so as to maintain EU standards;

Development of the established and building of specialized administrative structures for adopting the EC acquis in the sphere of employment and unemployment research;

Approximation of the information system on the labour market and its maintenance in accordance with the EU standards.

Development of the co-operation with the EU Member Countries and the European Commission in the field of employment.

Creation and gradual implementation of the mechanism and procedures for cooperation between NEA (the national Employment Agency of Bulgaria), PES of the Member States and the European Commission in the field of employment;

Co-operation with the Commission aimed to receive expert assistance on their part;

Enhancing the co-operation with the PES of Member States regarding the development of joint projects, programmes, employment contracts in certain branches, regions.

ADMINISTRATIVE CAPACITY

The leading institutions in the field of *Free movement of workers* are **MLSP** (Ministry of Labour and Social Policy) and **NEA** (National Employment Agency).

In view of the preparation for the accession to the EU the creation of specialized structures and education of the staff to adopt and apply EU legislation in that field is envisaged. Close contacts and continuous information exchange are required in order to develop co-operation with the employment structures in EU Member States.

FINANCIAL NEEDS

Financial needs are connected with the following activities aimed at EU accession as well as stabilisation of the domestic labour market:

Unification of information data base;

Development of administrative structures and staff training;

Accession of NEA to EURES

Logistic support for the activities;

Development of co-operation with EU Member States and the European Commission.

Restructuring of labour force, incl. training and retraining;

Social protection mechanisms;

Interaction with other labour markets

The amount of funds needed for the seven-year period 2000 – 2006 is equal to 14.398 mil. EURO, of which 0.073 mill. EURO are allocated for short-term priorities.

EXPECTED RESULTS

Expected outcomes from the implementation of the measures the accomplishment of short-term priority objectives:

introduction of legal provisions to ensure liberalized access of foreigners to labour market, by virtue of international agreements;

new structures and staff training;

setting a mechanism for cooperation between NEA (the national Employment Agency of Bulgaria), PES of the Member States and the European Commission in the field of employment;

social dialogue on the adoption and application of EU legislation in the *Free movement of workers* sub sector;

creation of prerequisites for the implementation of Medium term priorities;

Expected outcomes from the implementation of the measures for the accomplishment of mid-term priority objectives:

Development of a legal framework to apply the *acquis communautaire* in the *Free movement of workers* sub sector;

Strengthening and development of institutional and administrative structures, capable of implementing EU legislation in the *Free movement of workers* sub sector

Preparation for the accession of NES to the European employment services, EURES;

Enlargement of bilateral intergovernmental agreements for labour market co-operation and exchange of labour force with Member States, and their transformation into multilateral ones.

CO-ORDINATION OF SOCIAL SECURITY SCHEMES

CURRENT SITUATION

Different public and social security institutions are involved in the preparation of implementing the EU legislation on the coordination of social security schemes such as the Ministry of Labour and Social Policy, Ministry of Health, National Social Security Institute, National Employment Service, National Health Security Institute, Ministry of Finance, Bulgarian National Bank, Ministry of Justice, Rehabilitation and Social Integration Fund, National Social Security Service and the established under the Act on Voluntary Supplementary Pension Insurance (SG, 65/20.07.1999) State Agency for Insurance Supervision with the Council of Ministers. An ad-hoc working group on coordination of social security schemes has been established with the objective to develop the position of R Bulgaria on the Draft decision of the Association Council concerning the spreading of Regulation 1408/71 provisions on Bulgaria. The group includes representatives of the social partners (KNSB – the Confederation of the Independent Trade Unions in Bulgaria, the Bulgarian Industrial Chamber, the Union for economic initiatives of citizens, Labour Confederation “Podkrepa”).

Legislation

All necessary measures have been undertaken to amend the existing legislative basis in order to harmonize the Bulgarian legislation with the *acquis* and to prepare it for the coordination of social security schemes.

The Compulsory Social Security Code entered into force on 01.01.2000 (promulgated SG 110/17.12.1999). It regulates the state social security for the following risks: general disease, accidents at work, occupational disease, maternity, old age and death as well as supplementary compulsory pension insurance. The Compulsory Social Security Code does not cover the issues related to health insurance, unemployment insurance and family assistance, which are regulated by other Acts. The Code is divided into two parts: the first one regulates the state social security and the second one regulates the supplementary compulsory insurance.

The first part codifies the issues regarding the short term and pension insurance. It also determines the scope of the insured persons. The Compulsory Social Security Code covers all economically active persons. It stipulates collections of contributions from all insured persons.

The issues of the financial structure of the social security are settled down. It is envisaged an establishment of means in separate social funds: “Pensions”, “Accidents at work and occupational disease”, “General disease and maternity”. Their budgets as well as the budget of the National Social Security Institute are adopted by the National Assembly with an Act on the budget of social security.

The provisions of the Compulsory Social Security Code entirely reform the first pillar of the pension schemes in Bulgaria. More strict and transparent rules have been introduced for receiving of pensions for insurance period and age, invalidity pensions, survivor’s pensions and pensions, not related to employment raising.

There have been incorporated a point system for entitlement to a pension, lifting of the retirement age and convergence of the requirements for pension entitlement for women and men.

The second part of the Compulsory Social Security Code regulates – the supplementary compulsory pension insurance; establishment, management and termination of pension funds; state security control over the activities of the supplementary compulsory pension insurance; ensuring the interests of the insured persons. The purpose is to provide an income by giving an additional opportunity for early retirement of employees on the terms and conditions of first and second labour category.

Supplementary Compulsory Pension Insurance is based on the defined in the CSSC principles – funded pension schemes on the basis of defined contributions.

Because of the compulsory nature of the insurance process, the principles of reducing the tax burden of insurance contributions and the incomes resulting from their investment and of the pensions received are implemented.

The rights of the insured persons are regulated as well as the right of entitlement to a personal pension for old age and pension for early retirement.

With regard to a higher level of security of the participants in the compulsory pension insurance, the pension insurance companies are required to deposit bank reserves.

The following secondary legislation has been adopted: ORDINANCE on remuneration elements and incomes on which insurance contributions are made and calculation of cash benefits for temporary incapacity at work or pregnancy and childbirth;

ORDINANCE on establishment, investigation, registration and report of accidents at work;

INSTRUCTION No 1 of the National Social Security Institute on collecting data from the insurance agents about the insured persons in their agencies and from self-insured persons.

The new legislation is established in compliance with the provisions of Regulation No1408/71EEC and the Bulgarian preparation for full membership to EU.

The Bill on the Family Benefits and Children Allowances passed first reading in the National Assembly.

Equality of treatment and non-discrimination

In compliance with the current legislation foreign citizens working on employment relationship or self-employed on the territory of the Republic of Bulgaria, have equal rights and obligations with the Bulgarian citizens working under employment relationship or self-employed on its territory.

Bulgarian and foreign citizens (except for a foreign citizen who is posted to Bulgaria and who continues to be subject to the legislation of the sending state), working in Bulgaria, are insured by payment of social security contributions, being determined as a percentage of their income. The percentage is equal (for Bulgarian as well as for foreign citizens) and therefore it is in line with the principle for equality of treatment under Art. 3 of Regulation No1408/71/EEC.

Branches of social security

The branches of social security in Bulgaria are in conformity with the branches of the public social security, as stipulated in Art. 4 (1) of Regulation No 1408/71/EEC.

The Compulsory Social Security Code regulates the state social security in cases of general sickness, industrial injury, occupational disease, maternity, old age and death, as well as the supplementary compulsory pension insurance.

Health insurance is being regulated by the Health Insurance Act.

Insurance in case of unemployment is provided under the Act on Protection against Unemployment and Employment Promotion.

The Act on Family Benefits and Children Allowances (adopted by the National Assembly at first reading) settles the procedures for being entitled to family benefits and children allowances.

Contributory and non-contributory pensions

Contributory pensions are: pensions for periods of insurance and age, invalidity pensions (for general disease, accidents at work or an occupational disease) and survivor's pensions.

Non-contributory pensions are: military invalidity pensions, civil invalidity pensions, social old-age pensions, invalidity social pensions, pensions for exceptional merits, personal pensions.

Voluntary insurance

The admission to supplementary voluntary pension insurance is regulated by Art. 5, (1) of the Supplementary Voluntary Pension Insurance Act. There are no existing legal obstacles for foreign citizens to be insured on voluntary terms making use of the same rights as Bulgarian citizens. That is in compliance with Directive 398L0049 of EU.

Foreign citizens are also entitled to voluntary health insurance under the Health Insurance Act.

According to the Bill on the Amendment and Supplement of the Employment Protection and Unemployment Promotion Act all foreign citizens legally residing in the Republic of Bulgaria, stateless persons and refugees shall be admitted to voluntary insurance against unemployment.

Determination of the applicable legislation in respect to Title II of Regulation 1408/71

The Bulgarian social security legislation is based on the *lex loci laboris* principle. Special rules are applied for the same categories of persons, but they correspond to the provisions of international law and to the provisions of Title II of the Regulation.

Medical care

Under the amendment of the Public Health Act since 9 July 1999 foreign nationals and stateless persons, who have been granted permanent residence in the Republic of Bulgaria, shall be entitled to medical care on equal grounds with the Bulgarian citizens.

First aid service shall be rendered to all persons regardless of their citizenship. The first aid service is free of charge in accordance with article 3a of the Public Health Act.

The compulsory insured shall have the right to partial or full refund of the expenses incurred on health care services provided abroad on the provisions of the Health Insurance Act.

Revalorisation of pensions

Revalorisation of pensions is done annually by a Decision of the Supervisory Body of the National Social Security Institute in accordance with the increase of the insurance income during the preceding calendar year for the country and the index of the customer prices.

Prevention of overlapping of benefits

The Bulgarian legislation includes provisions preventing overlapping of benefits.

Recalculation of pensions

Persons who are awarded pensions for period of insurance and old - age or for invalidity due to general disease, an accident at work or an occupational disease can request recalculation of the pension awarded for a period of insurance after retirement.

Title VI of the EU Regulation No 1408/71

Claims, declarations or appeals. Citizens shall have the right to forward claims, proposals and petitions to the state. The social management authorities are obliged to consider and settle the proposals, signals, complaints and claims in the legally stipulated time period, fair and in accordance with the legislation.

Consideration of claims by the Bulgarian Courts. Courts are obliged to consider and solve each claim for protection and support of personal and property rights. If persons who do not speak Bulgarian language are parties to the suit, the Court shall appoint an interpreter to assist these persons during the court procedure and to explain it to them.

Right of information. Citizens have the right to obtain information from the state bodies and agencies on any matter of legitimate interest to them which is not a state or official secret and does not affect the rights of other people.

Protection of personal data and provision of data for an insured person in relation to the co-operation between. **THE BILL ON PROTECTION OF PERSONAL DATA IS BEING DRAFTED.**

international agreements Concluded

An agreement on social security between the Republic of Bulgaria and the Czech Republic. Bulgarian party ratified by a law the agreement and it entered into force on 01.012000.

SHORT-TERM PRIORITIES

Further harmonization of the legislation

Development of the legislation, regulating the compulsory pension insurance by adoption of secondary legislation;

Development of the legislation, regulating the voluntary insurance (pension, health and unemployment) by adoption of secondary legislation and financial provision for the activities of the State Agency for Security Control;

Development of the national legislation on co-ordination of social security schemes regarding the Draft decision of the Association Council on spreading the provisions of Regulation 1408/71 on Bulgaria;

Adoption of secondary legislative acts.

MEDIUM-TERM PRIORITIESContinuous training of personnel working in the field of international co-operation and co-ordination on social security systems

Establishment of opportunities for continuous training of personnel working in the field of international co-operation and co-ordination on social security systems.

The purposes of this training are as follows:

To teach the newly adopted EU Regulations amending Regulation No1480/71 and Regulation No 574/72 as well as the newly adopted Directives and Decisions of the Administrative Commission of EU on social security of migrant workers concerning the amendment of the application forms required for the implementation of Regulation No 1408/71 and Regulation No 574/72;

To introduce to the trainees the new juridical decisions related to the free movement of persons;

To develop personal skills of the trainees by providing language courses designed to strengthen their knowledge in the field of legal terminology of the EU official languages and by other appropriate forms of training;

Establishment and development of communication relations at national and international level and improvement of the administrative service of the citizens by new (modern) approach of the social security institutions to the policy towards the clients (insured persons).

The most appropriate instruments for the achievement of this goal are information campaigns, educational materials and brochures, and simplification of the procedures for granting allowances, pensions, etc.

Preparation of the competent institutions at the regional and local level for implementing the co-ordination of social security schemes.

ADMINISTRATIVE CAPACITY

Leading ministries in the sphere of social security and health care are:

The Ministry of Labour and Social Policy designs, co-ordinates and implements the state policy concerning:

- state social security under the following risk situations: general disease, accident at work, occupational disease, maternity, old age and death as well as the supplementary compulsory pension insurance;
- unemployment insurance, employment promotion of unemployed and vocational training of employed and unemployed and guaranteeing the protection of the national labour market;

The Ministry of Health is a specialised institution for implementation of the State policy in the sphere of health care, which directly or through its bodies conducts, co-ordinates and controls the activities on protection and rehabilitation of the health of the population.

Competent authorities

The Minister of Labour and Social Policy as a central sole body of the executive power takes part in the development, organisation, co-ordination and control over the implementation of the state policy for full membership of the Republic of Bulgaria in the European Union; analyses, assesses and prognosticates the level of the social security and social services; controls the preparation, conclusion and implementation of the international agreements of the Ministry of Labour and Social Policy in the sphere of the labour market, social policy and social security; takes part in the control over the activities of the insurance funds for compulsory and voluntary social security.

The Minister of Health as a central sole body of the executive power conducts the state policy in the sphere of health care, co-ordinates the activities of the Ministry of Health with the National Health Insurance Fund; takes part in the preparation and conclusion of international bilateral and multilateral agreements in the sphere of health care and co-ordinates the activities over their implementation; gives opinion on the harmonisation of the legislation of the Republic of Bulgaria in the sphere of health care with the international acts; carries out specialized supervision over the compulsory and voluntary health insurance.

Competent Institutions*The National Social Security Institute*

The National Social Security Institute reports its activities to the National Assembly and manages the state social security.

The National Social Security Institute:

Brings into effect the budget of the state social security;
 Collects the social security contributions as well as dues to the public social security;
 Collects the social security contributions for health insurance, Vocational Training and Unemployment Fund and supplementary compulsory pension insurance;
 Exercise control over the observance of social security legislation;
 Organises the activities on establishing administrative breaches and administrative penalties;
 Carries out payment of pensions and organises the activities related to other social security payments;
 Collects information and maintains the information schemes of the insured persons, insurers and self-insured persons;
 Takes part in the preparation and implementation of international agreements in the sphere of state social security;

The National Health Insurance Fund

The National Health Insurance Fund is a system for social health protection of the population guaranteeing a package of health services. It conducts the compulsory health insurance.

The National Health Insurance Fund consists of a Central Department and Regional Health Insurance Funds, which have their structures at the municipalities.

The National Employment Service

The National Employment Service manages the Vocational Training and Unemployment Fund, implements the policy on employment promotion, organises vocational training and protection at unemployment and performs job placement mediation and information services.

The National Employment Service consists of a Central Department, specialised structures and territorial sub-branches (regional employment services and labour offices).

The State Agency for Security Control with the Council of Ministers

The State Agency for Security Control performs licensing and supervision on the activity of the security (insurance) companies operating in the sphere of the additional voluntary insurance including pension, health and unemployment insurance.

A Council for the supplementary social insurance (CSSI) is established with the Agency headed by the Minister of Labour and Social Policy and members: the Minister of Health, Minister of Justice, Minister of Interior, Minister of Finance, the President of the Commission on Securities and Fund Stock houses and the President of the Agency for Security Control. A representative of the Association of the Supplementary Voluntary Pension Insurance Companies participates in the work of the Council with a deliberative vote. CSSI makes decisions on:

- Giving and waving licenses for supplementary social insurance in two-month period since the date of entering the proposal of the Agency;
- Issuing permissions for joining, mixing, separation and division of supplementary social insurance companies;
- Opening a procedure for insolvency of a supplementary social insurance company;
- Approval of the list of the depository banks in co-ordination with the Bulgarian National Bank.

Insurance funds

The means of the public insurance fund are set up as follows:

- Fund Pension Fund
- Accident at Work and Occupational Disease Fund
- General Disease and Maternity

The means of the Pension Fund are used for the following purposes: payments of pensions and allowances; updating, revalorisation and compensation of the pensions; other expenses related to the pension insurance.

The means of the Accident at Work and Occupational Disease Fund are used for the following purposes: payment of cash benefits and allowances; updating, revalorisation and compensation of the cash benefits, pensions and allowances prevention of the accidents at work and the professional disease; subsidiary technical means related to the injury; other expenses related to accident at work and occupational disease insurance.

The means of the General Disease and Maternity Fund are used for the following purposes: Payment of cash benefits and allowances; Updating, revalorisation and compensation of the cash benefits and allowances;

Financing of activities on decreasing the general diseases; Provision with subsidiary technical means; Other expanses related to the general disease and maternity;

Payment of unemployment benefits and allowances is done by the means of Vocational Training and Unemployment Fund.

The National Health Insurance Fund covers the expenses for the following medical services of the insured persons:

- prophylactic medical and dental activities;
- medical and dental activities for early revealing of disease;
- out-of-hospital and hospital medical assistance for diagnosis and disease treatment;
- medical rehabilitation;
- emergency health care;
- health care in cases of pregnancy, birth and maternity;
- abortions under medical prescription and in the event of pregnancy resulting from raping;
- medical treatment abroad in cases determined by the law;
- medical care intended for home treatment;
- remedies and consumptives for home treatment;
- medical expertise of work ability;
- transport services after medical indication;

The means of Rehabilitation and Social Integration Fund with the Council of Ministers are used for financing projects and programmes for prophylactics, rehabilitation, social integration and payment of social benefits to disabled persons.

ADMINISTRATIVE AND JUDICIAL CAPACITY

Syllabus designed to increase the professional skills of the lawyers in the sphere of the social security has been launched at the Law Department of "St Clement Ochridski" University in Sofia. New academic course in European social law started from the summer semester of 1999/2000 academic year. It is designed for students in their fifth year, first of whom are expected to graduate by 01.01.2000. An obligatory course in EU law is included in the academic program of all students. It has duration of 75 classes.

Information about European Agreement master's program in European integration gave the students an opportunity to study at the Centre for European Studies. Civil servants working in the sphere of social security for the competent ministries and institutions are also trained under this programme. If the financial support under Phare Programme drops out, this may lead to decrease of the applicants to the programme.

The Centre for Training of Magistrates has been established with task to improve the professional skills of the magistrates by providing their training, supplying and distributing information in the sphere of international, European and comparative law as well as law publications and other activities related to the enhancement of the professional skills.

FINANCIAL NEEDS

The financial needs for the implementation of the co-ordination of social security schemes are as follows:

It is envisaged that the state budget will provide 0.315 millions EURO for the implementation of the short-term priorities.

0.65 million EURO will be provided under Phare program for the implementation of the Medium term priorities. According to the information submitted in the tables, 0.42 million EURO will be provided by other sources, including the state budget.

EXPECTED RESULTS

The expected results from the implementation of the measures on the fulfilment of the short-term priorities are as follows:

Establishment of a legislative frame for implementation of *acquis* in co-ordination of social security schemes sub-sector;

Establishment of a mechanism for implementation of the EU regulation on social security co-ordination (Regulation 1408/71, Regulation 547/72, Directive 98/49/EC, etc.). The mechanism should include the competent ministries and institutions;

The expected results from the implementation of the measures on the achievement of the mid term priorities are as follows:

Deeper knowledge of acquis in co-ordination of social security schemes sub-sector (legislation and court practice);
Strengthening of the administrative and juridical capacity;
Increasing the experience in the implementation of the EU regulations on social security co-ordination;

3. FREEDOM TO PROVIDE SERVICES**INSURANCE****CURRENT SITUATION**

The legal framework in the field of insurance includes, together with the Law on Insurance, also Regulations for the Activity of the National Council on Insurance; Regulations for the Organization and Operation of the Insurance Supervision Directorate; Ordinance on the Manner for Establishing the Own Funds, the Solvency Limit and the Manner for its Calculation by the Insurer; Ordinance on the Procedure and Methods for Formation of Insurance Reserves; Ordinance on the Mandatory Insurance; Ordinance on the Terms and Procedure for Spending the Funds in the Temporary Guarantee Fund; Regulations for the Organization and Operation of the Guarantee Fund; Ordinance on Insurance Broker and Insurance Agent; Tariff of the Fees Collected by the Insurance Supervision Directorate.

The freedom of establishment for direct insurers, set up by Directives 73/239/EEC and 79/267/EEC, find their adequate expression in:

The opportunity foreign persons to establish commercial branch in Bulgaria and, via it, to effect insurance activity on the territory of the country, answering the same legal requirements valid for the local insurers as well, while via para.4, it. 2 of the Law on the Amendment and Supplement of the Insurance Law the restrictions in respect of a branch-manager of a foreign insurer relevant to his permanent residence on the territory of Republic of Bulgaria are repealed.

The legal opportunity foreign natural and legal persons to acquire shares of an Insurance Shareholding Company registered in Bulgaria while applying the same regime, valid for the local persons, too.

The administrative structure for the implementation of the Law on Insurance is two-tier, including the National Council on Insurance and the Insurance Supervision Directorate.

The National Council on Insurance is a collective body with the Council of Ministers. The National Insurance Council is entitled to:

Grant and revoke a license to conduct insurance business within two months following the filing of a proposal by the Insurance Supervision Directorate;

Authorise a merger (a purchase or a pooling of interests), a separation, and a split of insurers.

The second tier of administration of the insurance market in the Insurance Supervision Directorate. It is constituted as an independent legal person with headquarters in Sofia. It exercises control over the activity of insurers in conformity with the law and shall:

within two months following the receipt of all requisite documents shall present to the National Insurance Council a proposal concerning: the legality of granting and revoking a license to conduct insurance business; the merger, separation and split of insurers;

grant and revoke licenses to conduct insurance intermediary activities;

authorise the transfer of insurance portfolio between insurers;

authorise the consolidation of insurers;

authorise sale of an insurance company in liquidation;

Gives authorisations of a natural or a legal person, on its own or through related persons, shall be entitled to own more than five (5) percent of an insurance company's and/or an insurance holding company's shares;

determine the types and subtypes of insurance policies, with the exception of those in the Annex hereunder, and shall grant an additional license for each new class and/or subclass of insurance;

oblige an underwriter offering compulsory insurance to conclude a contract of compulsory insurance with a person to whom he has refused the conclusion of such contract;

determine the minimum tariff rates on the compulsory insurance classes - "Civil (third party) liability" - of owners, users, keepers and drivers of motor vehicles and "Accident" - of passengers in public transport;

recommend measures for recovering an insurer's financial state;

oblige an insurer to increase his capital;

determine the proportion of fixed assets and the cash resources in the capital for the purposes of guaranteeing payments under insurance contracts;

supervise the overall activity of insurers, including voluntary conclusion of insurance;

instruct insurers how to redress any violations of this Act, of the subordinate legislative instruments regulating its enforcement, and of the general conditions of insurance;

make decisions on other matters relating to the exertion of surveillance over insurers' activities;

approve the annual reinsurance plans of insurers and control the insurance treaties contracted, as well as their implementation;

authorise the establishment of a subsidiary of a Bulgarian insurer abroad;

All separate administrative acts of the Insurance Supervision Directorate shall be subject to appeal, as far as their lawfulness is concerned, to the Supreme Administrative Court pursuant to the Administrative Procedure Law, whereas the appeal shall not cease the enforcement thereof. Decisions taken by determination of the minimum tariff rates on the compulsory insurance classes - "Civil (third party) liability" - of owners, users, keepers and drivers of motor vehicles shall not be subject to appeal.

Complying the Short-term priorities in September 1999 the Law on Amendment and Supplement of the Insurance Law (promulgated State Gazette No.88/1999) was passed and came into force. At the basis of this Act also underlie the requirements of the Directive 76/580/EEC concerning the co-ordination of laws, regulations and administrative requirements in respect of establishment of insurance business except life assurance.

The principle of national treatment and non-discrimination applies not only in respect of freedom of establishment but also in respect of free providing of insurance services directly as well as via an intermediary.

The text of para.23 up to para.30 of the Law on Amendment and Supplement of the Insurance Law transform in the national legislation the requirements of the Directive 77/92/EEC in respect of the insurance broker and insurance agent. In connection with the legal texts passed till the end of 1999 a Regulation on the Insurance Broker and Insurance Agent is to be adopted and enforced.

Via the amendments on Art. 82 effected by para.53 of the Law on Amendment and Supplement of the Insurance Law a prerequisite is created for implementation in the national law of the requirements of Directives 84/5/EEC and 90/618/EEC, and Resolutions of the European Council 86/218/EEC, 86/219/EEC, 86/220/EEC, 88/367/EEC, 88/368/EEC, 91/323/EEC, 93/43/EEC and 97/828/EEC in respect of the international contracts on the TPL insurance of owners, holders and drivers of motor vehicles. This prerequisite shall be implemented via establishment of National Bureau of the Bulgarian Motor Insurers, acknowledged by the National Council on Insurance, which shall be representative before the international insurance organizations for the activities on the international insurance of TPL and in which draft Articles of Association the requirements of the above Directives and Resolutions are transposed.

The Regulation on the Obligatory Insurance was amended. These amendments transform in the national legislation the requirements of the Directive 84/5/EEC on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles.

The draft on the amendment of the National Accountancy standard – 14 is to be considered. It shall totally implement, as a national legal regulation, the principles of Directive 91/674/EEC concerning the annual Profit and Loss Accounts and the Consolidated Profit and Loss Accounts of the insurance undertakings.

SHORT-TERM PRIORITIES

Ensuring the stability in the field of insurance through exercising efficient supervision on insurance enterprises

Further harmonizing of the acting statutory regulations with the Directives of the EU in the field of insurance. More specifically, that concerns the introduction of the second and third generation directives into the Bulgarian legislation.

MEDIUM-TERM PRIORITIES

Amendments to the acting legislation with a view of harmonizing it with EU directives in the field of insurance

The process of harmonization of the Bulgarian legislation with that of the EU member countries in the fields of insurance shall proceed. It will depend on the further development of the insurance sector. It is provided the national law in the fields of insurance to be also harmonized with the requirements of the Directives of EU, as follows: **90/619/EEC, 91/370/EEC and 91/371/EEC**. For that purpose there shall be worked out:

- New Law on the Insurance Companies;
- New Law on the Obligatory Insurance;
- New Law on the Insurance Contracts.

ADMINISTRATIVE CAPACITY

The Insurance Supervision Directorate is managed by a director directly appointed by the Prime Minister of the Republic of Bulgaria at the suggestion of the National Council on Insurance. The administrative and operative staff of the Directorate is to reach 42 people. In order to raise the staff's qualifications, they need to pass training in supervision institutions in EU Member States.

In accordance with the Regulations for the Organization and Operation of the Insurance Supervision Directorate a Consultative Council was set up, including the director, the department heads and the part-time collaborators.

Technical assistance in the sphere of the supervising activities in insurance provided by foreign consultants from Member States of the Community will contribute to improving the administrative capacity of the Directorate. The extension of the administrative powers and functions of the Insurance Supervision Directorate, emerging from the introduction of the amendments to the Law on Insurance, will necessitate raising the administrative capacity.

FINANCIAL NEEDS

The Insurance Supervision Directorate is a legal person with the Ministry of Finance. It is financed by fees for issuance of permits, annual fees for maintenance of the permits, fees for changes in the issued permits, fines and property sanctions.

The financial resources necessary for achieving the short- and Medium term priorities will be provided through co-financing partly by the Directorate's budget for administrative expenses and partly through the PHARE Programme and other international donors. The providing of additional financial resource in the form of technical assistance is crucial for the efficient functioning of the Insurance Supervision Directorate.

EXPECTED RESULTS FROM THE APPLICATION OF THE MEASURES FOR ACHIEVING THE PRIORITY GOALS

The execution of the above-mentioned measures will help achieve the following results:

- The Insurance Supervision Directorate will competently perform the functions assigned to it by the Law on Insurance and will establish itself as a public institution;

- The confidence in the insurance system will be sustained;

- The analytical and supervising functions of the Insurance Supervision Directorate will improve;

The interaction with the financial community and the public will improve.

BANKS

CURRENT SITUATION

The reform in the banking sector is carried out through gradual transformation and improvement of the legal framework and its practical implementation as the specifics of the developing markets in the field of financial services are being considered. The reform consists of the introduction and strict observation of the internationally accepted rules and legislation for conducting prudential banking activity in support of the national economic development. The changes in the banking sector concern both The Bulgarian National Bank and all commercial banks, most of which function as universal banks.

The amendments to the legal framework of the Bulgarian banking sector aimed at full harmonization of the banking legislation in compliance with the EU Directives are being improved incessantly.

The recent basic banking legislation consists of the Law on Banks and the Law on Bulgarian National Bank. The managing Board of the BNB adopts and promulgates by-laws (regulations), which set in details the specific elements of the banking activity: Regulation No. 2 on the licenses and permits granted by the BNB, Regulation No.4 on the foreign currency positions of banks, Regulation No. 7 on the big exposures of banks, Regulation No. 8 on capital adequacy of banks, Regulation No. 9 on the evaluation of risk exposures of banks and the allocation of provisions to cover the risk related thereto, Regulation No.10 on the internal control in banks, Regulation No. 11 on liquidity management and supervision of banks, Regulation No.22 on the Central Credit Register of Banks and Regulation No. 20 on the issuance of certificates under Article 9, Para. 2 of the Law on Banks.

This legal basis is further corresponding with other laws, applying to the banking activities, such as: The Commercial Law, The Law on the Public Offering of Securities, The Accounting Law, The Law on the Bank Deposits Guarantee. The Law on Bulgarian National Bank regulates the Currency Board arrangement that

guarantees sound and transparent governance of national currency stability. The banking supervision of credit institutions is regulated through the Law on Banks.

The amendments to the Law on Banks that entered into force in July 1999 were aimed at securing the stability of the banking system through creation of an efficient prudential supervision on banking activities, set as a short-term priority in the NPAA for 1999. A higher degree of harmonization of the Bulgarian banking legislation with the European Community legislation was achieved. The separate elements, concerning the scope of the envisaged supervision measures were complemented and improved. As a result two main purposes are achieved: depositors' interests prevention and stability of the banking system.

Further improvement has been achieved since the beginning of 1999 in the field of banking bankruptcy. The transitional and final provisions of the Law on amendments to the Law on Banks stipulate procedures for purchase the bank in bankruptcy. The terms and procedures for bringing forward the liquidation of banks for which the Bulgarian National Bank has petitioned the Institution for Bankruptcy proceedings are clear defined.

The procedures for issuance of permits for performing banking activity, settled through the new Regulation No. 2 on the licenses and permits granted by the Bulgarian National Bank (State Gazette, issue 14, 18.02.2000) is entirely in compliance with the First and Second Banking Directive. The new regulation is also complied with the directive 95/26/EC on the whole financial sector, as its provisions reinforce the controlling and supervision bodies. As was indicated in the NPAA for 1999, the new Regulation No.2 clearly defines the terms: branch, country by location, host country, controls, subsidiary company and etc. and specifies the requirements to bank shareholders with holding or qualified participation in the capital.

Regulation No.8 of BNB on the capital adequacy of banks and Regulation No. 9 on the evaluation of risk exposures of banks and the allocation of provisions to cover the risk related thereto are in full compliance with the Directive on the own funds and the Directive on the solvency ratio for credit institutions. The central bank issues instructions and rules concerning the financial reports regularly submitted by the commercial banks. Those instructions and rules follow the international standards and provide for transparent banking system.

In fulfilment of short-term priorities and goals pursued as set in the NPAA a new Regulation No. 7 of BNB on the big exposures of banks was adopted. This regulation is prepared in strict keeping with the provisions of Directive 92/121 "on the supervision and control of large exposures" and provides detailed regulation of the supervision and control of large exposures as sets the limits of big exposures on solo and consolidated basis.

The additional capital requirements related to market risk are implemented partially with the BNB Regulations. Their adjustment is dependent to a large extent on the financial instruments market development. The Bulgarian requirements for capital adequacy are considerably raised in comparison with the European Directives requirements. For example the minimum required capital adequacy ratio in Bulgaria is 12%, while the European directives provide for 8%. Thus the raised capital adequacy requirement covers to a large extent the market risk, regulated by the Directive on the supervision and control of market risks.

As far as the financial reports of the banks are concerned, a high degree of compliance with the international accounting standards and the basic requirements, set in the European directives in the field of bank accounting is achieved.

The main European banking directives are implemented in the Bulgarian legislation. Thus the short-term priority as stipulated by NPAA for 1999 for securing the stability of the banking system through creation of an efficient prudential supervision is successfully fulfilled. A significant improvement of the regulation of the banking activity has been achieved and considerable experience in the rules implementation is being acquired.

SHORT-TERM PRIORITIES

Ensuring the stability of the banking system through the creation of an efficient prudential supervision on banking activities

The requirements for supervision on consolidated basis are provided in the Law on Banks, in some Regulations of the BNB and in the BNB instructions for preparation of the accounting reports. As far as it refers to the supervision on consolidated basis, there is a draft Regulation on the consolidated supervision, prepared and proposed for adoption in the BNB. The definitions in this Regulation correspond to those in the European directive, as long as the latter do not coincide with the national legislation. The Regulation is envisaged to cover capital adequacy and large exposures supervision on consolidated basis, regarding banks, bank groups and financial holdings

Having in mind that the Bulgarian financial sector is less developed than the markets in the European Union, including the matters of establishment of bank groups and conglomerates, the supervision on consolidated basis principles could not be fully applied in Bulgaria.

Pending for adoption are amendments to Regulation No. 8 of BNB on capital adequacy of banks, set in relation with the new Regulation No. 2 and Regulation No.7 of BNB, concerning the revocation of the minimum capital requirement for branches of foreign banks and the actualisation of the provisions for risk weights. It is envisaged that those amendments enter into force by the second quarter of year 2000.

A draft Law on electronic documents and electronic signature has been prepared and will be submitted to the Council of Ministers.

MEDIUM-TERM PRIORITIES

Development of the financial market through providing stable banking activities covering the inherent credit risks

The further strengthening of the Bulgarian banking and financial system is of crucial importance for successful development of stable environment for financial markets and real economy performance. The numerous particularities of the Bulgarian financial system development in the process of bank privatisation and the yet not developed market of financial instruments are the reasons for the delayed adoption of certain measures applied in the European Community.

For this reason the banking laws and regulations do not include in full the requirements of the Directive as regards recognition of contractual netting.

The harmonization in the field of freedom to provide financial services will be developed in correspondence with the financial markets development. The mid-term plan envisages the preparation of regulations related to the capital adequacy of banks concerning market risks, in accordance with the requirements of the Directive 98/31 as well as preparation of banking law's amendments for implementation of Directive 92/30 requirements.

ADMINISTRATIVE CAPACITY AND FINANCIAL NEEDS

For the fulfilment of the envisaged priorities expert and financial support is necessary to ensure the efficient implementation of already adopted regulations and for the preparation of new regulations in compliance with the European legislation requirements. With view to the effective applications of the adopted measures, it's necessary seminars and training to be provided to the experts of Banking Supervision Department in the field of free movement of services.

The permanent work on the amendments to the European directives and their timely transposition in the Bulgarian banking legislation require financial resources for unified legalized translation into Bulgarian.

The financial resources necessary for achieving the short- and Medium term priorities will be provided by the Bulgarian National Bank's budget and if possible by international donors.

EXPECTED RESULTS FROM THE APPLICATION OF THE MEASURES FOR ACHIEVING THE PRIORITY GOALS.

The execution of the above-mentioned measures in the field of bank services will contribute to achieving the following results:

The stability of the banking system will be maintained;

The role of the prudential supervision will be enhanced. The regulations will be improved so as to fully comply with the mandatory measures set in the EU;

The scope of bank supervision on a consolidated basis will be expanded. There will be introduced measures for covering the market risk, in harmony with the development of the financial market;

The confidence in the financial and banking sector will increase;

Sound environment for the real economy and financial markets development will be achieved.

DEPOSIT GUARANTEE

CURRENT SITUATION

After the second regular report on the progress of Bulgaria submitted by the European Commission in October 1999, the legal framework of the guarantee of deposits includes the Law on Bank Deposit Guaranty (LBDG), adopted in April 1998, and BNB Regulation No. 23 on the Terms and Procedure for Payment of Insured Amounts on Deposits with Banks with Revoked Licenses, issued in February 1999. The administrative structure for the enactment of the Law on Bank Deposit Guaranty was established in January 1999: The Deposit Insurance Fund. The Deposit Insurance Fund is a legal entity. Pursuant to LBDG its basic functions

include: to determine and collect annual and entry premiums from banks; to invest its assets in accordance with Article 22, para. 2 of LBDG; to pay the guaranteed amount of deposits. A by-law legislative framework of the Deposit Insurance Fund has been created. The Deposit Insurance Fund works in close cooperation with the BNB Banking Supervision Department in collecting information about the amount of bank deposits and commercial banks' financial performance.

According to the Bulgarian legislation deposits of physical persons and legal entities in levs and foreign currency are guaranteed. The LBDG and Regulation No. 23 comply in general with Directive 94/19/EC on deposit-guarantee schemes, with some exceptions reflecting the specificity of the Bulgarian legislation, financial system and Bulgaria's general economic state. Currently the amount of deposit guarantee in Bulgaria may reach maximum BGN 6,900. (approximately EUR 3,500), while the Directive provides for significantly greater amount: EUR 20,000. The compliance of the guaranteed amount with the requirements of the Directive proves a very delicate question, associated with Bulgaria's general economic state and financial system performance, including competitiveness of Bulgarian banks. Concurrently, the amount of deposit guarantee according to LBDG covers deposits of a typical depositor.

With the Amendment to the Law on Banks adopted in June 1999 a new Article 89a was created authorising the Deposit Insurance Fund to exercise control over banks in respect of which bankruptcy proceedings have been instituted. These changes also entailed some amendments to LBDG but they do not affect the deposit guarantee system established by the Law.

In November 1999 Memorandum between the Bulgarian National Bank and the Deposit Insurance Fund was signed, regulating the regular flow of information and the relations between the two institutions.

Draft amendments to the currently effective LBDG have been prepared aimed at improving the efficiency of the Law. A draft of a new Law on Bank Insolvency, providing for establishment of an administrative system of bank insolvency has been designed. The Deposit Insurance Fund will participate in the administration of this process. Both drafts are expected to be submitted to the National Assembly for discussion until end-March 2000.

The Deposit Insurance Fund's strategic goal is to strengthen confidence in the banking system and enhance stability and efficiency of the banking sector.

SHORT-TERM PRIORITIES

Efficient implementation of the Law on Bank Deposit Guaranty (LBDG) Extension of administrative functions of the Deposit Insurance Fund (DIF)

The short-term priorities associated with the Fund's activity reflect the strategic goal set and are aimed at ensuring the efficient enactment of LBDG and extending the Fund's functions by participating in the administration of the process of bank insolvency.

MEDIUM-TERM PRIORITIES

Boosting the efficient enactment of the deposit guarantee system

Boosting the efficient enactment of the deposit guarantee system in compliance with the requirements of European law, particularly Directive 94/19/EC.

ADMINISTRATIVE CAPACITY

The Deposit Insurance Fund is managed by a Management Board, consisting of five members – physical persons who, pursuant to the Law should have a university degree in economics or law and at least five-year professional experience in one of the areas: banking, trade in securities, accounting and finance.

The employees, whose functions are directly connected with the activities of the Deposit Insurance Fund, have a university degree in economics and a significant professional experience in the banking system.

Pursuant to LBDG the Management Board of the Fund may recruit experts and form commissions to assist the Fund in performing its functions.

Establishment of a new administrative unit and a growth in the administrative staff is projected due to increasing functions of the Fund associated with the administration of the process of bank insolvency.

The staff's expertise in respect of deposit guarantee as a specific activity conducted since early 1999 needs improvement. Given the pending extension of the Fund's functions, the employees need a special training on issues relating to bank insolvency.

Technical assistance rendered by foreign experts from deposit insurance institutions of EC member countries will help strengthen the Fund's administrative capacity.

FINANCIAL NEEDS

The Deposit Insurance Fund is an independent public institution. The Fund is financed through entry and annual premium payments from banks and through income gained from investing the accumulated funds.

Financial resources necessary to realise the measures for achieving the above short- and medium-term priorities will be provided through co financing from the Fund's budget for administrative expenses, on one hand, and on other hand, from: PHARE programme and other international donors, bilateral cooperation with similar deposit insurance institutions of EC member countries and other countries as well. The provision of additional financial resources in the form of foreign technical assistance is crucial for the efficient operation of the Deposit Insurance Fund.

EXPECTED RESULTS

The implementation of the above measures will help achieve following results:

The Deposit Insurance Fund will competently perform the functions assigned to it by LBDG and establish itself as a public institution.

It will sustain confidence in the banking system.

Analytical and supervisory functions of the Deposit Insurance Fund will strengthen.

Coordination with the BNB Banking Supervision Department, financial community and public will improve.

SECURITIES

CURRENT SITUATION

The legislation of the Republic of Bulgaria in the field of securities fully complies with the principal requirements of the corresponding legislation in the EU. The principles underlying the acting Bulgarian legislation on securities - such as the protection of investors' interests, equality between the participants in the capital market, transparency of the market, requirements for reliability and control on the part of a competent national body - fully comply with the corresponding principles of the EU law. As far as concrete regulations are concerned, the Bulgarian legislation has acquired to a very high extent the basic recommendations in the related directives of the EU by the adoption of the Law on Public Offering of Securities (LPOS), which has superseded the Securities, Stock Exchanges and Investment Intermediaries Act (SSEIIA).

The national legal framework in this field is the new Law on Public Offering of Securities, which includes the basic requirements of the EU in relation to the issuance and trade in securities - Directive 85/611/EEC on undertakings for collective investment in transferable securities (UCITS); Directive 89/298/EEC, coordinating the requirements for the drawing-up, scrutiny and distribution of the prospectus to be published when transferable securities are offered to the public; Directive 88/627/EEC on the information to be published when a major holding in a listed company is acquired or disposed of; and Directive 89/592/EEC, coordinating regulations on insider trading. The Law on Public Offering of Securities also includes Directive 82/121/EEC on information to be published on a regular basis by companies the shares of which have been admitted to official stock-exchange listing.

The newly adopted Law fills in the existing gaps, includes the experience gained so far and introduces regulations that comply with the EU legislation in this field to a much higher degree than the previously existing regime.

More concretely, the LPOS reflects as fully as possible the regulations of Directive 85/611/EEC on undertakings for collective investment in transferable securities by specifying in detail the regulations on the activities of investment companies, the requirements for diversification of the portfolio and spreading of the risk, regulating the controlling function of the depository bank, introducing the managing company entity, whose activity is to manage the activities of the investment companies.

The LPOS introduces the concepts of regulated markets (an official market – a stock exchange and an unofficial securities market), a public company, the conditions and the procedure of trading in securities on

those market being laid down in details, the restrictions, obligations and the rights of the public company (including with respect to transforming, increase in capital, etc.).

The LPOS regulates the public offering of securities issued by foreign persons, the public offering abroad of securities issued by local persons and the possibility a foreign person to operate in the country as an investment intermediary through a branch office.

According to the LPOS when provisioned by an international contract where the Republic of Bulgaria is a party, The Bulgarian National Securities Commission shall recognize the prospectus for public offering of securities of a foreign issuer, published in accordance with the law in the place of its confirmation.

With the LPOS our national legislation has been harmonized with the recommendations given in Council Directive 80/390/EEC on the drawing-up, scrutiny and distribution of the listing particulars to be published for the admission of securities to official stock-exchange listing, and the Council Directive 89/289/EEC on the drawing-up, scrutiny and distribution of the prospectuses to be published for primary public offering of securities.

With regard to the public offering abroad of securities offered by local persons a regime of notification has been envisaged.

The LPOS brings further the national legislation in compliance with the requirements of Council Directive 93/22/EEC on investment services in the securities field through: defining the deals and activities which investment intermediaries have right to carry out through occupation; the requirements to investment intermediaries for taking adequate measures for separating their own portfolio of securities from that of the clients; defining the term "regulated market", its organization and disclosure of information; approving the rules of the organized market and the changes in it by the competent regulating and controlling body; distribution on the part of the market of information on the volumes of trade and prices.

The LPOS envisages the possibility a foreign person which pursuant to its national legislation is authorized to carry out the activities of an investment intermediary and over which an oversight is exercised on consolidated basis by the local supervisory body, to be given a licence to carry out such activities on the territory of Republic of Bulgaria too through a branch office. In such case, the Bulgarian National Securities Commission shall recognize the authorization for conducting activities of an investment intermediary issued to a foreign legal person, when that is set in an international contract where the Republic of Bulgaria is a party.

The foreign banks which are investment intermediaries can freely establish their branches in Bulgaria, since they fall under the requirements for opening branches by foreign credit institutions as stipulates in the Law on banks and they are only required to obtain registration from the Bulgarian National Securities Commission (BNSC).

The regulations for the implementation of ASSEIC (already abrogated), which have been worked out by the Bulgarian National Securities Commission (the Securities and Stock Exchanges Commission) and approved by the Council of Ministers - such as the Ordinance on capital adequacy and liquidity of investment intermediaries, the Ordinance on the requirements on the activities of investment intermediaries and the Ordinance on the requirements mandatory for natural persons who directly close and carry out deals in securities - based on Directive 93/6/EEC on the capital adequacy of investment firms and credit institutions and Directive 93/22/EEC on investment services in the securities field continue to be in force under the new LPOS, in so far as they are not in contradiction with it.

The matter, regulated by Directive 79/279/EEC, coordinating the conditions for the admission of securities to official stock-exchange listing, is to some degree covered by the By-Laws of the Bulgarian Stock Exchange - Sofia AD.

SHORT-TERM PRIORITIES

Liberalization of the freedom to provide services in the securities field through harmonizing the terms for admission and trade in securities under the national legislation with that of the EU

The LPOS envisages the drafting of an ordinance concerning the circumstances when the issuer is due to present a notice. Thus the Bulgarian legislation will most fully reflect the standard working in the EU and, more specifically, Council Directive 82/121/EEC on information to be published on regular basis by companies the shares of which have been admitted to official stock-exchange listing. The main requirements of the Directive related to filing of annual and six-month reports of those companies have been stipulated by the Law.

The LPOS envisages the drafting of an Ordinance concerning the order, content and manner of notification in case of changes, at a definite threshold, of participation in the votes of the public company's general meeting

(when acquiring over 5%). Thus the Bulgarian legislation will adopt that of the EU concerning the disclosure of the so-called sensitive information, regulated by Council Directive 88/627/EEC on the information to be published when a major holding in a listed company is acquired or disposed of.

The LPOS envisages the drafting of an Ordinance on the measures for avoiding and uncovering deals and actions connecting with trade on the basis of inside information (most likely the relevant provisions related to insider trading and unfair trade in securities will be included in the Ordinance on the requirements of the investment intermediaries' activities where amended) to secure broader and more efficient implementation of Council Directive 89/592/EEC coordinating regulations on insider dealing. The Act as a whole is in full compliance with the above stated Directive.

It is foreseen the new legislative framework to be supplemented with the elaboration and adoption of sub-statutory acts on the requirements to the activities of the investment companies (including assets and liabilities structure, portfolio assessment, contents of their contracts with the management company and the depository bank, etc.) and of the management companies (including the general terms applicable to the contracts with investment companies and other institutional investors, capital adequacy and liquidity, etc.).

In view of the new law the elaboration is envisaged of a new ordinance on the prospectuses for public offering of securities that will supersede the currently prevailing sub-statutory act, because of the multiple amendments needed to be made. Such an ordinance should regulate (in details, as the major requirements have been envisaged by the law) the requirements to the contents and the procedure of approval and publishing of the prospectuses for public offering of securities, the public offering of securities in the Republic of Bulgaria by foreign persons and of securities issued by local persons. Thus Council Directive 89/298 EEC on the drawing-up, scrutiny and distribution of the prospectuses to be published for primary public offering of securities will be most fully adopted.

Furthermore, forthcoming is amendment to: Ordinance on the requirements to the activities of the investment intermediaries, Ordinance on the capital adequacy and liquidity of the investment intermediaries, Ordinance on the licences to carry out the activities of stock exchange, investment intermediary and investment company. The objective is not only the new Law but also the sub-statutory acts further developing it and whose drawing-up and adoption by the Council of Ministers is forthcoming, to facilitate the free rendering of services in the field of investments in securities.

MEDIUM-TERM PRIORITIES

Drafting by-law statutory instruments on the implementation of the regulation concerning investor compensation schemes

The requirements of Council Directive 97/9/EC on investor-compensation schemes are due to be adopted by Bulgaria's national legislation through the development of the respective regulations.

ADMINISTRATIVE CAPACITY

The national regulating and controlling body on the securities market is the Bulgarian National Securities Commission (the name pursuant to the LPOS), established in 1996 by virtue of the already superseded Law on Securities, Stock Exchanges and Investment Companies, called then Securities and Stock Exchanges Commission.

TRANSPORT

CURRENT SITUATION

The European legislation in the area of free provision of services in the transport sector comprises one directive – Directive 82/470/EEC of the European Council from 29.06.1982 regarding the measures on stimulating the freedom of the establishment and free provision of services by free lance persons in the transport sector, by intermediaries in the tourism sector and by persons engaged in storehouse activities. This directive is not related to the professions, directly connected with transport activities (for example the carter), but outlines the requirements for the elimination of the restrictions for the freedom of establishing and free provision of services to specified activities and professions, which are being specified both by general specifications and concrete list for each member-country. The corresponding professions in the Republic of Bulgaria are as follows:

Forwarding agent in the automobile and railway transport

Ship Broker
Shipping Agent

Physical or legal persons performing regular technical reviews.

The legal regulations of the forwarding activities are contained in the Commercial Law (Art. 361 – 366 related to the forwarding contract) and Art. 12 of the Law on the Automobile Transport (Published in State Gazette, vol. 82 from 17.09.1999, in force since 17.09.1999). Art. 12 from the Law on the Automobile Transport envisages in principle the legal possibility for the issuance of a license by the Minister of Transport and the order for the issuance should be specified in a special regulation. Despite this fact, in the course of the ongoing administrative changes, the necessity for the issuance of a decree for their licensing was eliminated and no special requirements to the forwarding agents will be placed. In such case the Bulgarian legislation does not contain any requirements or create any obstacles for the performing of the forwarding activities.

Forwarding agent in the railway transport, shipbroker, shipping agent – the Bulgarian legislation does not pose any requirements for reliability, financial stability, professional competence or any other requirements.

Any persons, performing regular technical reviews: Art. 147 and 148 from the Law on the Road Traffic (Published in State Gazette, vol. 20 from 5.03.1999 in force since 1.09. 1999) envisages that the performing of a regular review of the technical working conditions of the transportation means is realized by a permission of the Minister of Transport. The conditions and order for the issuance of the licenses and the performing of reviews is stated in a Decree N 32 from 5.08. 1999 for the regular reviews of the technical good conditions of the transport means (published in State Gazette, vol. 74 from 20.08. 1999, in force since 1.09. 1999). This Decree specifies the requirements to the places for performing the reviews and the technical experts. The latter are persons, working by labour agreements who should correspond to the following requirements: professional competence, (incl. the necessary training or job experience), the legal qualification to be a driver of a motor vehicle, reliability, (they should not be convicted, or declared bankrupt as merchants).

The Directive 82/470/EEC requires the certificates for these qualities to be acknowledged in the member-country where the person has applied for performing of this activity. The Bulgarian legislation does not contain any requirement for Bulgarian citizenship, place of residence or obligatory membership in any professional organization. Hence, any person that has presented the necessary documents, proving that he corresponds to the requirements of the decree, could receive a permission to perform the activity.

There are no significant problems in the implementation of the requirements of the Directive 82/470/ EEC and the necessary readiness for negotiations in this sphere is present. The Bulgarian legislation does not contain any obstacles for the freedom of establishing and the free provision of services in the areas, specified in the Directive.

As the sole problem could be stated the fact that the issues related to the mutual recognition of any professional and other certificates, necessary for the job approval are decided on the base of the principle of reciprocity.

SERVICES IN THE FIELD OF TRADE

CURRENT SITUATION

Directives 64/ 223/ EEC 68/ 363/ EEC and 68/364/ EEC.

The general legal framework on performance of services and goods trade activities in the Bulgarian legislation are the provisions of the Commercial Law and the Law on Consumers and Rules for Trade, in force from 02.07.1999.

The latter is a new legislative act that complies to a very high degree with the EU legislation in the corresponding sector.

The law prescribes the rules on consumer protection, performance of trade activities, and the relationships between the state institutions, consumer agencies and branch organisations of traders.

The legislator has provided for the basic legal rights, such as: the right of protection against risks of acquisition of life, health, property endangering goods and services; the right of protection of consumer economic interest; free access to judicial and extra judicial procedures for protection; the right to associate with the purpose to protect the consumer interest; the right to access to information.

The general conditions for trade on the internal market, stipulated in the Law on Consumers and Rules for Trade, are in compliance with the regulations of the EU law. According to the Bulgarian law the wholesale and retail trade activities are based on free market initiative, as the prices of the goods and services are formed on

freely depending on the demand and supply. The definitions of the terms of "wholesale trade" and "retail trade" are provided for in the Law.

Licenses shall be issued under the conditions and rules determined by the Council of Ministers for performing trade activities with commodities of special importance for the national security, life and health of people, animals and plants, for environmental protection and the exhaustible natural resources and protection of national valuables with artistic, historical, or archaeological value.

Trade activities, performed by non-residents in Bulgaria should be in compliance with the requirements of the Law on Foreigners, Law on Foreign Investments, Commercial Law and the Law on Consumers and Rules for Trade and with the legislation on more specific activities.

The Bulgarian legislation requires establishment in Bulgaria for non-residents, who are undertaking trade activities. They shall be registered as traders in the sense of the Commercial Law. A national treatment is provided to the non-residents.

The stake of shares held by non-residents in newly established or already existing companies is unlimited.

ADMINISTRATIVE CAPACITY

The Law on Consumers and the Rules for Trade is effective since 2 July 1999. The Act also regulates the setting up of the National Council on Protection of Consumers as a consultative body with the Minister of Economy. A National Information Register of the Traders in the Republic of Bulgaria is being developed with the Ministry of Economy. The Minister of Economy creates conciliatory commissions, responsible for settling arguments between consumers and traders in connection with warranty, the right of claims against the providers of goods and services and unequal clauses in contracts.

An Advisory Council is set with the Minister of Economy as a consultative body, including representatives from the professional organizations of traders, which supports the minister to conduct the trade and economic policy. The Commission on Trade and Protection of Consumers with the Ministry of Economy executes the control on the Law.

SERVICES IN THE FIELD OF TOURISM

CURRENT SITUATION

Directives 68/ 367/ EEC and 68/ 368 EEC.

The following regulations in the Bulgarian legislation represent the legal framework of the legal relations that concern conducting tourist business: the Law on Tourism, Regulation on Licensing of Tourist activities, Regulation N02 dd. 14.08.1998 for classification of tourist sites.

The regulation provided for by the above quoted acts corresponds to a significant extent to the European legislation in the public relations sector under consideration.

The Law on Tourism represents a comparatively new legislative act, whose legal regulation to a major extent corresponds to the European legislation.

The Law on Tourism settles the state policy in the area of tourism and its bodies; the organizations, the terms and the procedures to conduct tourist business; control of the respective terms and procedures.

The following activities are defined as tourist business in the: hotel running, restaurants, tourist operating and tourist agent activities, the hotels and the other accommodation places as well as entertainment and food enterprises and other similar activities.

Physical persons engaged in agricultural activity, craftsmen, persons, rendering services by their labour or exercising free-lanced professions are not traders as per the Commercial Law, unless their activity could be defined as enterprise, which by its subject and volume of activity requires to be managed in a commercial way.

Any foreign person or its branch may conduct tourist activities on the territory of the Republic of Bulgaria only after being registered as a trader, licensed for tourist business as per the procedures provided in this Law, and in observation of the Foreign Investments Law requirements.

The tourist facilities are subject to the following classification: hotels, and other accommodation places, places of entertainment, if the traders conduct tourist activities of the restaurant or the hotel type there. The classification of hotels and other accommodation places as well as food and entertainment enterprises is an obligatory prerequisite for carrying out accommodation or, respectively, restaurant activity at those objects.

ADMINISTRATIVE CAPACITY

Administrative structures in the field of tourism: The Law on Tourism, effective since 24. 08. 1998, regulates the setting up of the National Council on Tourism as a consultative body with the Minister of Economy and chaired by the Minister of Economy. The National Council on Tourism includes representatives of the state, the nationally presented associations of tour operators, tourist agencies, hoteliers and restaurateurs, of the regional tourist organizations, of the local tourist organizations. The control on the Law on Tourism and on the statutory instruments based on it is performed by the National Commission on Trade with the Ministry of Economy and by controlling bodies with the municipal administrations.

PRIORITIES

As regards the Directive providing the transitional measures on the establishment and free undertaking of tourist activities, no similar regulations exist in the Bulgarian legislation. The fact of exercising that same activity for a certain period of time in another country would not be accepted as a satisfactory proof for the existence of a definite professional qualification. The Bulgarian legislation requires filing a reference on the professional and language qualification of the personnel engaged in the tourist activity. Half of the managerial staff of the firm should be trained in appropriate for the tourist sphere way and have a specialized lower or higher training levels corresponding to the occupied job position. The managerial staff that has undergone specialized education should file copies of the documents certifying the completion of an appropriate education. The Ministry of Education will organize the certification and legalization of the diplomas of persons educated abroad.

PROVISION OF SERVICES AS COMMERCIAL AGENTS.

CURRENT SITUATION

Directive 86/653 of the European Union regulates the coordination of the legislation related to the provision of services as commercial agents.

In the Bulgarian legislation the corresponding legal regulation is represented in the provisions of Articles 32 up to 48 of the Commercial Law, related to the legal relations between the commercial agent and the merchant.

The legal regulations included in our legislation entirely correspond to the regulations of the Directive both as regards the right to indemnity and the right of the commercial agent to claim indemnification for inflicted damages. The European law provides a special legal prescription period of time of 1 year after the termination of the contract to claim indemnification or compensation by the commercial agent. Under the Bulgarian legislation when a special clause related to a different legal prescription period is not available, the general legal prescription periods of time should be applied, namely the prescriptive right of the commercial agent to claim compensation and indemnification becomes void with the expiry of the 3 years' legal prescription period of time.

The regulation under to the Bulgarian law related to the legal status of the commercial agent whose equivalence under the legislation of the Republic of Bulgaria is represented by the commercial agent within the meaning of the Commercial Law is in correspondence with the European law and more specifically with the provisions of Directive 86/653 EEC.

SERVICES IN THE FIELD OF AGRICULTURE

CURRENT SITUATION

The freedom to provide in the field of agriculture comprises the right of persons, engaged in agricultural activities to be able freely and without any restrictions on the base of the national principle to acquire, take on lease and exploit agricultural and forest land and get licenses for specific activities at the availability of a permission regime, technical and other kind of professional services, directly related to the process of exploitation. The major regulations in this field are the Law on the Ownership and Exploitation of the Agricultural Lands, the Regulations on its Implementation, the Law on the Assistance of the Agricultural Producers, the Law on the Agricultural Lease, the Law on the Forests and its Regulations. A part of the legislative regulations are contained in the Law for the Foreigners in the Republic of Bulgaria, the Law on the Foreign Investments, the Law on the Cooperatives and others that are inter-disciplinary in their specifics.

The extent of harmonization of the Bulgarian and the European law in the field of free movement of services in agriculture is significant. The restrictions based on the national principle are related to the major issue concerning the acquisition of the right of ownership of agricultural land and forests by foreigners and foreign legal persons. This issue is considered mainly in the area of free movement of capitals.

Another aspect, which could lead to some restrictions in the free movement of services in the field of agriculture, is related to the professional and qualification requirements to exercise a specific type of activity. These are the restrictions, arising from the potential necessity of mutual recognition of diplomas and other types of qualification or professional degree certificates. The institution competent in this area is the Ministry of Education. The extent of harmonization should be outlined jointly considering the legislation in the field of the free movement of people.

4. FREE MOVEMENT OF CAPITALS

FOREIGN EXCHANGE LEGISLATION

CURRENT SITUATION

The last year marks considerable real progress in harmonization of the Bulgarian financial sector legislation with the European Community law on free movement of capital.

The Foreign Investment Law (last amended 1998) and The new Foreign Exchange Law represent the basic legal framework for free movement of capitals in Bulgaria. The Foreign Exchange Law was adopted in September 1999 and came into force on 01.01.2000. It repealed The Law on Foreign Exchange valuables and Currency Control (last amended 1996), Regulation on the Export and Import of Currency Valuables (last amended 1999). The main objective of the new Law is further liberalization of capital transactions in accordance with the community legislation and Accession Partnership priorities.

The legal framework accepts the principle of no differentiation between residents and non-residents concerning capital movements. The current Bulgarian legislation covering capital movements comprises the following acts:

- Foreign Exchange Law
- Law on Foreign Investments
- Law on Public Offering of Securities
- Money Laundering Law.
- Law on Bulgarian National Bank

According to the Foreign Exchange Law the Bulgarian National Bank and the Ministry of Finance are the authorities that regulate capital movement. Additionally six Regulations under Foreign Exchange Law have been issued, including: Regulation No. 26 on the Foreign Exchange Transactions of Brokerage Financial Houses, Regulation No. 27 on the Registration by the Bulgarian National Bank of Transactions between Residents and Non-residents, Regulation No. 28 on Trans-border Transfers and Payments, Regulation No. 29 on the Terms and Procedure for the Submission of Reports and Declarations on the Liabilities of Residents to Non-residents; Regulation No. 30 on the Export and Import of Lev and Foreign Exchange Cash, Precious Metals and Precious Stones and Regulation on the Collection of Information on the Balance of Payments Statistics;

Under the current legislation the direct foreign investments regime is completely liberal and fully complies with the European legislation and practice that has been established between Member States, as well as between Member States and third countries.

Differences concerning the regime of export of capital for local persons abroad were abolished. With the adoption of the new Foreign Exchange Law the authorisation regime on the execution of direct investments by local persons abroad was replaced with a declarative one (registration).

The law provides for free repatriation of incomes received in Bulgaria by non-residents.

The lawmaker has found an optimal solution regarding the liberalization of the regime of acquiring ownership on real estate in the Republic of Bulgaria by foreign natural persons and legal entities without infringing the Constitution-based principle. Foreign natural persons and legal entities are not allowed to acquire directly right of ownership on land. This is achieved through granting rights to all local legal entities, including those with 100% foreign capital participation, to acquire the right of ownership in real estate (including agriculture land) for the purpose of executing business activities.

There are no restrictions for local persons to acquire real estate abroad.

With regard to the other types of capital movements, according to the Nomenclature in Council Directive 88/361/EEC for the implementation of Article 73b of the Treaty, establishing the European Community, the system is liberal. Having in mind that the establishment of stable macroeconomic environment and banking sector is the main priority, Bulgarian authorities were cautious about capital liberalization. It was important that no destabilizing capital flows occurred. The steps in liberalization process are taken considering price stabilization and foreign investments needs.

According to the Foreign Exchange Law all transactions, namely:

- Transactions and payments between residents and non-residents;
- Cross-border transfers and payments;

- Foreign exchange transactions in the line of business;
- Transactions in precious metals and precious stones in the line of business, as well as their import, export and processing;
- Import and export of leva and foreign currency

shall be freely conducted.

Operations in securities dealt on the money- and capital markets, as well as operations in units of collective investment undertakings, are free. Credits related to commercial transactions, financial loans and credits, guarantees granted by residents to non-residents and vice versa, transfers in performance of insurance contracts, personal capital movements, operations in current and deposit accounts with financial institutions, are free.

Foreign securities can be traded on the Bulgarian market after permission by the Securities commission. Securities issued by foreign and Bulgarian issuers are treated equally.

All transactions and deals with securities executed through investment intermediaries, licensed for foreign activities by the Securities Commission are free.

Bulgarian National Bank collects all statistical information related to cross-border financial flows for Balance of Payments purposes. Bulgarian legal entities, banks, financial institutions and physical persons are obliged to report to the BNB on ex post bases by using reporting forms issued by the BNB.

Resident and non-resident physical persons, may import unlimited amount of national and foreign exchange cash declaring before the customs authorities the amount of the imported money and the kind of currency in case the amount exceeds the sum of 5000 leva. Resident and non-resident physical persons may export lev and foreign exchange cash up to BGN 5,000 freely, and up to BGN 20,000 after declaring before the customs authorities the amount of the money and the kind of currency. For the amount over BGN 20,000 or their equivalent in foreign exchange - after obtaining a permit by the Bulgarian National Bank. Non-residents can freely export the currency that they have imported in Bulgaria and have declared to the customs authorities, without the obligation to register the transfer with BNB.

SHORT-TERM PRIORITIES

Proving for effective implementation of the Foreign Exchange Law

Implementation of the new Foreign Exchange Law and the Regulations under the law;

Strengthening the administrative structures

Strengthening administrative structure, exercising surveillance under the Foreign Exchange Law;
Improvement of qualification skills of BNB and MF employees, carrying out control functions under the Foreign Exchange Law.

MEDIUM-TERM PRIORITIES

Proving for effective implementation of the Foreign Exchange Law

Control over the application of the foreign exchange legislation;
Improvement of capital flows reporting system.

ADMINISTRATIVE CAPACITY

The Bulgarian National Bank and the Ministry of Finance are the authorities responsible for Foreign Exchange Law implementation. New units for registration of transactions and for capital movement reporting for BOP statistics purposes are established at the BNB. Certain functions for exerting foreign exchange control have been assigned to the customs authorities.

FINANCIAL NEEDS

The Bulgarian National Bank shall finance the implementation of foreign exchange legislation and improvement of its staff qualification by its own funds. Nevertheless additional support in the field of training and experts' assistance from Member States and the European Commission is needed, especially so far as statistical issues are concerned.

EXPECTED RESULTS

Through the adoption and strict application of the new Foreign Exchange Law, a high degree of capital movement liberalization is achieved regarding the investments of non-residents in the country and residents abroad. That creates friendly environment for the real economy progress and markets development.

MONEY LAUNDERING

CURRENT SITUATION

In connection with the implementation of Directive 91/308/EEC of 10.06.1991 a new Law on the Measures Against Money Laundering has been adopted and is in effect since 27.07.1998. This law repeals the Law on the Measures Against Money Laundering of 1996. With the new law the definition "money laundering" is brought in line with the existing international rules, as the entities to which the measures of this law are addressed are listed in detail and the conditions under which the transactions and the operations are subject to identification are updated. The following by-law acts have been adopted:

Governmental Regulations on the Implementation of the Law on Measures against Money Laundering - promulgated in State Gazette, No 119 of 9 October 1998

Ministerial Regulations on the Organization and Activity of the Bureau of Financial Intelligence (BFI) - State Gazette, No 9, 2000.

Certain organizational measures have been undertaken:

establishment of Bureau of Financial Intelligence as directorate within Ministry of Finance

Full membership of the Bureau of Financial Intelligence in the Egmond Group

Law on amendments to the Law on Banks, promulgated in State Gazette 54 of 1999, article 65, para.1 sets forth the obligations of the BNB concerning money-laundering prevention. Effecting by banks of transactions or operations representing money laundering or in violation of the Law on the Measures Against Money Laundering and the acts on its implementation represents a violation against which the Central Bank imposes measures and penalties under para.2 of art.65 of the Law on Banks.

The "Special Supervision" Directorate of Banking Supervision Department at the BNB undertook some organizational measures as follows:

Methodological instructions for improvement of the internal rules of banks for control and prevention of money laundering have been worked out.

A glossary of financial crimes and criteria for recognizing suspicious transactions are prepared and sent to all banks. A manual on banking supervision for inspections on the implementation of the Law on the Measures Against Money Laundering has also been prepared.

On-site inspections in all banks related to the organization and the structures established for the implementation of the Law on the Measures Against Money Laundering have been executed by the banking supervision authorities.

SHORT-TERM PRIORITIES

Agency "Bureau of financial intelligence"

Restructuring of the Bureau of Financial Intelligence within the Ministry of Finance as an Agency Bureau of Financial Intelligence, with own administration at the Minister of Finances, in compliance with the provisions of the Law on Administration (promulgated in State Gazette, No 130/1998, as amended in State Gazette No 8/1999)

Strengthening the BFI activity in Egmont Group working groups and the cooperation with the FIU of the other Egmont Group Member States.

Making a joint assessment report on the measures against money laundering in the Republic of Bulgaria with the participation of academic experts from the Member States of the working group on financial activities. (PC-R-EV).

Direction "Special supervision" – Bulgarian National Bank

Execution of ex-ante and current control in banks and financial houses over compliance with the provisions of the Foreign Exchange Law and the acts on its implementation for the purposes of the Law on the Measures Against Money Laundering.

Inspections in financial houses concerning the implementation of the Law on the Measures Against Money Laundering as well as providing training to the specialized authorities in financial houses for identification of suspicious deals and financial crimes.

MEDIUM-TERM PRIORITIES

Efficient application of the measures against money laundering

Investment projects on efficient application of the Measures against money laundering Act;

Organisational improvement

Improvement of operations' organization in connection with the planning and execution of inspections in banks and financial houses over the implementation of the Law on the Measures Against Money Laundering and execution of ex-post control.

Improvement of the network communication

Development of system for establishment of improved network for communication with banks, financial houses, The Bureau of Financial Intelligence (BFI) and The National Service for Combating Organized Crime (NSCOC) when suspicion for transactions, related with money laundering exists.

ADMINISTRATIVE CAPACITY

The Directorate "Bureau of Financial Intelligence" is presently staffed with 18 employees and plans to increase staff to 31 employees and other 9 employees for the regional structures.

The BNB "Special Supervision" Directorate, Banking Supervision Department in BNB are responsible for the implementation of the Law on the Measures Against Money Laundering in the banking system. The unit responsible for the implementation of the Law on the Measures Against Money Laundering consists of 4 people. The organizational development and further improvement of inspectors' experience are needed as well.

Permanent work on changes and amendments of the European Directives and subsequent implementation in Bulgarian legislation implies provision of financial resources for a unified legalized translation in Bulgarian.

FINANCIAL NEEDS

As the Bureau of Financial Intelligence is a directorate within the Ministry of Finances and is not an autonomous legal entity, the competent authorities at the Ministry of Finance set the size of needed financial resources. Currently the Bureau on Financial Intelligence is developing a funding project under the PHARE programme, amounted to 1 million euro.

Financial resources provided under PHARE program are needed for organizational consolidation and the further improvement of the experience of "Special Supervision" Directorate inspectors.

EXPECTED RESULTS

Adopting the joint assessment report on the measures against money laundering in the Republic of Bulgaria in June 2000 by a parliamentary commission of experts (PC-R-EV) at the European Committee on the problems of crime at the Council of Europe; improving the work of Bureau on Financial Intelligence.

Improvement of the performance and activities of the "Special Supervision" Directorate, engaged in the implementation of the Law on the Measures Against Money Laundering. Introduction of the methods and the operational procedures of the developed countries in this field and enhancement of information exchange.

PAYMENTS SYSTEM

CURRENT SITUATION

The legal framework of payment system is based on the Law on Banks, Law on BNB and on Regulation No3 and No16 on payments, adopted by the BNB. Some requirements stipulated in Foreign Exchange Law and related regulations concern cross-border payments.

Under the Law on BNB the central bank contributes to the establishment and functioning of an effective payments system. The main task of the Bulgarian National Bank shall be to “contribute to the maintenance of the stability of the national currency through implementation of the monetary and credit policy, and to assist in the establishment and functioning of efficient payment mechanisms”.

Currently the Interbank Settlement System is managed by the BNB and operates by Bankservice PLC, a joint-stock company with the share participation of the central bank (37%) and other commercial banks. With the implementation of a new BISERA 4 project the system will be operated by the BNB. Regulation No3 of the BNB on payments determines all forms, in which payments within the country shall be executed and whose scope extensively covers the forms adopted in the international practice. The Regulation comes along with a considerable number of Unified Banking Standards providing detailed regulations on the payment operations, the requirements for the payment documentation, accounting procedures and other. All residents have the right to open current or deposit account in domestic and foreign currency with local banks as well as with branches of foreign banks.

The BISERA 4 project of real-time gross settlement system is in process of development and will be completed in 2001. A National Council on Payment Systems with the participation of high management level representatives from the BNB, commercial banks, the Ministry of Finance and other institutions has been established, with the basic goal to form a policy line in the field of payments. The requirements for establishing links to the system for international payments (TARGET), operated in European Community will be complied by the new system.

The two BNB regulations are governing operations within the country, executed in leva. There is no explicit regulation for cross-border payments as well as for the issuing and service of international cards. The cross-border credit transfers are executed through the commercial banks and their branches according to the practices of the International Chamber of Commerce. The conditions (time limits, charges, collateral etc.) are subject to internal rules of commercial banks, previously announced to the public.

Regulation No.16 of the BNB on payments by bankcards regulates only the operations with domestic debit card. It is developed on the basis of current terms and procedures established in the international practice.

SHORT-TERM PRIORITIES

Further harmonization of the legislation

Short-term priorities deal with the amendments to be made to the current legislation in order to fill in the gaps and to reflect the provisions laid down in the Directives and Recommendations of the European Commission namely:

Introduction of the Designated Time Gross Settlement System

The first stage of the BISERA 4 project should be implemented, including new version of the Designated Time Gross Settlement System, with settlement with the same day value date. The system provides opportunity to the banks to receive information on the balances on their current accounts with the BNB and on the accumulated queuing payments.

Implementation of the RTGS payment system

Preparation of legal and technical instruments for successful implementation of the RTGS payment system in the first half of 2001.

MEDIUM-TERM PRIORITIES

Implementation of the RTGS payment system

Implementation of the new RTGS system;
Adoption of needed amendments to the legislation concerning the implementation of the RTGS system;
Implementation of the Directive on cross-border credit transfers.

Introduction of the Designated Time Gross Settlement System

Implementation of the Directive on settlement finality in payments and securities systems. Implementation of this Directive so far as Government securities and corporate securities are concerned depends on the development of these markets.

ADMINISTRATIVE CAPACITY

National Council on Payment Systems with the participation of high management level representatives from the BNB, commercial banks, the Ministry of Finance and other institutions have been established, with the basic goal to form a policy line in the field of payments.

A new structure at the BNB has been adopted in March, thus establishing a Payment Systems Unit whose basic task is to create legal conditions for development of the payment instruments.

To realize part of the assignments, along with its internal staff resources, BNB has utilized the services of specialists from Bank Service and the commercial banks, members of the Payments Systems Committee at Bank Service's board of directors.

FINANCIAL NEEDS

The realization of the priority goals will be executed within the budget of BNB and Bank Service. At this stage external financial sources are not foreseen.

Further training and experts support will be needed for the improvement of qualification of BNB staff.

Permanent work on changes and amendments of the European Directives and subsequent implementation in Bulgarian legislation implies provision of financial resources for a unified legalized translation in Bulgarian.

EXPECTED RESULTS

With the realization of the goals laid down in the Program by the end of year 2000 the following results are expected to be achieved:

- Improvement of market operating and daily liquidity of banks and banking system as a whole;
- Improvement the BNB's control and regulatory functions regarding payment system;
- Facilitation of cross-border capital movement, in conformity with the requirements of the European Union legislation.

The strategic objective in the field of payments is the operation within BNB of a payment system fully complying with the European standards. Its implementation will lead to harmonization with the Directive on cross-border credit transfer and Directive on settlement finality in payments and securities settlement systems.

SECURITIES

CURRENT SITUATION

The regime prevailing in the country with respect to transactions in securities is characterized by two basic points. On one hand there are no specific restrictions in this field, and in so far as there are definite requirements – for the issuance of licences, approvals and other such, they are entirely within the established world practice with regard to the powers of a national regulating and controlling body of the capital market, the Bulgarian National Securities Commission being such an authority for Bulgaria pursuant to the new Law on Public Offering of Securities. All requirements to the activities of the capital market's participants have been statutorily stipulated and are being applied equivalently to local and foreign persons, but the LPOS introduces new points as well, described below, which liberalize the regime.

Pursuant to the regime in force, the acquirement by foreign persons of local securities, traded on regulated markets (official – the stock exchange and unofficial securities market) is free. The acquirement by local persons of foreign securities, irrespective of whether they are traded or not traded on a stock exchange, is also not subject to any specific restrictions.

In conclusion and/or execution of transactions as a result of public offering abroad of securities issued by a local person or public offering in the country of securities issued by a foreign person, the LPOS refers to the Foreign Exchange Act.

The LPOS explicitly provides for the possibility for foreign securities to be admitted to the Bulgarian capital market. The regime with respect to the admission of foreign securities is the same as the one applied for the admission of local securities – after the publication of a prospectus about the securities, approved by the BNSC. Moreover, the BNSC is empowered to recognize the prospectus about securities, published according to the law in the place of its confirmation if so provisioned in an international contract to which the Republic of Bulgaria is a party. For public offering abroad of securities issued by local persons only the BNSC has to be notified.

The Law envisaged the exemption from the responsibility to publish a prospectus about securities issued by an international organization of which Bulgaria is a member.

There are no special rules with respect to the admission of units of foreign collective investment undertakings on the local capital market. In so far as with the admission of such units the undertakings carry out their activities, it has to be considered that the general license regime is applied with respect to them.

The licensing by the BNSC of local undertaking for collective investment in securities refers to their activities on the territory of the country. If they want to issue securities on foreign capital markets, then the above mentioned notification regime for all local issuers will be valid.

The new legislative framework promotes the liberalization of the flow of capitals, invested in securities through harmonization of the conditions for admission and trade in securities of our national legislation with those of the EU and allows for mutual recognition of the issued by the competent authorities in the EU and the Republic of Bulgaria permissions and approvals where an international agreement thereof is reached.

SHORT-TERM PRIORITIES

Drafting sub-statutory acts

The LPOS envisages the elaboration of sub-statutory acts that will lay down in details the activities of the undertakings for collective investment in securities and of their management companies so that to be to the greatest possible extent harmonized with the Directive in the EU concerning those undertakings. Such development is considered as a step forward to the further liberalization of the flow of capital through operations with units of the undertakings for collective investment in Bulgaria and the EU.

ADMINISTRATIVE CAPACITY

The national regulating and controlling body in the field of securities is the Bulgarian National Securities Commission pursuant to the new LPOS, established in 1996 as Securities and Stock Exchanges Commission by virtue of the already superseded Act on Securities, Stock Exchanges and Investment Companies.

FINANCIAL NEEDS

With a view to the development of the administrative capacity of the institution there is a necessity of training of the BNSC's experts in the area of the EU legislation on the free movement of capitals through investments in securities with a view to the efficient implementation of the national actions which have been adopted or are forthcoming to be adopted in this area.

5. COMPANY LAW

COMPANY LAW**CURRENT SITUATION**

The legislative regulation of **Bulgarian Company law** (basically contained in the Commercial Law and its procedural aspects - in the Civil Procedure Code) is harmonised with the relevant *acquis*, and in particular with the **First Council Directive 68/151/EEC**, **Second Council Directive 77/91/EEC**, **Third Council Directive 78/885/EEC**, **Sixth Council Directive 82/891/EEC**, **Eleventh Council Directive 89/666/EEC** and **Twelfth Council Directive 89/667/EEC**. Only the European Economic Interest Grouping (EEIG) has not been introduced so far into Bulgarian legislation.

Following the analysis for conformity of the Commercial Law with the requirements of EC directives a **Draft Law Amending and Supplementing the Commercial Law** was elaborated. The adoption of this law will result in **fully** transposing of the requirements of **I, II, XI and XII Directives** in Bulgarian law.

Furthermore, the Draft contains certain appropriate modifications prompted by the Bulgarian practice in the course of application of the Commercial Law. In particular the Draft envisages essential changes in respect of bankruptcy, designed to accelerate and improve bankruptcy proceedings. Taking into account that bankruptcy is a legal institution that regulates a procedure involving various economic interests, the objective of the proposed amendments is to successfully complete the structural reform.

The Draft was adopted at first reading before the National Assembly on 2 February 2000 and is pending a second hearing before the National Assembly. **It is expected to be adopted by 31 July 2000.**

The plans are that by the end of 2002 will be elaborated a new draft amendments to the Commercial Law in order to **fully** implement the **III and VI Directives** in the national legislation.

It is envisaged that by the end of 2006 the **European Economic Interest Grouping** (EEIG) will be introduced into Bulgarian legislation as well.

Rome and Lugano Conventions

The main principles of the **Rome Convention** concerning the law applicable to contracts involving an international element are laid down in the Bulgarian legislation (Articles 605 – 606d of the Commercial Law).

Full introduction of the provisions of the Rome Convention are envisaged by the end of 2000. To that purpose, amendments to the Bulgarian Law on Contracts and Obligations (LOC) are being elaborated in order to adopt the corresponding to the Convention rules covering all types of contractual obligations and not only the commercial transactions. Related to this, in the legislative programme of the Government is scheduled a **draft Law on amendments and supplements to the Law on Contracts and Obligations**. The deadline for submitting the Draft to the Council of Ministers is 30 June 2000.

In case of future amendments to the Rome Convention the Bulgarian legislation will be updated in time.

The **Lugano Convention** on Jurisdiction and Enforcement of Judgements in Civil and Commercial Matters is introduced partially in the Bulgarian procedural legislation (the Civil Procedure Code - CPC).

The full implementation of the Lugano Convention will necessitate the adoption of relevant amendments to the Civil Procedure Code. Such amendments will be prepared by the end of 2001.

In parallel with the work for harmonising our national legislation, the necessary diplomatic steps will be taken in order to ensure that Bulgaria accedes to the Lugano Convention, before the date of accession to the EU.

As planned, in 1999 Bulgaria ratified three of the Hague Conventions (the Ratification Laws were published in SG No 83 of 21/09/1999):

- Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of 1965;
- Convention on the Taking of Evidence Abroad in Civil or Commercial Matters of 1970;
- Convention on International Access to Justice of 1980.

SHORT-TERM PRIORITIESTo ensure safeguards for the protection of interests of company partners, shareholders and third parties

To ensure safeguards for the protection of interests of company partners, shareholders and third parties through introducing an obligation for maximum completeness and disclosure of essential information about commercial companies and their branches, through introduction of the requirements of the First Council Directive and Eleventh Council Directives in the field of Company Law.

To ensure safeguards in respect of maintenance and alteration of the capital of public companies limited by shares

To ensure a level of safeguards in respect of maintenance and alteration of the capital of public companies limited by shares, corresponding to the stipulated by the EC legislation and in particular to the Second Council Directive.

To ensure maximum transparency in the activity of single-member private limited-liability companies

To ensure maximum transparency in the activity of single-member private limited-liability companies in view of protecting third parties, in compliance with the provisions laid down by the Twelfth Council Company Law Directive.

The main legislative measure for the achievement of the afore-mentioned three priorities will be the adoption of the Law Amending and Supplementing the Commercial Law, which is designed to fully transpose into our national legislation the provisions of I, II, XI and XII EEC Directives.

To introduce the requirements of the 1980 Rome Convention to a maximum degree

To introduce into Bulgarian legislation the provisions of the 1980 Rome Convention to a maximum degree. This objective will be accomplished through **amending and supplementing of the Law on Contracts and Obligations**.

Preparation of amendments of the Bulgarian legislation in view of its alignment with the requirements of the Lugano Convention of 1988

Main legislative measure for the transposition of Convention's requirements is the preparation of a **Law amending and supplementing the Civil Procedure Code (CPC)**.

Preparation for accession of the Republic of Bulgaria to the Lugano Convention, provided the existence of the necessary conditions.

MEDIUM-TERM PRIORITIESTo ensure, corresponding to the provided by the acquis, protection of the interests of the participants in the trade turnover in the process of transformation of companies

To that end, a new **Law amending and supplementing the Commercial law** will be elaborated, by which the legal regulation of transformation of companies (mergers and divisions) will be further improved by means of full harmonization with the provisions of the **Third Council Directive 78/855/EEC** concerning mergers of public limited liability companies and **Sixth Council Directive 82/891/EEC** concerning the division of public limited liability companies.

Accession to the Lugano Convention

Accession to the Lugano Convention of 16 September 1988.

Introduction of the European Economic Interest Grouping

Introduction of the European Economic Interest Grouping into Bulgarian Legislation.

ADMINISTRATIVE CAPACITY

The reform of the judicial system and the improvement of the operation of the judicial power is a key element in Bulgaria's strategy for accession to the EU. In this regard continues the work to reinforce the judicial system, including in the field of company law.

The main body to monitor the application of the commercial legislation is **the Court**. The registration of the commercial companies, as well as the entry of the corresponding circumstances, required by law and the changes with respect to the commercial companies and their branches are made by the **District Courts**, which maintain a **commercial register**. Twenty-eight district courts are functioning in Bulgaria at the moment and they operate in accordance with the Commercial Law, CPC and Regulations No14 for entering and keeping the registers.

In view of increasing the efficiency of the law enforcement special attention is devoted to measures for improving the qualification of judges and administrative personnel, including their training in EU Law, case law matters and EU judicial practice. In this respect, it should be mentioned that the **Centre for Training of Magistrates** (established in 1999) operates effectively.

FINANCIAL NEEDS

As the Ministry of Justice is financed mainly by the State budget, additional funding within the framework of the Phare programme or other resources (bilateral projects) is needed in view of the functions of the Ministry in respect of the implementation of the Judicial Reform and its leading role in the adoption and application of the new legislation in the field of company law.

Additional financial resources are needed for strengthening the capacity of the judicial system for the purpose of increasing its ability to transpose and implement the *acquis communautaire*, including the application of the new commercial legislation (bankruptcy procedures) and the international conventions.

EXPECTED RESULTS

The new legislation in company law eliminates the differences between our legal regulation and the EU legislation. As a final result this will ensure favourable conditions for the economic activity of commercial companies through affording optimal protection of the interests of shareholders, creditors and third parties, adequate to the protection afforded within the EU.

The approximation of the Bulgarian commercial legislation and practice with the EU legislation is a prerequisite for the creation of better environment for the activity and competitiveness of economic actors (both Bulgarian and foreign) and to increase foreign investments.

ACCOUNTANCY

CURRENT SITUATION

The basic legislative acts governing accountancy matters are: the Accountancy Law, the National Accounting Standards, and the National Chart of Accounts.

Currently our legislation is, generally, in line with the European Directives in this field. In particular, it is harmonised with the **Fourth Council Directive 78/660/EEC** (amended by **Directive 99/60**) on the annual accounts of certain types of companies and the **Seventh Council Directive 83/349/EEC** on consolidated accounts. With the Law on Accountancy and the Regulations on the application of Chapter VIII of this Law "Conferring degrees to chartered accountants" the requirements of the **Eighth Council Directive 84/253/EEC** on the approval of persons responsible for carrying out the statutory audits of accounting documents, are introduced.

Directive 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions and **Directive 91/674/EEC** on the annual accounts and consolidated accounts of insurance undertakings were taken into account when elaborating the National Accounting Standards – NAS 30 (on accounts of banks) and NAS 14 (on accounts of insurers).

Between May 1999 and March 2000, on the basis of by-laws (secondary legislation), were adopted a total of 13 (thirteen) new or revised national accountancy standards.

These National Accounting Standards were developed in compliance with the requirements of the latest amendments and supplements to the International Accountancy Standards in force as of 1 January 1999.

At present, 27 of a **total of 34 national accounting standards**, have been developed on the basis of the respective international accounting standards and 7 of the national accounting standards, which have no analogue amongst the international standards, regulate particular elements subject to accounts.

The latest amendments and supplements to the national accounting standards as well as the amendments to the National Chart of Accounts **entered into force as of 1 January 2000**.

SHORT-TERM PRIORITIES

Analysis of the exact degree of conformity between the Bulgarian accountancy legislation and the relevant Directives

Throughout the current year, an overall review and analysis of the implementation of the EEC Directives (**IV, VII, and VIII**) in the national accountancy legislation will be carried out for the purposes of effecting a precise and thorough conformity assessment.

The preparation of a draft national accounting standard for devaluation of assets - analogous to IAS 36 and a draft for new NAS 15 (accounts of investment companies) is planned, pursuant to the newly adopted Law on Public Offering of Securities (in force as of 31 January 2000).

MEDIUM-TERM PRIORITIES

Elaboration of eventually necessary amendments of the national accountancy legislation

On the basis of the conformity assessment results will be elaborated, if necessary, amendments to the national accountancy legislation. There is readiness to modify accordingly the national accountancy legislation in force, if and when the Directives of the European Community are amended or the international accounting standards are changed or supplemented.

ADMINISTRATIVE CAPACITY

The structure engaged in the development and implementation of priorities in the field of accountancy is the **Commission on Accountancy Legislation (CAL) at the Institute of Bulgarian Chartered Accountants** (on the basis of amendment to paragraph 8 of the Additional provisions of the Accountancy Law).

The Commission has the following competencies: to draft amendments to the Accountancy Law necessitated by the requirements for conformity of national legislation with EC directives; to develop new national accounting standards, as well as amendment to the existing, on the basis of the International accounting standards; to update the national Chart of Accounts; to develop guidelines on the application of the national accounting standards by the enterprises in the real sector; to provide methodological assistance to enterprises, ministries and agencies with the implementation of the accountancy legislation.

FINANCIAL NEEDS

The Ministry of Finance is funded basically by the state budget. Additional financial resources will be needed, in particular for the translation of the respective new legal acts in the field of accountancy and for the practical training of accountants and chartered accountants in EU law.

EXPECTED RESULTS

The approximation of Bulgarian accountancy legislation with the European law and practice has the objective to make the information published by commercial companies identical and comparable, and as final aim - to create favourable conditions for protection of foreign investors adequate to the European law.

INTELLECTUAL PROPERTY - COPYRIGHT AND RELATED RIGHTS

CURRENT SITUATION

The **Law on Copyright and Related Rights (LCRR) in force** corresponds to a large extent to the European instruments in this field, in particular to the **Directive 91/250/EEC** on the legal protection of computer programs, **Directive 92/100/EEC** on rental right and lending right and on certain related rights in the field of intellectual property, **Directive 93/83/EEC** on the co-ordination of certain rules concerning copyright and rights

related to copyright applicable to satellite broadcasting and cable retransmission, **93/98/EEC** on harmonising the term of protection of copyright and certain related rights and **Directive 96/9/EC** on legal protection of databases.

The Law amending and supplementing the Law on Copyright and Related Rights was adopted by the National Assembly on 22 March 2000. The law is promulgated in State Gazette No. 28/04.04.2000 and comes into force from 6 May 2000. The law is designed to fully introduce the requirements of the European directives and regulations in this field with the exception of the *sui generis* right of makers of databases.

As regards the **practical implementation of the Law on Copyright and Related Rights**, more and more attention is being paid to issues connected to broadcasting and cable transmission of radio and TV programmes. In July 1999, a Memorandum was signed in Sofia on regulation of copyright and related rights for simultaneous cable retransmission of TV programmes, as well as a text of a Global Contract for simultaneous cable retransmission of a total of 37 programmes of public and private European television companies. The Memorandum and the Contract were signed by the organisations for collective management of copyright - MUSICAUTHOR, THEATERAUTHOR and FILMAUTHOR, and by AGICOA - Association of Group International Control of Audiovisuals, EBU - European Broadcasting Union, and VPRT - Association of German Private Television Companies. The holders of the rights shall conclude contracts with each cable operator separately and shall be represented by MUSICAUTHOR.

SHORT-TERM PRIORITIES

To ensure a level of protection of copyright and related rights corresponding to the level of protection afforded in the EU.

To ensure a level of protection of copyright and related rights corresponding to the level of protection afforded in the EU, by means of introduction of the relevant *acquis* requirements.

To enhance the efficiency of the application of the Law on Copyright and Related Rights in force.

MEDIUM-TERM PRIORITIES

To ensure efficient practical implementation of the Amended and Supplemented Law on Copyright and Related Rights.

To determine an optimal way for regulating the specific (*sui generis*) right in favour of the makers of database and its implementation into the national legislation.

ADMINISTRATIVE CAPACITY

The main law-enforcing institution with respect to Copyright and Related Rights Law is the **Ministry of Culture**. It has the following functions:

it exercises on behalf of the State the copyrights of authors in absence of heirs (until the expiry of the term of protection of copyright);

it maintains a register of the organizations for collective management of copyrights, which includes: "Music-author", "Film-author", "Theatre-author", "Prophone", "Artist-author", the Architects Union, Isa-art, Bulgarian Performers Association; the Photographic Academy, Photographic Information Centre, ART PRO MUSIC, the Union of translators in Bulgaria, SOFTAUTHOR;

It maintains a register of the names of artistic groups;

It performs the functions of an administrative law-enforcement body with respect to violations of copyright and related rights.

The Ministry fulfills the above-mentioned functions mainly through its "**Copyright**" Directorate, whose activities are carried out effectively depending on the personnel and technical equipment available.

In a penal law aspect, in connection with the application of article 172a of the Penal Code, employees of the Ministry are charged with the preparation of expert opinions in pre-trial cases involving criminal offences against intellectual property rights.

With respect to the application of the Law on Copyright and Related Rights, **the role of NGOs, such as the Authors' organisations**, is very important. In Bulgaria such organisations are "Music-author" (association of composers and authors for collective management of copyrights by public performance and mechanical recording), "Film-author" (association of authors of films and other audio-visual works), "Theatre-author"

(association of authors of drama and translators), "Prophone" (association of producers of phonograms), "Artist-author" (association of the performing artists), The Architects Union (association for management of architects' copyrights), Isa-art (association for collective management of copyrights in visual arts), Bulgarian Performers Association (association of performing artists); the Photographic Academy and the Photographic information Centre (associations of authors of photographic works); SOFTAUTOR (association of authors of computer programs); ART PRO MUSIC (association of performing artists, producers of phonograms and radio and TV organizations); the Union of Translators in Bulgaria.

For the purposes of collecting compensatory remunerations in case of copying of protected items for personal use, it will be created a new organization of right holders. It is also possible to entitle already existing collective management rights organization to fulfil such obligations.

The Council on Protection of Copyright and Related Rights at the Council of Ministers also plays an important role in co-ordinating the functions and the activities undertaken by the state institutions and the NGOs for the effective law-enforcement of copyright and related rights.

As law-enforcement authorities in this field act the **police authorities** (controlling the observance of the LCRR), the **investigation services** and the **courts** (civil, penal and administrative-penal cases involving infringements of copyrights and related rights). The **General Customs Directorate at the Ministry of Finance**, with the implementation of the measures for border enforcement of IPR legislation, is envisaged to play still greater role.

FINANCIAL NEEDS

The Ministry of Culture, in particular the "Copyright" Directorate, is financed from the state budget, and the approximate amount of funds needed till the end of the current year is 1 million EURO.

The organisations for collective management of copyright and related rights are registered as non-profit organisations and their financial resources come from percentage deductions from the fees collected by them (see the Table to Short-term Priority Objective "TO ENSURE A LEVEL OF PROTECTION OF COPYRIGHT AND RELATED RIGHTS CORRESPONDING TO THE LEVEL OF PROTECTION AFFORDED IN THE EU").

The court and customs activities, in connection with copyright protection, should not be considered separately and aside from their remaining functions. That is why a separate funding of these activities is neither necessary nor practically possible.

The Council on Protection of Copyright and Related Rights is not an independent body – it is a consultative body and it is not envisaged to have a separate budget.

EXPECTED RESULTS

As a result of the application of the measures on the short-term priority objectives in the field under consideration, the enactment of the Law Amending and Supplementing the Law on Copyright and Related Rights will improve the opportunities for exercising the rights of authors. By extending the term of protection from 50 to 70 years and the range of subjects of related rights, the possibilities to exercise the corresponding rights increase. The mandatory requirement that permission for retransmission of the products and objects of related rights by cable should be given only by the organisations for collective management of rights, to which the cable operators should be accountable, will curb the illegal use of products. The adoption of a legal instrument (an act of secondary legislation), determining the rules and procedure for collection of compensatory remunerations for copying for personal use will ensure the actual collection of the sums due and their distribution among the entitled persons.

The application of the measures for **border enforcement** of intellectual property rights, will consolidate the results achieved in combating the illegal use and will reduce to a minimum the possibilities for trade with faked or pirated goods. It will guarantee the protection of the interests of database makers and will ensure the undisturbed use of these databases by third parties.

INDUSTRIAL PROPERTY

CURRENT SITUATION

As regards the protection of industrial property rights Bulgaria to a considerable extent has succeeded in the transposition of EU law in the national legislation.

At the moment, the state of the legal regime for the protection of rights in industrial property in the Republic of Bulgaria is as follows:

In the patent field, the **Patent Law** was enacted on June 1st, 1993. It ensures the protection of all inventions subject to patent in any field of technology, consistent with the standard determined by the European Patent Convention (EPC) from October 5, 1973, and the legislation of the EU Member States. Pursuant to Article 67 (2) of the Europe Agreement on the association of the Republic of Bulgaria, the country declared its intention to join the EPC and in 1998, our country was accepted as observer in the Administrative Council of the European Patent Organisation (EPO). Thus an important step was made in the process of accession to the European structures. In 1999 an invitation was extended to our country to join the EPC as of July 1, 2002. This is an act of particular importance in view of attracting foreign investments and gaining positions for the Bulgarian industrial goods on the European market.

The 1997 **Law on Protection of New Sorts of Plants and Animal Breeds** is in conformity with the **Council Regulation 2100/94/EC** and with the principles of the International Convention for the Protection of Plant Variety (UPOV).

In September 1999 the National Assembly adopted the following laws: The Law on Industrial Design, the Law on Marks and Geographical Indications and the Law on the Topology of Integrated Circuits, which entered into force as of 15 December 1999. These laws are in conformity with the relevant legislation of the EU Member States, the EC Directives and the international practice.

Parallel to the adoption of the Law on Industrial Design, the Law on Marks and Geographical Indications, and the Law on Topology of Integrated Circuits in end of 1999 the Patent Office drafted and the Council of Ministers adopted on 30 December 1999 **Regulations for drafting, filing and examination of the applications for registration of industrial design** and **Regulations for drafting, filing and examination of the applications for registration of marks and geographical indications**. These Regulations came into force on 7 February 2000.

With the entry into force of the Laws on designs, on marks and geographic indications, on topology of integrated circuits and of the respective regulations concerning their application, the 1999 priority targets in the field of industrial property were fulfilled.

SHORT-TERM PRIORITIES

To ensure the efficient application of the Law on Industrial Design, the Law on Marks and Geographical Indications, and the Law on Topology of Integrated Circuits

This objective aims at guaranteeing the efficient application of the newly adopted Laws – the Law on Industrial Design, the Law on Marks and Geographical Indications, and the Law on Topology of Integrated Circuits. The objective will be reached through the application of the adopted regulations, improvement of the work organisational aspects as far as the granting of protection by the Patent Office is concerned, automatization of examination procedures and training of the experts. Identified is the need of establishing a specialised unit to deal with infringements of rights and of creating new jobs for the implementation of the new functions assigned by the laws.

To ensure the effective application of border measures

To ensure the effective application of border measures set out in the Law on Industrial Design and in the Law on Marks and Geographical Indications. Envisaged is the adoption of a piece of secondary legislation by the Council of Ministers concerning border measures for the protection of intellectual property rights, providing for detailed regulation on the rules and procedure for their implementation.

MEDIUM-TERM PRIORITIES

To expand public access to information in the field of industrial property

To expand public access to information in the field of industrial property from member-countries of World Intellectual Property Organisation, including EU Member states.

To that end is envisaged the preparation and adoption by mid 2001 of Laws on accession of the Republic of Bulgaria to a number of international treaties and agreements in the field of protection of industrial property – the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, the Vienna Agreement establishing an International Classification of the Figurative

Elements of Marks, the Locarno Agreement Establishing an International Classification for Industrial Designs, the Strasbourg Agreement Concerning the International Patent Classification.

To alleviate the regime of receiving international protection of rights on marks and industrial design

By mid 2001 is envisaged the drafting and adoption of the following laws:

Law on accession of the Republic of Bulgaria to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks; and
Law for Ratification of the Geneva Act to the Hague Agreement Concerning the International Deposit of Industrial Designs.

To regulate and create implementation mechanisms concerning the European patent in the territory of the Republic of Bulgaria.

To regulate and set up implementation mechanisms concerning the European patent in the territory of Bulgaria, in view of the future accession of our country to the European Patent Convention in 2002. The regulatory framework will be provided through amending and supplementing the Law on Patents (to enter into force by 1 June 2002). Identified is the need to create additional mechanisms for improvement of the judicial system for the purposes of protection of rights afforded under the European patent in Bulgaria.

To afford supplementary protection through certificate issued to medicinal products and to plant protection products.

It is envisaged to introduce this type of supplementary protection upon accession of the Republic of Bulgaria to the EU.

ADMINISTRATIVE CAPACITY

The **main law-implementing authority body** in respect of the Patent Law, the Law on Marks and Geographical Indications, the Law on Industrial Design, the Law on Topology of Integrated Circuits and the Law on Protection of New Sorts of Plants and Animal Breeds, is **the Patent Office**.

The laws on industrial design, marks and geographic indications, and topologies of integrated circuits entrusted to the Patent office new functions and activities concerning the granting of protection to new (for our legislation) objects. Thus, the activities of the Patent Office in seeking administrative–penal responsibility for industrial property rights infringements were expanded. In connection with these new functions and the greater competencies of the Patent Office, its administrative capacity must be enhanced and new job positions must be opened in order to ensure the granting of legal protection to the new objects and to establish a separate unit dealing with infringements of rights and with imposition of administrative-penal sanctions.

Technical assistance is needed – the Patent Office officials should be trained and should study the experience of EU experts in view of the functioning and organisation of the units dealing with granting of protection on industrial property rights, in accordance with the regulations and the provisions of the new laws and the expected accession to the European Patent Convention. There is a need for technical assistance for the production process automatization and for provision with software.

The police, the investigation and the court act as law enforcement structures in the field of industrial property rights protection. With the introduction of border control measures as regards goods, manufactured or traded, in violation of the industrial property rights, the role of the **General Customs Directorate at the Ministry of Finance** is also increased. Implementing measures should be taken in respect of the activities envisaged by the Laws.

In view of co-ordinating the functions and the activities of the law-enforcement structures in the field of intellectual and industrial property, the **Council on Protection of Copyright and Related Rights at the Council of Ministers** should expand its scope of activity and also cover the protection of the objects of industrial property rights.

FINANCIAL NEEDS

The Patent Office is a budget organisation, financed entirely by its own budget revenues (state fees) that are an inseparable part of the consolidated state budget.

The need of additional funds for the application and effective functioning of the measures planned for 2000-2002 is estimated at 55 000 (fifty five thousand) EURO per year. The funds are needed for the reimbursement

of newly appointed experts, for organising a special unit to deal with claims of infringements and with imposition of sanctions, for automatization of the production process, as well as for training of the Patent Office experts and studying foreign experience.

There is a need for funding the technical assistance to be rendered to the employees of the other law-enforcement authorities – the court, the police and the customs bodies. These funds should be envisaged under the corresponding chapters concerning the status and the necessities of these structures.

EXPECTED RESULTS

The legislative and organisational measures described above set up a modern system of protection of industrial property, which meets the requirements of the international standards, the European Community and the World Trade Organisation, in particular, TRIPS. These measures are an important premise for Bulgaria's integration into the European structures. Under the conditions of a market economy, the trademarks of undertakings (i.e. of manufacturers and merchants) are one of their most important assets. The ensured protection of industrial design in a new way will stimulate the Bulgarian production sector and will contribute to creating a favourable climate for attracting foreign investors and will sharply increase the quality of goods. The regulation of topologies of integrated circuits, as an object which thus far has not been protected, will guarantee the rights of Bulgarian and foreign inventors of topologies of integrated circuits, which is a prerequisite for increased transfer of know-how and technologies for the semi-conductor products. In parallel it is expected that the legislation in the field of industrial property will stimulate innovation activities and competitiveness of Bulgarian companies and enterprises and will serve as one of the main incentives to activate the industry and to attract foreign investments.

6. COMPETITION AND STATE AID**COMPETITION****CURRENT SITUATION**

The Bulgarian legislation is harmonized to a high degree with the *acquis* in the area of competition. The legislative framework includes: The Law on the Protection of Competition (LPC), in force since May 12, 1998, the Methodology on the Investigation and Definition of the Market Positions of Undertakings on the Relevant Market, The Rules of Organization and Procedure of the Commission for the Protection of Competition, The Rules applicable to Undertakings stipulated in Art. 64 of the EAA.

These acts create a good basis necessary for the implementation of an efficient competition policy in Republic of Bulgaria.

During the period May 1999 - April 2000, new legislation on the LPC's implementation has not been adopted. In March 2000 the Methodology on the Investigation and Definition of the Market Positions of Undertakings on the Relevant Market was amended with a Form for notifications in accordance with Art. 20 of the LPC. The aim of this amendment is to help the authorities that grant state aid to file notifications for projects for such aid. They will be informed what kind of information does the CPC need when evaluating the compatibility of the granted aid.

An efficient implementation of the legislation in the area of competition is continuing. Because of the extremely harmful results of the secret agreements for the market, the CPC starts investigations by its own initiative and monitors very carefully the price cartels and market sharing. The number of notifications for concentration of economic activity has risen. Most of these notifications are connected with big privatisation contracts.

The administrative structure of the CPC was strengthened during the period May 1999 - April 2000, by creating a "State aid" division. The division's functions are to examine notifications for granting of state aid in accordance with Art. 20 of the LPC and preparing projects for decisions of the CPC on the compatibility of the state aid with the EAA.

No international agreements were signed during the period May 1999 - April 2000.

Six EU acts have been translated by that moment but this is not an official translation. The European Commission put in its Screening 60 EC measures in the competition area. Resources for translation are provided in the short-term and medium-term priorities through the state budget.

In order to raise the qualification of the employees working in the area of competition, a three days seminar on the control on the concentration of economic activity was held in November 1999. This seminar was organized in cooperation with the General department on competition in the Ministry of economy, finance and industry of France. Five servants of the CPC were in France for training under the same program. In March 2000, the American Bar Association- Central and Eastern Europe Law Initiative realized a one-month programme for helping Bulgaria in the field of protection of competition. A seminar on the subject "Cartels and other horizontal agreements, forbidden by the Competition law" was held in the frame of that programme. Experts from the CPC, judges from the Supreme Administrative Court and lawyers were invited to participate.

SHORT-TERM PRIORITIES

The priorities are in accordance with the "Accession partnership" 1999 and with the recommendations in the European Commission's regular report on Bulgaria's progress towards accession.

Ensuring efficient implementation of the competition legislation.

This aim will continue to be a priority in year 2000. CPC will continue to pay particular attention to the forbidden agreements and concerted practices as well as to the control of the activities of the state monopolies of a commercial character and the undertakings with special and exclusive rights.

Harmonization of the legislation regulating the activities of the state monopolies of a commercial character and undertakings with special and exclusive rights.

This aim is in accordance with the recommendation in the EC's report on Bulgaria's progress towards accession to continue the efforts for liberalization of the state monopolies of a commercial character and the undertakings with special and exclusive rights in accordance with Art. 86 of the Amsterdam treaty. As a result,

the activity of these undertakings will be in accordance with the competition rules, the relevant markets will open for a competition and there will not be barriers for entering of new players in these markets.

Further harmonization of the Competition law with the EC rules.

Regardless of the high level of harmonization, there are still some differences between the provisions of the Law on the Protection of Competition and the competition law in the European Union. The development of the EC legislation and the need of eliminating some failings of the Law on the Protection of Competition require this aim.

The LPC has a provision (Art. 14) establishing a possibility for block exemptions of some categories of agreements and concerted practices.

The new EC Regulation in the area of block exemptions was promulgated on the 29. 12. 1999. The CPC will also create and adopt a decision for block exemption and in this way will fulfil the recommendation for accepting the EU secondary legislation in that area.

MEDIUM-TERM PRIORITIES

Further harmonization of the competition law with the EC rules.

The CPC's activities on the adoption of EU law in the area of block exemptions of some categories of agreements will continue. These agreements are mainly: contracts for distribution of motor vehicles; for research and development; for specialization; agreements in the insurance sector; for transfer of technologies.

As a lot of EU acts regulate specific problems of competition in the different sectors, CPC experts will take part in preparing of projects for secondary legislation and opinions on projects in different economic sectors.

Ensuring effective implementation of the new competition legislation.

Bulgaria will continue the work for ensuring the effectiveness of the legislation's implementation during the pre-accession period.

ADMINISTRATIVE CAPACITIES

The Commission for the Protection of Competition is an independent budget-financed authority. It employees 83 persons as follows:

- 11 members of the Commission, elected by the National Assembly;
- 1 secretary general
- 14 technical staff;
- 7 information department;
- 50 employees (lawyers and economists) in various specialized departments.

The European Commission approved the joint project of the CPC and the Ministry of Finance under the PHARE programme-1999. This project aims to strengthen the administrative capacity of Bulgaria to manage the acquis in the area of competition and state aid. The project will be realized in 2000-2001. The professional development of the employees will be realized through participating in seminars, consultations on cases, qualification courses, study visits in Member states and cooperation with short-term and long-term consultants from relevant institutions of the European Commission and from the Member States.

FINANCIAL NEEDS

In order to implement the measures aimed at achieving the short-term and medium-term priorities the following financial resources will be needed:

For the implementation of the short-term priorities (2000) - a total of EURO 0.077 mil, including:

- from the state budget - EURO 0.065 mil.
- from PHARE – EURO 0.012 mil
- other sources - not planned.

For the implementation of the medium-term priorities - a total of EURO 0,993 mil, including:

- from the state budget – EURO 0,005 mil
- from the PHARE program– EURO 0,988 mil
- other sources - not planned.

There will be a training for CPC experts who work on the notifications for granting of state aids. This will be in accordance with Art.20 from the LPC for realizing control on the new aids. There is EURO 0,134 mil planned for realization of this measure from the total amount of EURO 0,988 mil. This financial resources are pointed in Priority Objective No 5 from the chapter "State aids", medium-term priorities.

EXPECTED RESULTS

Enhanced capacity of the Commission for the Protection of Competition to implement effectively the new competition-related legislation.

Economic operators will start performing under the same rules, and their equal treatment will be guaranteed. Economic entities will be aware of their rights and obligations as stipulated by the law, as well as of the role of the Commission on the Protection of Competition in solving individual cases.

Awareness on the part of the Commission members, the judges from the Supreme Administrative Court and the prosecutors of the Supreme Administrative Prosecutions Office charged with ruling on complaints against decisions of the Commission for the Protection of Competition, of the EC competition legislation.

Liberalization of the markets in the regulated sector - transport, telecommunications and energy.

STATE AID

CURRENT SITUATION IN BULGARIA

Between May 1999 and April 2000 the Ministry of Finance continued its activities as the state institution charged with the monitoring of the state aid in the following directions:

The existing regulations on the management of aid for the energy and the internal transport sectors, issued by the Ministry of Finance, have been updated. This legislation includes: The Ordinance for ruling of the current activities' subsidies, granted from the state budget for the Energetics and The Ordinance for ruling of the current activities' subsidies, granted for the urban transport and for the transport in less populated mountain and border regions- both issued by the Ministry of Finance.

In the period October 1999 - January 2000 a programme updating and testing of the new version of the database of the state aid inventory, comprising the granted aids for the period 1996-1998 has been done. The database is elaborated in whole on the basis of "Microsoft Access 97", simultaneously using Microsoft Word.

At present the data is being updated with the reported data for the state aid, granted in 1999, which will be used for the preparation of the Annual report on state aids for 1999, submitted to the EC.

At the moment, the "State aid" department is working on the Annual report on state aids, granted in 1999.

The Implementing Rules for the application of the provisions on state aid referred to in Art 64 of the Europe Agreement, have been approved by the Council of Ministers and submitted to the Association Council for adoption.

The need for translation of the numerous EC Acquis on state aid in Bulgarian makes difficult and slows down the work on the approximation of Bulgarian legislation in conformity with the legal norms of the EC. Up to the present only three documents on state aid have been translated: the Community Guidelines on state aid for rescuing and restructuring firms in difficulty, Council Regulation laying down detailed rules for the application of Article 88 of the EC Treaty, Commission Directive on the transparency of financial relations between member states and public undertakings. About 35 EC legal acts are awaiting translation.

The monitoring authority is doing the preliminary work on the implementation of the State aid PHARE project, through twinning with a consortium of state aid authorities from United Kingdom, Austria and Spain, which will start in the end of 2000. The project is designed to help the approximation of the Bulgarian legislation on state aid, the institution building of the state aid monitoring authority and the creation of a national state aid monitoring system.

SHORT-TERM PRIORITIES

The short-term priorities in state aid area correspond to the requirements proceeding from the "Accession Partnership" and indicated in the 1999 Regular Report from EC on Bulgaria's progress towards accession.

Development of the legislative framework in compliance with the Acquis in the area of state aid.

There will be an elaboration of new normative documents for regulating of specific problems of state aid in compliance with the EC Acquis and the accepted practice in the European Community (regulations, guidelines, directives, etc.)

The approximation of Bulgarian legislation in conformity with the Acquis on state aid will be accelerated by the expected implementation of a two-year state aid-twinning project through PHARE programme, to start about the end of 2000.

The necessity of adopting a general state aid law will be estimated after taking the competent opinion of EC legal advisers during the implementation of the PHARE state aid project.

Seminars for training the representatives of interested ministries, institutions, regional administrations, and others with the objective to acquaint them with the requirements of the EC Acquis on state aid will be organized if the necessary funding will be provided.

Institutional strengthening of the state aid monitoring authority.

With a view to strengthen the administrative capacity of State aid department of Ministry of Finance, the monitoring state aid body on a national and regional level, recruitment of additional staff is planned. The officials of the State Aid department continue their training on the in order to be able to comply with the necessary requirements and procedures related to their activities. Visits of EU experts organized by TAIEX are planned for advising on various issues from the practical activity on the monitoring of state aid. The state aid PHARE project will contribute to the further institutional strengthening.

Creation of a system for monitoring of state aid, including a national and a regional information system.

The system for monitoring of state aid, including the information system, is still in a process of creation. The system is planned to encompass all sectors of the economy and all regions of the country. It will be used to collect, process and retrieve the data necessary for the annual reports, for inventories, for notification and for activities related to specific cases of state aid. The future transformation of the system into a unified computer network will allow to speed up and enhance data exchange.

It is also planned to proceed with the training of experts from the line ministries and from other state organizations and regional administrations, which are incorporated in the state aid monitoring system.

MEDIUM-TERM PRIORITIES

Development of the legislative framework for the adoption of the Acquis in the area of state aid.

The adoption of new normative documents, regulating specific problems in the area of state aid in accordance with the EU secondary legislation and the practice of the European Commission will continue the harmonization of the legislation with the acquis.

The Implementing Rules and the special guidance will be also applied. The training of the experts engaged in the state aid monitoring system will continue by seminars on the requirements of the Acquis and the new and amended Bulgarian normative documents. The EC Acquis and the approximated Bulgarian legal acts will be provided to the relevant administrative and judicial structures.

Institutional strengthening of the state aid monitoring authority.

The institutional strengthening of the State aid department of the Ministry of Finance will be continued. It is planned the department to be transformed in a directorate with an increased number of employees. The qualification of the personnel will be upgraded by means of seminars, training courses, study visits to EU members states, advising by EU experts on practical cases, obtaining of specialized publications, working contacts with representatives of the EU and of similar institutions in the EU members states.

Development of a national system for the monitoring of state aid.

The system will incorporate the Ministry of Finance, the Commission for the protection of Competition, the Central Statistical Institute, the line ministries, and the regional administrations.

Raising the level of awareness in the area of state aid within the state administration, the non-governmental organizations, the business and other interested institutions

In order to raise the level of awareness of the issues related to state aid a series of seminars will be organized for representatives of the state administrations, of NGOs and regional administrations. The necessary reference materials and specialized publications will be provided. The problems identified during the normal process of monitoring of state aid will be periodically made public in order to enhance the transparency of the whole process (e.g. publishing of annual reports, press- conferences, opening Internet site, etc.

Ensuring effective state aid control.

The control will be realized by examining the notifications about state aid projects and adopting decisions on these notifications in accordance with Art. 20 from the LPC.

ADMINISTRATIVE CAPACITY

The Ministry of Finance was charged with the monitoring functions of state aid at a national and at a regional level by the Council of Ministers' Decree No. 29/25.02.1991 repealed by Decree No.215/29.11.1999 on the main functions and tasks set for the Ministry of Finance. According to the Implementing Rules on the application of the provisions related to state aid, the Ministry of Finance is the state aid monitoring authority.

A State aid department was created within the Ministry of Finance. Currently the department employs 6 persons with university degrees in economy and with experience in economic activities. According to the medium-term strategy for the institutional strengthening of the Ministry of Finance, the personnel of the department will be increased. The professional development of the employees will be enhanced by means of seminars, training courses, advising on practical issues by experts from the respective institutions of the European Community and the European Union member- states.

In line with its major functions and prerogatives, the monitoring authority collects data and monitors the state aid granted on a national and a regional level. (by means of constant updating of the state aid inventory). Moreover, the department is engaged in research, analyses and assessments of state aid applications, and maintains contacts with the respective offices of the European Commission dealing with state aid, including the drafting of annual reports and notification on state aid, their inventory etc. The State aid Department is performing also as a consultant authority on issues related to state aid during the drafting process of the state budget in close coordination with the other state institutions.

FINANCIAL NEEDS

The following financial resources are needed for the implementation of the measures initiated to achieve the short- and medium-term priorities:

For the purposes of the short-term priorities (2000) – a total of EURO 0.207 mil., allocated as follows:

- from the state budget - EURO 0.007 mil
- from the PHARE program – EURO 0.180 mil
- from other sources – EURO - 0.020 mil
- For the purposes of the medium-term priorities - a total of EURO 0.825 mil
from the state budget – EURO 0,005 mln
 - from the PHARE program - EURO 0.820 mil
 - from other sources - not planned

EXPECTED RESULTS

A legislative framework harmonized with the state aid Acquis, as well as the effective application of this framework in practice.

Enhanced capacities of the state aid monitoring authority, ensuring the effective management on the mechanisms for allocation, monitoring and reporting in compliance with the relevant legal framework;
Improved knowledge on the part of the officials employed by the monitoring authority and by the institutions engaged in the system for monitoring and management of the state aid, of the related legislation and the practices of the EU member states;

Increased public awareness and a higher level of transparency on all issues related to the state aid - by means of information campaigns with the participation of various ministries, non-governmental organizations and regional administrations;

The maintenance of a state aid inventory, the preparation of annual reports and notifications conformable to the EC requirements;

Created system for monitoring of the state aid at a national and at a regional level.

7. AGRICULTURE

Bringing the agricultural legislation and administrative structures in line with the requirements of the acquis is of key importance for Bulgaria's accession to the European Union.

ECONOMIC ASPECT**CURRENT SITUATION**Completion of the land restitution

1999 witnessed the completion of the land restitution process creating favourable conditions for effective management of land and promotion of a healthy land market, thus providing the basis of sustainable agricultural growth.

Forest ownership restitution

Forest ownership restitution was launched in 1999. The country's total forest fund covers 38.8 million decares. Restitution claims have been lodged for about 6 million decares of private forests and around 6 million decares of municipal forests. Detailed rules and mechanisms of tendering, pricing and forest division by areas and lots have been drafted.

Cooperatives Act

The new Cooperatives Act was adopted in 1999.

Accelerated privatisation

As of December 31, 1999, the ratio of privatised fixed assets to total non-privatised assets of all companies under MAF as of January 1, 1996, amounted to 85%, excluding Napoitelni Sistemi plc. capital from total fixed assets, as irrigation facilities are subjected to a specific scheme of restructuring and management.

SHORT-TERM PRIORITIESForest ownership restitution

The restitution process will be completed by end-2000. Entry into possession through notary deeds will take place in early-2001. Some surveying and mapping-out activities will also be completed in early 2001.

Land Registry and Cadastre Act

The adoption of a land registry and cadastre act will provide for the establishment of a unified land ownership registry and cadastre that will provide the information infrastructure of a functioning land market.

Privatisation in agriculture and forestry

The privatisation of agricultural fixed assets is expected to be completed by end-2000. Privatisation of forestry assets will start by end-2000.

MEDIUM-TERM PRIORITIESEstablishing an agricultural sector meeting the EU economic criteria

Establishing a modern, efficient and competitive agricultural sector able to operate under the pressure of the EU market forces should be achieved by pursuing a strategic investment policy mobilising all available financial resources to provide for efficient implementation of the agricultural acquis.

Sustained agricultural and rural development

Promoting sustained agricultural and rural development in compliance with EU environmental protection requirements on the basis of stable rural communities, alternative employment, economic diversification and large-scale infrastructure is a key MAF priority.

Market and technological infrastructure adequacy

Achieving production, technological and market infrastructure adequacy is an important prerequisite for the effective market operation of the agricultural sector. It provides transparency of the business environment and boosts the development of the agricultural sector.

Over the period 2000 – 2005, MAF will encourage investment projects along the following lines:

- establishment of 10 wholesale markets of fresh fruit, vegetables and flowers;
- establishment of wholesale fish markets that will play the role of representative markets in the implementation of the common market organisation of fish and fishery products under the Common Fisheries Policy of the EU;

Water User Associations Act

The **Draft Water User Associations Act** lays down the rights and responsibilities of associations. It is of great importance for the maintenance and modernisation of the country's irrigation facility network as a specific element of agricultural production infrastructure. The act will stipulate the ways, conditions and terms of water use and exploitation of irrigation facilities by water user associations.

Reinforced structural adjustment of the agricultural and forestry sectors

Introduction of measures aimed at building rural infrastructures.

VETERINARY ISSUES

CURRENT SITUATION

Harmonisation of the legislation

The veterinary legislation adopted over the period May 1999 – April 2000 is as follows:

- Ordinance No 4 of 10.02.2000 laying down certain veterinary requirements of animal welfare during transportation (Official Gazette (OG) 16/2000);
- Ordinance No 13 of 06.07.1999 laying down minimum welfare requirements for laying hens in battery cages (OG 64/1999), coming into force on January 1, 2002;
- Ordinance No 26 of 5.11.1999 laying down minimum welfare requirements for pig breeding (OG 99/1999);
- Ordinance No 27 of 5.11.1999 concerning the reduction of animal suffering to minimum at the time of slaughtering (OG 99/1999);
- Ordinance No 28 of 5.11.1999 concerning prophylaxis and combat of African swine fever (OG 99/1999);
- Ordinance No 30 of 29.11. 1999 laying down minimum welfare requirements for calf breeding (OG 108/1999);
- Ordinance 31 of 29.11.1999 concerning certain general veterinary measures of prophylaxis and combat of zoonoses (OG 108/1999);
- Ordinance No 32 of 30.11.1999 concerning certain veterinary requirements and control of wholesale markets (OG 108/1999);
- Veterinary Act (OG 42/1999).

Animal identification

The ear-tagging of large ruminants has been completed in the country's 28 districts. Animal passports have been issued. The HQ of NVS has been equipped with two computer servers while its regional offices in the border regions have been supplied with associated computer equipment and software.

SHORT-TERM PRIORITIES

Harmonisation of the legislation

The following legal measures will be drafted:

Ordinance on veterinary and sanitary control of minced meat production and semi-finished meat products aimed at the alignment of measures with Dir EC 94/65.
 Ordinance on the identification of breeding sheep, goats and pigs.
 Ordinance laying down certain veterinary and sanitary requirements for poultry slaughterhouses; processing and placing on the market of fresh poultry meat
 Ordinance on ovine and caprine brucellosis control
 Ordinance on bovine brucellosis control.
 Ordinance on bovine leucosis control.
 Ordinance laying down certain principles of border veterinary control of live animal imports into Bulgaria
 Ordinance laying down main principles of border veterinary control of animal product imports into Bulgaria
 Ordinance concerning certain general measures of animal health protection under modern intensive farming practices
 Ordinance laying down certain health rules of production and trade in heat-treated raw milk and milk products
 Ordinance prohibiting the use of certain substances of hormonal and thyrostatic effect on animals.
 Ordinance laying down maximum permitted residues of veterinary medical products in food products of animal origin
 Ordinance laying down minimum hygiene requirements for fishery products processed on board certain fishing vessels (article 3(1)(a)(i) of Directive 91/493)
 Ordinance laying down certain health requirements for marketing of the products of aquaculture
 Ordinance on fish diseases
 Specification of certain detailed rules of health checks carried out by owners of establishments producing products of animal origin intended for human consumption (article 62, p. 4 of the Veterinary Act)
 Ordinance on veterinary check and health control funding.
 Ordinance on avian salmonellosis prophylaxis and combat

Administrative Capacity Reinforcement

Establishing a unit responsible for animal identification and holding registration under NVS. Authorisation of animal health units to exercise animal welfare control.
 Setting up a Certification Dept. (animals and products of animal origin) under NVS
 Establishing a system of certification
 Negotiations with the EU on the introduction of the ADNS Disease Notification Information System in Bulgaria
 Establishment of an information system catering for the identification of large ruminants and animal holding registration

MEDIUM-TERM PRIORITIES

Harmonisation of the legislation

Ordinance laying down certain health requirements relating to the production and placing on the market of live mussels
 Ordinance on equine diseases.
 Ordinance laying down certain requirements for trade in by-products (horns and hooves) and imports thereof for animal and human health protection
 Ordinance laying down certain hygiene requirements for the production of and trade in egg products.
 Ordinance laying down certain requirements for the production, sale and use of medically treated animal food.

Administrative Capacity Reinforcement

Training 15 specialists in animal welfare control and measures thereof.
 Introduction of the EU ADNS Disease Notification Information System
 Negotiations with the EC on the introduction of the ANIMO system
 Setting up a system of sheep and goat and pig identification and animal holding registration
 Further provision of equipment for 3 laboratories for residual analysis
 Equipment of 8 reference public health control laboratories
 Preparation of a project for Kapitan Andreevo veterinary check point which will function as the outer border of the EU following Bulgaria's accession to the Union
 Equipment of Kapitan Andreevo veterinary checkpoint and establishing a secure border with Turkey.

ADMINISTRATIVE CAPACITY

Current capacity under the NVS:

- CVCQI – Chief Veterinary Control and Quarantine Inspectorate;
- PHCD – Public Health Control Department;
- CLVSEE – Central Laboratory for Veterinary Sanitary Expertise and Ecology

A Breeding Control Dept. has been established reporting to the NVS since Jan 1, 2000

Capacity to be built under the NVS:

- An Animal Identification and Animal Holding Registration Dept. responsible for:
 - animal identification and holding registration information systems;
 - the ADNS Disease Notification Information System;
 - the ANIMO System of Exchange of Information between Bulgaria and the EU;
 - Certification Unit (animals and animal products) under the NVS;
- Public Health Control Laboratories:
 - 8 reference laboratories for control of food products of animal origin, feeding stuffs, etc.;
 - 3 laboratories for residual analysis of harmful substances in food products of animal origin.

FINANCIAL NEEDS

2000 – 2005 allocations amount to 7,6 MEURO.

ANIMAL NUTRITION**CURRENT SITUATION**

A Feeds Act (OG 82/1999) has been adopted bringing the country's legislation in the area of animal nutrition in line with the acquis. Detailed rules for its implementation are yet to be adopted.

Ordinance No 24 of October 20, 1999 (OG 106/1999) laying down certain procedures of approval and registration of animal food producers and traders provides some of the implementation rules.

SHORT-TERM PRIORITIESHarmonisation of the legislation

- Measures introducing certain requirements for circulation of raw feed material (Dir 96/25 and 82/471)
- Measures introducing certain requirements for animal food additives (Dir 70/524 and 96/51)
- Measures introducing the principles governing official control in the area for animal nutrition (Dir 95/53)
- Measures introducing certain requirements for animal food with special nutrition purposes (Dir 93/74)
- Measures laying down methods of analysis of animal food controls (Directives 71L0250, 71L0393, 72L0199, 73L0046, 74L0063, 74L0203, 76L0371, 76L0372, 78D0523, 78L0633, 81L0715, 84L0425, 93L0070, 93L0117)

Administrative Capacity Reinforcement

- Setting up a Department of Feeds Control (DFC) under article 6 of the Feeds Act
- Setting up an intergovernmental animal nutrition council of experts as an advisory body to MAF
- Equipment of a laboratory for feeds control under the DFC.

MEDIUM-TERM PRIORITIESHarmonisation of the legislation

- Ordinance regulating certain undesirable substances and products in animal food (Dir 74L0063, 91L0516)
- Ordinance on trade in compound feeding stuffs (Dir 79L0373, 80L0511, 82L0475, 91L0357)
- Ordinance on animal food energy value (Dir 86L0174, 95L0010)

Administrative Capacity Reinforcement

- Establishing a research and technology centre for feeding stuffs with a laboratory of its own at the Animal Food and Feeds Research Institute (FFRI) in the town of Konstinbrod
- Phased provision of equipment for the DFC laboratory for feeds control

Phased provision of equipment for a laboratory under the Feeds Research and Technology Centre (FRTC)
 Setting up a Department of Feeds Control (DFC)
 Establishment of a feeds research and technology centre with a specialised lab of its own;
 Setting up an intergovernmental animal nutrition council of experts as an advisory body to MAF

FINANCIAL NEEDS

About 1 MEURO of allocations are to be extended for lab equipment and consumables.

PHYTO-SANITARY ISSUES

CURRENT SITUATION

Harmonisation of the legislation

The legislation adopted over the period May 1999 – April 2000 is as follows:

- Ordinance N 15 on organic farming and marking of products (OG 75/1999)
- Implementation instructions under Ordinance N 5 on orchard rust disease restriction
- Introduction of phyto-sanitary passports

The above measures have been fully aligned with the acquis as follows:

Directives 77/93, 92/90, 92/105, 69/465, R2092/91

SHORT-TERM PRIORITIES

Harmonisation of the legislation

- Amendment to the Crop Protection Act, partially introducing the requirements of Directives 73L0073, 91L0414, 79L0117, 93L0071, 94L0043, 92R3600

- Ordinance on Farm Land Fertilisation implementing the provisions under Directives 76L0116, 86L0278

- Ordinance concerning efficacy testing of plant protection preparations implementing the provisions under Directives 93L0071, 94L0043

- Ordinance on the registration of crop protection preparations implementing the provisions under Directives 91L0414, 79L0117, 94L0043, 92R3600

- Drafting measures on the maximum amounts of pesticides allowed in food, together with experts of the Ministry of Health – Directives 76L0895, 86L0362, 86L0363, 90L0642

- Drafting legal measures on the limit amounts allowed of mycotoxins in food, together with MH experts implementing the provisions under Directives 98L0053, 97R0194

Administrative Capacity Reinforcement

- Further provision of equipment for NCPQAS, RCPQASs and CLCQ

- Preparations for the introduction of testing stations for crop protection preparations.

- Preparation for the introduction of GTP

- Equipping CLCPNFHM

- Preparations for the setting up of specialised units responsible for control of organic farming methods of production

- Drafting a Quality Manual

- Further improvement and enhancement of border phyto-sanitary control

- Staff training in Bulgaria and the EU

MEDIUM-TERM PRIORITIES

Harmonisation of the legislation

- Ordinance on crop product transportation and marking through free zones

- Implementation Instructions to Ordinance No 1 on phyto-sanitary control and crop and crop product quarantine

Administrative capacity reinforcement

- Equipping NCPQAS, RCPQASs and CLPQ

Building new testing stations for crop protection preparations.
 Preparations for GTP introduction
 Provision of equipment for CLCPNFHM
 Preparations for the setting up of specialised units responsible for control of organic farming methods of production
 Drafting a Quality Manual
 Further improvement and enhancement of border phyto-sanitary control
 Adoption of Quality Manual;
 Introduction of GTP
 Further provision of equipment for NCPQAS, RCPQASs and CLCQ
 Preparations for setting up testing stations for crop protection preparations.
 Further improvement of border phyto-sanitary control
 Further provision of equipment to CLCPNFHM
 Setting up specialised units of control of organic farming methods
 Staff training in Bulgaria and the EU

ADMINISTRATIVE CAPACITY

The NCPQAS under the Agriculture Ministry was established in 1992. It performs some key functions of phyto-sanitary control in the sector like efficacy testing and registration of plant protection preparations, control of organic farming and residual amounts of pesticides, heavy metals and other toxic substances in crops.

The Services is structured as follows:

Central Department;
 Central Crop Quarantine Laboratory (CCQL) in Sofia;
 Central Laboratory for Control of Pesticides, Nitrates, Fertilisers and Heavy Metals (CLCPNFHM) in Sofia;
 15 Regional CPQAS.

Border phyto-sanitary inspections are carried out at 15 road, 5 railway, 13 water and 4 airway border points.

In 1999 the administrative capacity and input basis of the NCPQAS was enhanced as follows: completing the building of the CCQL; the input basis of the NCPQAS and RCPQASs as well as of all border points was greatly improved and upgraded (vehicles, computer equipment and software, etc.). The above expenditures were covered by budget allocations alone. No PHARE support was provided in 1999.

FINANCIAL NEEDS

The short term funding of the above legal and administrative measures amounts to 1.38 MEURO. Budget allocations amount to 0.88 MEURO while PHARE support to 0.5 MEURO. Another 0.59 MEURO of PHARE funding will be extended over the 2001-2002 period.

ANIMAL SELECTION AND REPRODUCTION

CURRENT SITUATION

An Animal Breeding Act has been drafted bringing the country's animal selection and reproduction legislation into line with the acquis. The draft sets out the legal framework of the sector.

SHORT-TERM PRIORITIES

Harmonisation of the legislation

Adoption of the Animal Breeding Act
 Ordinance on reproduction organisation procedures in animal husbandry – Directives 88D0124, 89D0503, 89D0506, 90D0257, 90D0258, 96D0079, 96D0080
 Ordinance on selection and herd activities in cattle and buffalo breeding – Directives 77L0504, 84D0419, 88D0124, 86D0130, 86D0404, 87L0328, 96D0463
 Ordinance on selection and herd activities in pig breeding – Directives 88L0661, 89D0501, 89D0502, 89D0503, 89D0504, 89D0505, 89D0507, 90L0118, 90L0119, 91L0174
 Ordinance on selection and herd activities in sheep and goat breeding – Directives 89L0361, 90D0254, 90D0255, 90D0256, 90D0257, 90D0258, 91L0174

MEDIUM-TERM PRIORITIESHarmonisation of the legislation

Ordinance on selection and herd activities in horse breeding – Directives 90L0427, 90L0428, 91L0174, 92D0216, 92D0353, 92D0354, 93D0623, 96D0078, 96D0079

ADMINISTRATIVE CAPACITY

Animal selection and reproduction control is currently exercised by NVS. The draft Animal Breeding Act gives to the Minister of Agriculture the power to implement, control and manage government policies in the sector, supported by the regional offices of the ministry. The draft also provides for the establishment of a public animal breeding council. Government authorities shall exercise public control of production, animal selection and reproduction and trade in animals and animal and organic products.

CREATING CONDITIONS FOR CAP IMPLEMENTATION

Feasibility studies of CAP mechanisms for some of the key market regulations (milk, fresh fruit and vegetables, cereals) will be carried out under a PHARE project in 2000. The studies are aimed at preparation for a gradual introduction of agricultural policy mechanisms, practices and administrative structures required for the effective implementation of the common market regulations under CAP.

The NPAA does not give priority to implementation of CAP mechanisms being considered for reform by EU Member States

PRODUCER GROUPS AND ORGANISATIONS

Strengthening the Role of Producer Groups and Organisations with a View to Implementing CAP-related Measures will be achieved through:

- adopting legal measures under article 7, paragraph 1 of the Farmer Support Act providing for certain criteria of recognition of farmers and regulations stipulating the recognition of fruit and vegetable producers in compliance with Regulation 2200/96;
- supporting producer associations implementing the criteria of the EU acquis and the provisions under article 9 of the Farmer Support Act.

FRUIT AND VEGETABLESCurrent situation

The country's legislation in the sector enables fresh fruit and vegetables to be checked for conformity with legal standards. Legal measures concerning certain recognition procedures for fruit and vegetable producers partially introducing the requirements under R2200/96, 478/97, 20/98 and 412/97 are currently being drafted.

Short-Term Priorities*Quality grading, buying out and conformity checks of fresh fruit and vegetables*

A draft amending Ordinance No33 17/12/98 on fresh fruit and vegetable quality grading, buying out and control is to be adopted. Annex 5 of Ordinance No33 fully implements the provisions of the regulations and parts thereof given below. Implemented are the following regulations: 1730/87, 2213/83 – Annex 1 and 2; 1299/81 – Annex 1; 1591/87 – Annexes 1, 2 and 3; 1677/88, 1292/81 – Annex 2; 58/62, 920/89 – Annex 1 and 3; 10/65, 1591/87 – Annex 4; 1076/89, 410/90, 1108/91, 3596/90, 899/87 – Annex 1 and 2; 2213/83, 79/88 – Annex 2.

Feasibility studies of CAP mechanisms in the sector

Feasibility plans for introducing CAP mechanisms in the sector will be completed under a PHARE project early in 2001.

Recognition of fruit and vegetable producers

Legal measures laying down recognition procedures for producer groups in the sector complying with SAPARD requirements are to be adopted.

Quality standards

Drafting quality standards: Blackberries, Artichoke – 362R0058, Tomatoes – 383R0778, Potatoes, Mushrooms, Broccoli-387R1591, Asparagus – 392R0454, Plumes 387R1591, Melons –397R1093, Water Melons- 397R1093, Broad Beans – 362R0058

Medium-Term Priorities*Implementing CMO measures in the sector of fresh fruit and vegetables*

Progressive implementation of CMO measures in the sector according to availability of national financial and manpower resources. Support for establishment of branch and interbranch producer organisations.

Administrative Capacity

The unit responsible for fruit and vegetables analysis and control under the Marketing and Trade Policy Dept. at the Agriculture Ministry will develop means of strengthening administrative and technical capacities of regional units that will carry out local conformity checks of fresh fruit and vegetables.

FIELD CROPSCurrent situation

The Farmer Support Act (OG 58/1988) provides powers for the key legislation on farmer support, including grain producers.

The Storage of and Trade in Grain Act (OG 93/1998) and all following legal measures concerning its implementation:

- Government Ordinance concerning the licensing of public warehouses and granaries (OG 125/1998);
- Ordinance No 24 of 1998 establishing certain conditions and procedures of registration of grain traders;
- Ordinance establishing certain conditions and procedures for setting up compensation funds and their functions (OG 69/1999);
- Procedural Rules for the National Grain Service (OG 10/1999).

Short-Term Priorities*Alignment of quality standards*

Alignment of standards providing for methods of cereal quality grading – R1908/84.

Standards:

- BDS – ISO 7970 – 99: Common wheat. Specification;
- BDS – ISO 11051 – 99: Durum wheat. Specification;
- BDS – ISO 6540 (I): Maize. Determining the water content of milled and whole grain;
- BDS – ISO 6540 (II): Maize. Determining the moisture content of milled and whole grain;
- BDS 520 – Grain. Determining weight per 1000 grain;
- BDS – ISO 5531 – Wheat flour. Determination of wet gluten;

Introduction of EU standards by means of confirming their application as Bulgarian ones:

- EN ISO 1185-1997: Starch and derivative products. Defining the content of sulphur dioxide. Acidic method.
- EN ISO 1666-1997: Starch. Defining the content moisture. Method of drying up in a desiccator.
- EN ISO 1741-1994: Dextrose. Defining the loss of mass in drying up. Vacuum drying up method.
- EN ISO 3188-1994: Starch and derivative products. Defining the content of nitrogen using the method of Kjeldahl– tetrimetric method.
- EN ISO 3593-1994: Starch. Defining the ash.
- EN ISO 3946-1994: Starch and derivative products. Defining the total content of phosphorus – spectrometric method.
- EN ISO 3947-1994: Starch, natural and modified. Defining the total content of fat.
- EN ISO 5378-1994: Starch and derivative products. Defining the total content of nitrogen using the method of Kjeldahl – spectrometric method
- EN ISO 5377-1994: Starch products obtained by hydrolysis. Defining the lower strength and the equivalent dextrose. Lane-and-Eynon's method of constant tetrin.

EN ISO 5381-1994: Starch products obtained by hydrolysis. Defining the content of water. Karl Fischer's modified method.

EN ISO 10520-1998: Natural starch. Defining the content of starch. Ewers' polar-metric method.

EN ISO 11212-1 -1997: Starch and derivative products. Content of heavy metals. Part 1: Defining the content of arsenic by atomic absorbing spectrometer.

EN ISO 11212-2 -1997: Starch and derivative products. Content of heavy metals. Part 2: Defining the content of mercury by atomic absorbing spectrometer.

EN ISO 11212-3 -1997: Starch and derivative products. Content of heavy metals Part 3: Defining the content of lead by atomic absorbing spectrometer.

EN ISO 11212-4 -1997: Starch and derivative products. Content of heavy metals. Part 4: Defining the content of cadmium by atomic absorbing spectrometer.

EN ISO 11213-1995: Modified starch. Defining the content of acetyl. Enzyme method.

EN ISO 11214-1996: Modified starch. Defining the carboxylic group.

EN ISO 11215-1998: Modified starch. Defining the content of Gas acid – chromatographic method.

EN ISO 11216-1998: Modified starch. Defining the carboximethyl group.

Feasibility studies of CMO measures in the grain sector

Feasibility plans for introducing CAP mechanisms (R1766/92 as amended) will be completed under PHARE project early 2001.

Medium-Term Priorities

Measures of CAP implementation

Progressive implementation of CAP measures in the sector according to the availability of national financial and manpower resources, including the following:

Information system of market surveillance

Establishment of an information system of market surveillance in compliance with the requirements of the CMO for cereals – R1766/92.

Grain quality grading and buying-out

Drafting of legal measures concerning grain quality grading and buying-out - R689/92

Grain quality standards

Alignment of Cereal Quality Standards:

BDS 602 – Wheat

BDS 604 – Rye

BDS 606-73 – Barley

BDS 607 – Maize

BDS 6509 – Sorghum

BDS – ISO 5526: Nomenclature of Cereal Crops.

BDS 13378 – Determination of Vitreousness

BDS 13381 – Determination of Specific Weight

BDS 13375-81 – Determination of Gluten Content

BDS 754-80 – Cereals. Sampling rules and methods of testing and analysis

BDS 13490-76 – Determination of Protein Content

BDS – Sunflower seeds. Technical requirements.

BDS – Soybean. Technical requirements.

Restructuring and equipment of the National Grain Service (NGS)

Staff training

Administrative Capacity

National Grain Service

State Fund Agriculture

Financial Needs

The alignment process over the 2000-2002 period will be supported technically by a twinning project and funded from the government budget, associated aid and industry resources.

MILK AND DAIRY PRODUCTSShort-Term Priorities*Introduction of standards*

Amendment to BDS 14198 –99: Production and Commodity Classification - 368R0804
ISO 707-85 BDS 1108 – 99: Milk and Dairy Products. Rules of Sampling - 396R1080

Introduction of CAP measures

Feasibility plans for introducing CAP measures in the dairy sector (R804/68 as amended) will be completed under PHARE project early in 2001.

Medium-Term Priorities*Introduction of standards*

BDS ISO 7218-85 в BDS 1670-82 – Methods of Microbiological Testing
BDS 15465 – Methods of Determination of Saccharose and Lactose Content

Introduction of CAP measures

Progressive introduction of CAP measures in the dairy sector (R804/68 as amended), according to the availability of national financial and manpower resources. This will include.

Market surveillance:

Establishment of an information system of market surveillance in the dairy sector in compliance with the requirements of milk and dairy CMO – Dir 96/16; Decision 80/97

MEAT AND MEAT PRODUCTSShort-Term Priorities*Legislation to be drafted*

Ordinance on Beekeeping
Ordinance on egg production and trade
Ordinance on poultry meat production, storage, transportation and trade

Medium-Term Priorities*Legislation to be drafted*

Ordinance concerning the buying-in of pigs and pig carcass quality grading,
Ordinance concerning sheep buying-in and sheep carcass quality grading
Ordinance on poultry buying-in and quality grading of meat thereof
Ordinance on bovine animal buying-in and meat classification of bovine animals
Ordinance on beef and veal CMO
Ordinance on sheep and goatmeat CMO
Ordinance on pork CMO
Ordinance on domestic fowl production and trade

Implementing CAP measures

Feasibility study of CMO for beef and veal}
Feasibility study of CMO for pork} to be initiated under
Feasibility study of CMO for sheep and goat meat} a PHARE project in 2001

Introduction of Standards

BDS – Pork. Classification and Marking of Pig Carcasses.
BDS – Meat of Sheep (Mutton). Part 2. Methods of Evaluation of Slaughterhouse Carcass Quality Indicators
BDS – Bovine Animals –Slaughterhouse Carcass Classification and Marking. Parts 1 & 2.

*Administrative Capacity Reinforcement**Market Surveillance System*

Exploring the possibility for the establishment of a market surveillance information system in compliance with CMO requirements
Setting up a Cattle Breeding Council

Setting up a Sheep and Goat Breeding Council
 Setting up a Poultry Breeding Council
 Setting up a Pig Breeding Council
 Establishment of a National Animal Breeding Union

SEEDS AND PLANTING MATERIAL

Current situation

A new Seeds and Planting Material Act has been drafted and approved by the Council of Ministers by Decision No 195 of April 12, 2000, now pending adoption by Parliament.

Short-Term Priorities

Legislation to be drafted

Planting and Propagation Material Act
 Ordinance on the Official Plant Variety List
 Ordinance on the registration of planting and propagation material producers and traders

Medium-Term Priorities

Legislation to be drafted

Ordinance concerning certain organisation procedures of planting and propagation material planting and propagation material production and trade
 Ordinance concerning planting and propagation material packing and labelling
 Ordinance on planting and propagation material control

Administrative Capacity Reinforcement

Equipment of EAVTFISC
 Re-equipment of the Central Seed Control Station.
 Further provision of equipment for 5 regional laboratories for seed and propagation material control
 Downsizing seed control stations from 21 to 17, opening private accredited seed control stations, authorisation of private seed testers.
 Working collections of seed and propagation material storage under the State Plant Variety Committee

Administrative Capacity

The draft Seeds and Planting Material Act defines the functions and responsibilities of the Executive Agency for Variety Testing, Filed Inspection and Seed Control and the Executive Agency for Vines and Wines on the one hand, and the National Crop Protection, Quarantine and Agro-chemistry Service, on the other. Through these agencies the Ministry of Agriculture records new plant varieties in the Official Plant Variety List and exercises control of planting and/or propagation material.

Financial Needs

960 000 Euro worth of medium-term support will be extended under the PHARE Programme.

WINE

Current situation

A new Wine and Spirit Drinks Act has been in force since January 1, 2000. The following ordinances pursuant to §2 of the Transitional and Final Provisions of the Act will be adopted in May 2000:

Ordinance laying down conformity requirements to quality wine psr, conditions and procedures of approval
 Ordinance on authorised oenological practices and processes and control thereof
 Ordinance laying down certain conditions and procedures of registration and licensing, deletion from register, taking away licences, data subject to filing, record keeping, the format and content of harvest and stock declarations and control over licensed economic agents and their activity
 Ordinance concerning the designation and presentation of wines, spirit drinks and grape and wine products

Short-Term Priorities*Legislation to be drafted*

Ordinance laying down certain conditions and procedures of vine area classification by categories and mapping out, new planting, replanting and grubbing out of vines

Ordinance laying down certain rules of classification of wine vine varieties and vine varieties

Ordinance concerning special wine varieties and rules of production

Ordinance laying down certain rules and requirements concerning wines psr

Ordinance laying down rules of production of sparkling wines and procedures of use of sweeteners, flavours, etc. allowed

Ordinance concerning special wine varieties and rules of production

Ordinance laying down certain conditions of production, designation, presentation and control of processed and unprocessed organic farm products

Ordinance on spirit drink definitions, rules of production, authorised additives and conditions of use

Ordinance concerning documents accompanying the transportation of local and imported wines, grape and wine products, spirit, distillates and spirit drinks.

Ordinance concerning control and control co-ordination of wines, spirit drinks and other vine and wine products

Organisation Manual and Proceedings Rules of the Central Arbitration Committee of Wine Tasters (CACWT) under MAF and regional committees of tasters under the regional chambers of vine growers and wine producers

Organisation Manual and Proceedings Rules of the Vine and Wine Agency (VWA)

Ordinance laying down sampling rules and methods of analysis determining the content of products referred to in the Wine and Spirit Drinks Act

Administrative Capacity Reinforcement

Establishment of a Vine and Wine Agency

Administrative Capacity

An Executive Agency for Vines and Wine shall start operating by July 1, 2000. The Agency will control the implementation of the provisions of the Wine and Spirits Drinks Act as regards vines, grape intended for wine production, grape must, grape and wine products and wines. The Agency staff will initially amount to 39.

Financial Needs

2.5 MEURO of PHARE support will be extended under a project for the improvement and promotion of public and professional control of the wine sector.

STRUCTURAL POLICY (RURAL DEVELOPMENT MEASURES UNDER SAPARD)**CURRENT SITUATION**

The SAPARD Task Force Unit under the MAF Rural Development Department has drawn up the National Agriculture and Rural Development Plan in compliance with Community regulations on pre-accession support to CEECs. The unit is now amending the Plan to incorporate comments, findings and recommendations of the ex-ante evaluation of the Commission Services.

SHORT-TERM PRIORITIESSetting up a Paying Agency

Identification of PA accreditation criteria

Accreditation of SFA as the country's single Paying Agency by a legal act of the Council of Ministers by September 30, 2000

Amending the Farmer Support Act

Drafting mechanisms and procedures of monitoring, financial control and audit of SAPARD funds

Pre- project studies of public investments

2000 Annual Programme on the basis of the RDP following EC approval

Elaborating co-funding mechanisms under Regulation №1268/99 on SAPARD.

Implementation of a SPP pilot project

Amendment to the Proceedings Rules of SFA
Adoption of measures concerning the allocation and utilisation of funds under NARDP

Administrative Capacity Reinforcement

Current capacity needs to be reinforced and new capacity built in the near term as follows:

- Accreditation of SFA as the country's Paying Agency
- Setting up a Council on NARDP Implementation, monitoring and control of SAPARD projects MAF, SFA, MF, MRDPW, EC, NGOs
- Setting up a SAPARD Project Selection Committee under the Council
- Establishing local structures and units responsible for the implementation of SAPARD-related measures
- Setting up an Internal Audit Unit

MEDIUM-TERM PRIORITIES

Strengthening the Role of Producer Groups and Organisations with a View to Implementing CAP-related Measures

- adopting legal measures under article 7, paragraph 1 of the Farmer Support Act providing for certain criteria of recognition of farmers and regulations stipulating the recognition of fruit and vegetable producers in compliance with Regulation 2200/96;
- supporting producer associations implementing the criteria of the EU acquis and the provisions under article 9 of the Farmer Support Act.

Administrative Capacity Reinforcement

Detailed schemes under each measure supported by the SAPARD Programme to be specified and adopted based on the RDP, the Community Support Regulation and Accession Partnership priorities

FORESTRY

SHORT-TERM PRIORITIES

Administrative Capacity Reinforcement

Setting up fire-precaution stations for monitoring

MEDIUM-TERM PRIORITIES

Legislation to be drafted

- Ordinance on forest protection from fires
- Drafting instructions on the implementation of fire precautionary measures in forests
- Ordinance on reproductive material production and trade, producer and trader registration, control

Administrative Capacity Reinforcement

- Upgrading seed control lab equipment (Sofia and Plovdiv stations)
- Computerisation and provision of software

ADMINISTRATIVE CAPACITY

- National Forestry Department
- State-Owned Forestry Units
- Forestry Seed Control Stations in Sofia and Plovdiv
- Regional Forestry Depts.

AGRI-STATISTICS

CURRENT SITUATION

Agri-statistics is an important priority of the legislative and institution building programmes. It shall provide a sound and reliable information basis for the implementation of structural measures and CAP mechanisms.

Crop statistics (basic crops) are expected to be fully harmonised in 2001. Currently they have the highest degree of compliance with the EU acquis.

SHORT-TERM PRIORITIESPlan for the Development of Agri-statistics

The agri-statistical department at MAF will continue the implementation of the Plan for the Development of Agri-statistics, aimed at establishing and strengthening the agri-statistical structures and a stepwise introduction and use of surveys in compliance with the EU acquis.

MEDIUM-TERM PRIORITIESImplementing the EU Agri-statistical Acquis

The implementation of the agri-statistical acquis on livestock production and vineyard areas will start in 2000 while the introduction of EU statistical legislation on orchards, FADN and farm classification will commence in 2001.

8. FISHERIES**CURRENT SITUATION**

The fisheries sector is very important for the country's economy as it provides living to many households especially in some less developed areas.

As of January 2000, over 80% of the enterprises in fresh water fisheries and Black Sea fishing were privatised. There are over 70 private, state-owned and of mixed type companies operating in the sector. They provide employment to 7000 people. The total number of employed in the fisheries and aquaculture sector surpasses 7000 (including licensed individual fishermen – the Danube and the Black Sea; and industrial fishing – big state-owned and smaller local dams). This indicates the great importance of the sector for the country's coastal and riverside regions.

Fishing along the Danube is carried out almost entirely by private "individual" fishermen having industrial fishing licences issued by the Executive Agency for Fisheries and Aquaculture (EAFA)¹. Fishing provides living to more than 900 households and is of vital importance to many others inhabiting the country's coastal and riverside regions. Danube fish catches amounted to 1200 tons on a year's average over the last few years.

Practically, Black Sea fishing is also carried out by individual fishermen in open-deck boats; net fishing and coastal fishing (100% private ownership of open-deck boats and 95% private ownership of fishing ships), encompassed by the system of fishing licensing, and experimentally tested over the last few years in Bulgaria. Replacing the former state monopoly over the sector, the system is being applied on the model of worldwide fishing practices, at the same time complying with EU requirements. The EAFA issued 3100 fishing licenses in 1998, and 3300 in 1999.

Over the last few years, the number of fishing vessels has increased. That did not result in a proportionate increase in Black Sea fishing fleet's total tonnage, for the retired medium-sized vessels of and over 80 t of gross tonnage have been replaced by smaller-sized and more mobile vessels of 10 to 50 t of gross tonnage. It is therefore necessary to optimise fishing and regulate the number of vessels under the fishing fleet in the next couple of years as this is done in the EU. In 1999, the number of Black Sea fishing licences totalled 1 566.

Industrial fishing in inland reservoirs (mostly dams under Napoitelni Sistemi, plc., Jazoviri i Cascadi Company under the National Electric Company, plc. and Water and Sewers companies) is carried out primarily by private fishermen who will be encompassed by a licensing system as regards their activity in terms of security, control and reproduction of fish resources (artificial fish stocking). All these reservoirs can provide a solid basis for the production of highly protein food as well as for the organisation of active fishing and agri-tourism which is central to the mountainous and semi-mountainous areas where they are located, supporting rural population to diversify economic activities and earn income. There are in Bulgaria over 250 big-sized (over 5 000 dka) and small-sized (over 1000 dka) state-owned dams as well as over 2 200 small- and medium-sized municipally owned dams (once within the irrigation and land improvement fund of former co-operative farms and agricultural industrial complexes).

Black Sea and Danube river fish catches are estimated at about 6 000 tons per year. Average annual fresh water fishery output amounts to around 7 000 tons.

A new Fisheries and Aquaculture Act is currently being drafted by an intergovernmental working group. The draft is to be submitted to the Council of Ministers in May. It introduces the fisheries acquis and provides for a National Fisheries and Aquaculture Programme of the Government. By a system of legal acts, it is expected to enable the responsible ministers to gradually introduce elements of EU fishery regimes, technical requirements, measures bearing upon the protection and reproduction of fish resources under effective and environmentally-friendly exploitation as well as the public system of centralised control of fisheries and network of local authorities responsible for implementation including all technical means of control such as a satellite system of monitoring of fishing vessels (the Black Sea and the Danube); the establishment of a fishing vessels register by the Sea Administration authorities under the Ministry of Transport and Communications supported by the Executive Agency for Fisheries and Aquaculture.

SHORT-TERM PRIORITIES

¹ By Government Decision No 203 of October 10, 1999 (OG No 105) the State Fisheries Inspectorate (SFI) has been transformed into an Executive Agency for Fishery and Aqua-Cultures (EAFA).

FISHERIES AND AQUACULTURE ACT

Adoption of the Fisheries and Aquaculture Act;

DRAFTING OF LEGAL MEASURES UNDER THE FISHERIES AND AQUACULTURE ACT

Preparing legal measures under the Fisheries and Aquaculture Act;

VESSEL REGISTRY

Determining the format and content of the fishing vessel register;

SYSTEM OF CATCH DATA

Preparations for setting up a system and a unit under the EAFA collecting, summarising and disseminating information on catch data;

FURTHER PROVISION OF EQUIPMENT

Further provision of equipment for EAFA, its regional offices and research institute laboratories;

EU MARKETING STANDARDS

Feasibility studies of EU marketing standards;

FISH PRODUCER ASSOCIATIONS

Elaborating a system of operation of producer organisations within the market structures of the sector;

FISHERIES COUNCIL

Preparations for setting up an advisory body on fisheries under the authority of MAF;

COMPUTERIZATION

Provision of computer equipment and software to EAFA and NGOs;

SYSTEM OF FISH TRADE CONTROL

Setting up a system and a unit under the EAFA and NVS/PHCD exercising control of fish trade;

FISHING LICENCING

Preparations for setting up a system and a unit under EAFA issuing fishing licences and exercising control of fishing and fisheries;

WHOLESALE MARKETS OF FISH AND FISHERY PRODUCTS

Feasibility studies of wholesale markets of fish in Bulgaria.

MEDIUM-TERM PRIORITIES**LEGAL MEASURES UNDER THE FISHERIES AND AQUACULTURE ACT**

Drafting and adoption of legal measures under the Fisheries and Aquaculture Act;

FEASIBILITY STUDY OF EU CFP MECHANISMS

Feasibility study of EU CFP mechanisms;

ENVIRONMENTAL ASSESSMENT OF WATER ECO-SYSTEMS AND RESOURCES THEREIN

Environmental assessment of water eco-systems and resources therein;

CONTROL OF RESOURCE REPRODUCTION

Control of resource reproduction;

ESTABLISHING A NATIONAL STATISTICAL SYSTEM OF INFORMATION IN THE SECTOR

Establishing a national statistical system of information in the sector;

INTRODUCING A SYSTEM OF FISHING LICENSING

Introducing a system of fishing licensing

PRODUCER ASSOCIATIONS

Preparations for setting up and funding producer associations in the sector and their inclusion in the National Branch Statistical System;

INTRODUCTION OF THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT

Preparations for the introduction of the principles of sustainable development of fish resources and aquacultures in water eco-systems;

ASSESSMENT OF SME PERFORMANCE

Assessing SME performance with a view to boosting the production of high quality products (in compliance with EU requirements and HACCAP);

FISH PRODUCER ASSOCIATIONS

Setting up fish producer associations - NGOs;

NATIONAL FEDERATION OF NGOS

Establishing a National Federation of NGOs; reinforcing its capacity;

ADMINISTRATIVE CAPACITY REINFORCEMENT

Administrative capacity reinforcement of all structures and institutions involved in the implementation of the acquis;

WHOLESALE MARKETS

Building wholesale markets of fish and fishery products;

STAFF TRAINING

Staff training.

ADMINISTRATIVE CAPACITY

The key administration responsible for the sector is the Ministry of Agriculture and Forestry within whose jurisdiction fall all Black Sea, Danube and inland reservoir fishing activities (fish economy waters for industrial fishing and angling); fishing and licensing regimes (industrial fishing and angling licensing); some regulatory functions having to do with fishing regimes; veterinary and sanitary control of product quality and marketing. The Agriculture Ministry is also responsible for establishing Black Sea fishing site concessions.

The Ministry of Agriculture and Forestry performs its functions through the Executive Agency for Fisheries and Aquacultures, which exercises control over fishing activities in all water reservoirs including the Danube and the Black Sea.

Apart from the EAFA, there are also other MAF structures involved in the implementation of the acquis:

National Veterinary Service exercising veterinary and sanitary control of product quality and marketing;
The National Forestry Department under MAF exercising certain control activities over fish resource protection in angling waters.

FINANCIAL NEEDS

There is 0.4 MEURO allocated for the implementation of the above administrative and legislative measures in 2000. Budget allocations amount to 0.3 MEURO while allocations under bilateral international projects amount to 0.1 MEURO.

Over the 2001-2002 period, PHARE support is estimated at 2.53 MEURO complemented by 0.55 MEURO of government budget allocations.

9. TRANSPORT

The process of transposing the European legislation in the field of transport includes the creation of a new and improvement of the existing legislation, as well as alignment of the rules applied in Bulgaria with the rules and standards of the European countries. Meanwhile the administrative structures necessary for the application of that regulatory basis are being built.

The aim in the pre-accession period is to eliminate differences and barriers among the states in the different modes of transport, to exclude the infringements of the rules of competition and to create all the necessary conditions for participation in the transport market of operators offering services without discrimination. The attention is focused on the implementation of requirements for access to the market, including such for professional competence, safety, guarantee for fulfilment of public service obligations, harmonisation of social standards, protection of consumers, protection of environment and others.

The main priorities are as follows: harmonisation of transport legislation, development of transport infrastructure, implementation of structural reform and privatisation in the transport sector. An integral state policy is carried out for the promotion of foreign investment. For this aim a Program for the development of transport infrastructure with main priorities Pan-European Transport Corridors VIII, IV, X, IX, VII; Sofia airport; rehabilitation and modernisation of the national road network; restructuring, rehabilitation and modernisation of the rail transport and others has been elaborated and is under implementation.

AIR TRANSPORT

CURRENT SITUATION

Main priorities in the field of air transport:

- Liberalisation of air transport market
- Improvement of aviation security and safety
- Improvement of the air traffic management
- Consumer protection
- Environmental protection
- Improvement of collection and processing of statistical data

Primary and secondary legislation

After the adoption of the amendments to the **Civil Aviation Act**, in force since 1 January 1999, as the legal framework for the implementation of the *acquis communautaire*, the Bulgarian Ministry of Transport faced the hard task to elaborate and adopt the relevant secondary legislation regulations. In practical terms, the overall and effective harmonisation of the transport legislation is achieved namely by the adoption of the secondary legislation regulations.

The following secondary legal acts have been adopted and promulgated:

- Regulation № 7 / 14.01.99** on the registration of civil aviation aircraft - promulgated in the State Gazette No: 9/02.02.99, in force from 01.03.99;
- Regulation № 8/14.01.99** on airworthiness of civil aircraft in the Republic of Bulgaria; promulgated in the State Gazette No: 9/02.02.99, in force from 01.03.99;
- Regulation № 13** on investigation of civil aviation accidents, promulgated in the State Gazette No: 12/12.02.99, in force from 01.03.99;
- Regulation № 16/ 14.01.99** on noise and gaseous emissions from aviation engines; promulgated in the State Gazette No: 8/29.01.99, in force from 01.03.99;
- Regulation № 18/ 14.01.99** on safe transportation of dangerous goods by air; promulgated in the State Gazette No: 25/19.03.99, in force from 18.04.99;
- Regulation № 19/ 27.01.99** on the procedures of implementation and working rules for the integrated civil-military operation of air space;
- Regulation № 145/ 14.01.99** on licensing of aircraft maintenance and repair organisations; promulgated in the State Gazette No: 8/29.01.99, in force from 01.03.99;
- Regulation № RD-08-20/ 14.01.99** on collection of statistical information for civil aviation in the Republic of Bulgaria; promulgated in the State Gazette No: 8/29.01.99, in force from 01.02.99;
- Regulation** on airport **charges** and for the provision of air navigation services in the Republic of Bulgaria; promulgated in the State Gazette No: 2/08.01.99, in force from 01.01.99;

Regulation concerning the structure, activities and functions of **the Civil Aviation Administration**; promulgated in the State Gazette No: 37/22.04.99

Regulation № 21/ 20.04.99 on medical assessment of civil aviation personnel; promulgated in the State Gazette No: 34/99

Regulation № 2 “Rules of the air”, promulgated in the State Gazette No: 26/23.03.99

Regulation № 3 on meteorological services for the air aviation, promulgated in the State Gazette No: 40/29.04.99

Regulation № 20/ 07.04.99 on the certification of the operational fitness of airports and airfields and on the licensing of airport companies and airport handling operators”, published in State Gazette issue 41/1999.

In the period after May 1999 the following regulations were adopted:

Regulation № 5 on the measurement units in civil aviation - promulgated in the State Gazette No: 77/99

Regulation № 22 on flight permission in the airspace from and to the airports of the Republic of Bulgaria - promulgated in the State Gazette No: 69/99

Regulation № AH -8 on the airworthiness requirements of the aircrafts - promulgated in the State Gazette No: 55/99

Regulation № 11 on servicing the airspace of the Republic of Bulgaria - promulgated in the State Gazette No: 50/99

Regulation № 15 on air services - promulgated in the State Gazette No: 96/99

Instruction 4444 on the rules of flights and the procedures for servicing the air traffic, promulgated in the State Gazette No: 101/99

Regulation № 17 on the conditions and the order of achieving safety in civil aviation, promulgated in the State Gazette No: 111/99

Regulation № 24 on licensing of air operators, promulgated in the State Gazette No: 17/2000

Regulation № 25 on airworthiness and entering of national and registration signs of super light aircraft, promulgated in the State Gazette No: 19/2000

In practice each national Regulation is implementing one or several Directives, Regulations, JARs, efforts have been made to use even the relevant numbering, accepted and applied for the ICAO Annexes as well as for the JARs.

The efforts in the Air Transport Sector are directed towards the creation of conditions for loyal competition and “step by step” market liberalisation.

The further efforts of the Ministry of Transport and Communications are related to the aim of regulatory adoption of the whole *acquis*. There are real possibilities for the implementation of the priorities in this field, namely with regard also to the computerised systems for management, responsibilities, etc.

Institution building

With regard to the structures necessary for the adoption and implementation of EU legislation, the program is 100 % completed.

In order to form an adequate structure for the application of the Civil Aviation Act, Directorate General “Civil Aviation Administration “ was established as a legal entity within the Ministry of Transport and Communications.

Ordinance № 253 of the Council of Ministers on the structure of the Civil Aviation Administration, promulgated in the State Gazette No: 138/24.11.1998, has been adopted.

A Regulation on the structure, activities and functions of the Civil Aviation Administration, promulgated in the State Gazette No: 37/22.04.1998, has been adopted. The structure of the Civil Aviation Administration is approved by the Minister of Transport and Communications and is in compliance with the requirements and recommendations of the EU, the international Civil Aviation Organisation (ICAO), of the European Conference on Civil Aviation (ECCA).

The functions of Civil Aviation Administration are defined in detail in the law and in the Regulations; in general terms they are the following:

National regulation and control of the processes related to safety in civil aviation.

Licensing of the aviation carriers and operators

Licensing of airports and airfields

Licensing of airport undertakings and ground handling operators

Licensing of aviation personnel.

Safety oversight

Licensing of aviation training centres

Implementation of the responsibilities of the Republic of Bulgaria in relation to its membership in ICAO, ECCA and EUROCONTROL and the international conventions.

Great importance is attached to the qualification promotion of the personnel of the aviation administration in compliance with the European standards.

In April last year a useful program for training the personnel of the Civil Aviation Administration was carried out in the form of seminars on European Civil Aviation legislation, held under the PHARE program by Carol Blackshow - **GOPA Consultants**.

Directorate General "Air Traffic Services Authority" /ATSA/ is established as a legal budget-supported entity to the Ministry of Transport and Communications, total number of personnel - 1400; the functions are defined in the Regulation on the structure, activities and functions of the Air Traffic Services Authority, promulgated in State Gazette No 97/24.10.97.

Directorate General "Air Traffic Services Authority" is a specialised civil authority to the Ministry of Transport and Communications, which performs state and specific organisation functions and the air traffic services. It is a complex structure, equipped with technical devices, technologies and highly qualified personnel for the provision of safe air traffic services. In view of the membership of the Republic of Bulgaria in EUROCONTROL, the program "EATCHIP" is being implemented through Directorate General "Air Traffic Services Authority" /ATSA/ which harmonises and integrates the systems for air traffic control of the Republic of Bulgaria with those of the EU countries.

International agreements in the field of air transport:

The multilateral negotiations on THE MULTILATERAL AGREEMENT ON THE ESTABLISHMENT OF A EUROPEAN COMMON AVIATION AREA are finalised, as well as the negotiations between the European Commission and each one of the ten associated countries for determining the transitional periods and measures for the adoption of *acquis communautaire*.

The Republic of Bulgaria is a member of ICAO since 1967, of ECCA - since 1991 and of Eurocontrol since 1997.

SHORT-TERM PRIORITIES

Conclusion of the multilateral Agreement on the Establishment of a European Common Aviation Area.

ADDITIONAL INFORMATION ON LEGAL ACTS INCORPORATED IN THE MULTILATERAL AGREEMENT ON THE ESTABLISHMENT OF A EUROPEAN COMMON AVIATION AREA, BEYOND THE COMPETENCE OF THE MINISTRY OF TRANSPORT AND COMMUNICATIONS:

Directive 93/104/EEC on certain aspects of the organisation of working time. The provisions of this Directive are partly transposed into Bulgarian Labour Code. Full transposition shall be effected by way of amendment of the Labour Code.

Directive 90/314 on package travel, package holidays and package tours. This Directive is partly transposed into both the Tourism Act (adopted on 11.06.98) and the Ordinance for licensing of tourism activities (adopted on 14.08.98). In particular, Articles 3 and 4 (1) of the Directive are implemented, which require tour operators and tour agents to provide reliable information concerning the type, quality and price of the tourist service in the form of a booklet, brochure, price-list or any other descriptive matter. Within the framework of the National Program for Adoption of the *Acquis* (NPAA), sector "Consumer protection", the 1998 Tourist Act will be updated and amended in the year 2000 in order to comply with Council Directive 90/314.

Directive 95/46 on the protection of individuals with regard to the processing of personal data and the free movement of such data. This matter is partly covered by the following acts: the Constitution of the Republic of Bulgaria; Penal Code; Civil Registration Act; Act on Bulgarian Identification Papers; Refugees act; Ordinance for the civic status. The future Law on the protection of personal data is foreseen to be in full compliance with Council Directive 95/46.

Membership to the Joint Aviation Authorities

Since 3 Dec. 1999 a membership procedure for Joint Aviation Authorities (JAA) is underway. The Council of the Joint Aviation Authorities is expected to pass judgement on the candidature on 9 May 2000.

Further alignment of legislation

The European legislation is implemented in practice by the Law and by the secondary legislation rules and regulations. These actions will also continue in medium-term aspect in order to transpose fully the whole *acquis*.

For some of the regulations the full implementation will be carried out after the enforcement of the Agreement on the establishment of a European Common Aviation Area, for example with regard to the **Directive 93/65, 2299/89, 93/67, 97/15 and 3089/93, 295/91 and 2027/97**.

Directive 91/670 concerning the mutual recognition of the licenses for aviation personnel will be introduced through the elaborated Directive, which is expected to be adopted in the second half of 2000.

Directive 90/314 is partially transposed through the Law on tourism since 1998. In particular articles 3 and 4 of the directive are introduced by the requirement for relevant information on the type, quality and prices of the services offered by the tour-operators and the agencies. Until the end of 2000, the directive will be fully adopted by the sector "Consumers' protection" in the national program for adoption the achievements of the EU legislation.

Directive 93/104 on some aspects of the organisation of the working time was partially adopted in articles 114, 115, 136-154 and 155-178 of the Labour Code. Its full adoption in the legislation will be carried out through the amendments of the Labour Code.

Directive 92/59 on general product safety. This Directive has also been fully transposed into the Act on consumer protection and the rules of trade as well as the Regulation № 4 for withdrawal from the market and destruction of dangerous goods.

Directive 93/13 on unfair terms in consumer contracts. This Directive has been fully transposed into national legislation through the Act on consumer protection and the rules of trade - promulgated in April 1999.

Directive 89/391 on the introduction of measures to encourage improvements in the safety and health of workers at work. The requirements of this Directive have been fully transposed into three national acts: the Act on safe and healthy conditions at work; the Labour Code and the 1999 Regulation № 7 establishing minimum requirements for safe and healthy conditions at work and for the use of working equipment.

ROAD TRANSPORT

CURRENT SITUATION

Main priorities in the field of road transport

- Market liberalisation and access to the profession
- Improvement of safety
- Procurement of social harmonisation
- Improvement of collection and processing of statistical data

Legal framework

Adopted laws:

THE ROAD TRAFFIC LAW (promulgated in State Gazette No 20/99, in force from 1.09.1999)

THE ROAD TRANSPORT LAW (promulgated in State Gazette No82 from 17.09.1999, in force from 17.09.1999)

THE ROADS LAW (promulgated in State Gazette No 26 from 29. 03. 2000, in force from 04.04. 2000)

THE LAW on ratification of the Basic multilateral Agreement on international transport for the development of the Corridor Europe - Caucasus - Asia (promulgated in State Gazette No57/25.06.99), in force for the Republic of Bulgaria from 7.08.1999)

THE LAW on the ratification of the Agreement on the organisation and operation aspects of the combined transportation between Europe and Asia (promulgated in State Gazette No30/25.04.99),

THE LAW on ratification of the Agreement on adoption of uniform technical prescriptions for wheeled vehicles, equipment and spare parts, which can be fitted and/or used on wheeled vehicles and the conditions for reciprocal recognition of approvals granted on the basis of these prescriptions (promulgated in State Gazette No 95 from 02.11.1999, and State Gazette No 1 from 04.01.2000).

MEMORANDUM of understanding for facilitation of the international carriage of goods in the region of SECI- signed and adopted by Decree of the Council of Ministers No 550 from 30.07.1999, promulgated in State Gazette No 80 on 10.09.1999, in force for the Republic of Bulgaria from 1.07.1999.

Secondary legislation

Current situation of the secondary legislation which together with the above mentioned laws constitute the overall legal framework for the road transport sector:

The following by-laws are in legal enforcement:

Regulation No 3 on international carriage of passengers and goods by road - adopted on 20.11.1997, in force from 01.01.1998

Tariff No14 on the taxes, collected by the Ministry of Regional Development and Public Works in force from 12.08.1998, referring to taxes levied on vehicles with foreign registration entering or transiting the territory of the Republic of Bulgaria, motorway taxes for vehicles with overall total weight over 40 tonnes and axle weight of over 10 tonnes per single axle and others.

In the period after May 1999 the following regulation were adopted:

Regulation No 34 from 6.12.1999 on taxi carriage of passengers, issued by the Minister of transport, promulgated in State Gazette No109 on 14.12.1999, in force from 14.12.1999.

Regulation No 32 from 5.08.1999 on periodical tests of technical fitness of vehicles - State Gazette No74/20.08.1999, in force from 01.09.1999.

Regulation No 4 from 5.05.1999 on the protection against noise on the territory of settlements. Issued by the Minister of Regional Development and Public Works, promulgated in State Gazette No41 on 4.05.1999, in force from 1.07.1999.

Regulation No 31 from 26.07.1999 on the requirements, terms and conditions of issuing driver's license for motor vehicles - State Gazette No 69/03.08.1999, in force from 01.09.1999.

Regulation No 33 from 26.07.1999 on public carriage of passengers and goods in the territory of the Republic of Bulgaria, issued by the Minister of Transport, promulgated in State Gazette No101 on 23.11.1999, in force from 23.11.1999.

Regulation No I-165 from 7.09.1999 on the terms and conditions of issuing of driver's license, the drivers' reports and their discipline. Issued by the Minister of Interior, promulgated in State Gazette No85/28.09.999 and State Gazette No 111/21.12.1999.

Regulation on the amendments of Regulation No I-165 from 1999 on the terms and conditions of issuing of driver's license, the drivers' reports and their discipline (State Gazette No85/1999) - promulgated in State Gazette No111/21.12.1999.

Decree No 212 of the Council of Ministers from 29.11.1999 on the establishment and reorganisation of administrative structures and appointment of secondary distributors of budget funding by the Minister of transport and communications, (promulgated in State Gazette No104/1.12.1999, in force from 1.12.1999, amended with Decree of the Council of Ministers No4 from 21.01.2000)

Regulation on the requirements for handling and carriage of industrial and dangerous waste products, adopted by Decree of the Council of Ministers No 53 from 19.03.1999, promulgated in State Gazette No 29/30.03.1999, in force from 30.03.1999.

Decree No 243 of the Council of Ministers from 27.12.1999 on the establishment of a State and public consultant commission on the problems of road traffic safety under the Minister of transport and communications - promulgated in State Gazette No 114/30.12.1999, in force from 30.03.1999.

Regulation No 4 from 10.02.2000 on the veterinary requirements for humane treatment of animals during transportation, issued by the Minister of Agriculture and Forestry - promulgated in State Gazette No 16 from 25.02.2000.

DecreeNo 66 of the Council of Ministers on fixing the minimum reduction of carriage prices of road transport for certain groups of citizens - promulgated in State Gazette No 33 from 26.02.2000, additional No 15 from 22.02.2000.

Regulation № I-45 on registration and recording of motor vehicles and their trailers – promulgated in State Gazette № 31 / 14 April 2000, in force as of 23 November 2000

Conformity of the national legislation with the European rules and standards:

The overall development of the transport legislation in the road transport sector is aimed at the achieving of maximum conformity and harmonisation with the EU legislation. The approach of the Ministry of Transport and Communications is to accomplish complete harmonisation by gradual alignment of rules and standards.

The provisions introduced by the legal framework are intended to facilitate free competition and the free movement of people, goods and services, as well as to improve road transport safety.

The development of the transport policy in this transport sector is subordinated to the conception of the economic importance of land transport. All the laws and secondary legislation are directed to liberalisation of the access to the market and reciprocal recognition of diplomas, certificates and other qualification documents, to improvement of transport safety, etc. The directives and regulations related to market access are fully adopted and introduced in the legislation, namely: 881/92, 3916/90,684/92 and others; cabotage is permissible under the conditions, stipulated in the international contracts to which Bulgaria is a party; acts related to social

legislation, included in the *acquis*- 3820/85, 88/599, 96/26 and 76/914; the provisions with regard to the infrastructure charges have been introduced step by step, following the bellow-mentioned schedule;

Date & Highway Code	Section
Since 1 January 2000:	
E 79 (E 83)	"Botevgrad - Sofia"
E 80	" Sofia - Plovdiv - Orizovo"
Since 1 January 2002:	
E 79 section "Sofia - Kulata"	
E 80	"Federal Republic of Yugoslavia border - Kalotina - Sofia"
E 80	"Orizovo - Haskovo"
E 80 (E 85)	"Haskovo - Svilengrad"
E 83	"Biala - Pleven - Botevgrad"
E 85	"Rousse - Biala "
E 85	"Svilengrad - Greek border"
Since 1 January 2005:	
E 79	"Vidin – Botevgrad"
Since 1 January 2008:	
E 85	"Biala - Veliko Turnovo - Stara Zagora - Haskovo"

Requirements related to the control checks by the respective authorities, as well as safety requirements are introduced. A direct adoption of the regulation on tachographs is forthcoming in compliance with the provisions of Directive No 3821/85; fully applicable in practice are the provisions of Directive No 96/96 concerning roadworthiness test of vehicles and others.

The Ministry of Transport and Communications chairs sub-group 1,1 " Motor vehicles" under Chapter I "Free movement of goods", but the authority pursuing the state policy in automobile industry and import of vehicles and spare parts is the Ministry of Economy.

The competition rules are discussed under Chapter VI "Competition policy ".

In the field of road transport, Bulgaria will request one-year transitional period as regards financial standing requirements for the road haulage operators, laid down in Directive 98/76.

ADMINISTRATIVE CAPACITY

On 01.01.2000 the General Directorate "**Road Transport Administration**" was established as a single, budget-aided legal entity under the Ministry of Transport and Communications. It is formed on the basis of the existing divisions "State Automobile Inspection ","International Road Transport" and "National Road Transport". The total number of personnel is 395; its main office is in Sofia. 27 territorial units were established in the regional centres. The functions of the General Directorate are regulatory and controlling and ensue from the provisions of the Road Transport Law. They are directly linked with the control over the application of the requirements for the access to the profession and the market of hauliers, drivers and vehicles, performing international and national carriage of passengers and goods, issuing of licenses and permits, testing the qualification level of the drivers and the professional competence of the hauliers and drivers, control on the technical operation of the motor vehicles, organisation of tests for the taxi vehicles and other control functions, propaganda, education and traffic safety consultations and others.

Executive Agency "Roads" - an administrative structure, with the statute of a single legal entity under the Ministry of Regional Development and Public Works, which governs all the physical and legal persons, performing activities related to or ensuing the study, design, construction, maintenance and security of the national roads in the Republic of Bulgaria, as well as those performing transport operations with heavy and exceeding the determined norms of dimensions motor vehicles. The total number of personnel is 7 296 officials, subdivided in the following units:

- Central office in Sofia - 100 officials
- Road departments - 27 in each regional centre, 6 875 officials
- Central office of Directorate "Road charges and permits " in Sofia – 40 officials
- Regional offices of Directorate "Road charges and permits " - 7 offices, comprising 20 border check-points, 200 officials
- Central laboratory on roads and bridges - 81 officials
- Regional laboratories (27) - 80 officials
- Department "Road traffic police " under the Ministry of Interior, sector "Control on road transport - road police " /CRT/ - an existing administrative structure under the Ministry of Interior exercising specific control functions on the observance of the road traffic rules, provided for in the Road Traffic Law.

- Specialised body under the Ministry of Transport and Communications for the co-ordination of the state authorities and the public bodies on traffic safety issues.

This specialised body is established according to the new Road Traffic Law and has the functions of state and public consultant commission on the problems of road traffic safety. State and public institutions and organisations are members of it, such as the Ministry of Interior, the Ministry of Education and Science, the Ministry of Regional Development and Public Works, the Ministry of Health, the Ministry of Defence, the Association of the Bulgarian enterprises for international transport and roads, the National bureau of the Bulgarian insurance agencies, of the Bulgarian Red Cross and others.

SHORT TERM PRIORITIES

Further alignment of legislation

Regulation on the conditions and the organisation of road traffic - the regulation will be issued by the Ministry of Regional Development and Public Works, its promulgation is forthcoming in State Gazette

Regulation on road signs, road signals and road marking - the regulation will be issued by the Ministry of Regional Development and Public Works, its promulgation is forthcoming in State Gazette

Regulation on dimensions, weights and axle weights and the rules for movement of vehicles exceeding the determined norms - the regulation is elaborated both by the Ministry of Transport and Communications and the Ministry of Regional Development and Public Works, its promulgation is forthcoming in State Gazette.

Regulation on type approval of the amendments of the construction of the registered road vehicles - the regulation is under elaboration and will be issued by the Ministry of Transport and Communications.

Regulation on construction changes of registered road vehicles - the regulation is under elaboration and will be issued by the Ministry of Transport and Communications.

Regulation on the terms and conditions for disassembling and storage of out-of-register vehicles and requirements to the relevant specialised sites - the regulation is under elaboration and will be issued by the Ministry of Transport and Communications.

Regulation on maintenance of General Register of drivers and record of the applied penalties - the regulation is under elaboration and will be issued by the Ministry of Interior

Regulation on definition of abuse with alcohol and other intoxicating substances - the regulation is under elaboration and will be adopted by the Minister of Health, by the Minister of Interior and by the Minister of Justice.

Regulation on carriage of dangerous goods - the draft is under elaboration and will be adopted by the Ministry of Transport and Communications, the Ministry of Interior and the Ministry of Environment and Waters

Regulation on amendment of Regulation No 3 on international carriage of passengers and goods - the draft is under elaboration and will be issued by the Ministry of Transport and Communications.

Regulation on carriage of specific goods /perishable goods, livestock, birds and others/ - the draft is under elaboration.

Regulation on compulsory use of recording devices (tachographs) - the draft is under elaboration.

Regulation on the documents for the work of crews of vehicles engaged in international and domestic road transport - the regulation has been elaboration and will be issued by the Ministry of Transport and Communications.

Instructions for the preparation of Master plans for road traffic organisation in settlements – will be issued by the Ministry of Regional Development and Public Works.

Instructions on the use of humps reducing vehicles speed - will be issued by the Ministry of Regional Development and Public Works.

Conclusion of international agreements in the field of road transport

AGREEMENT BETWEEN THE REPUBLIC OF BULGARIA AND THE EUROPEAN COMMUNITY ESTABLISHING CERTAIN CONDITIONS FOR THE CARRIAGE OF GOODS BY ROAD AND THE PROMOTION OF COMBINED TRANSPORT

The draft agreement is approved by the Council of Ministers.

The Minister of transport is authorised to sign the Agreement on behalf of the Republic of Bulgaria.

The agreement was initialled on 4.12.98 during the session of Subcommittee 6 "Transport and Trans-European Networks". The agreement is expected to be signed this year.

EUROPEAN AGREEMENT ON THE INTERNATIONAL OCCASIONAL CARRIAGE OF PASSENGERS BY BUS AND COACH (INTERBUS AGREEMENT)

The Draft Agreement is approved by the Council of Ministers. The Minister of Transport is authorised to sign the Agreement on behalf of the Republic of Bulgaria.

The agreement is expected to be signed this year.

RAIL TRANSPORT

CURRENT SITUATION

Since 1995 a Law on Bulgarian State Railways /BDZ/ has been in force. According to the law the Bulgarian State Railways have status of a national company, which applies the principles of the commercial law and has the character of a public enterprise.

Legal framework

The Draft of the new Law on Rail Transport /and on combined transport/ was approved by the Council of Ministers in 1999. Its passing at second reading in the National Assembly is forthcoming.

SHORT-TERM PRIORITIES

Adoption of the new Law and of the following secondary legislation:

- Regulation on licensing of railway enterprises
- Regulation on the requirements for issuing of safety certificate
- Regulation on railway transport of passengers.
- Regulation on railway transport of goods.
- Regulation on combined transport.
- Regulation on the structure, functions and the activities of the Executive Agency "Railway Administration"
- Regulation on carriage of dangerous goods by rail and on appointment and qualification of the safety advisers
- Regulation on assignment and fulfilment of public service obligations by the railways
- Tariff on the charges for using the railway infrastructure
- Regulation on the categories of railway lines
- Regulation on planning and construction of railways.

Conformity of national legislation with the requirements of EU legislation

The Law on Rail Transport /and combined transport/ shall provide the legal framework for the adoption of the basic requirements of the European Regulations and Directives, namely: ensuring independence of the railways from the state, accountancy separation of the infrastructure from the transport activities, regulation of the legal basis of the interrelations between the state and the railway company, with respect to the fulfilment of the social service obligations, as well as the construction, development and maintenance of the railway infrastructure. Special attention is paid to the institution building, related to the application of the law and the realisation of the reform in the sector.

The competition rules are discussed under Chapter VI "Competition policy ".

Taking into consideration the role and significance of the railway transport and the necessity for reform in the railways, the Ministry of Transport and Communications incorporated in the Draft Law all basic requirements of the EU directives and the regulations, namely: Directive No 91/440, 95/18; 95/19, 91/1893, 92/106 and others. In view of the forthcoming adoption of the law by the National Assembly, public discussions on the philosophy of the reform in the railway sector are under way.

MEDIUM-TERM PRIORITIES

Liberalisation of the transport market-equal access and licensing

Separation of exploitation and infrastructure management from the provision of transport services

Establishment of adequate financing system

Institution building

The Draft Law on rail transport /and combined transport/ envisages the establishment of a specialised body, Executive Agency "Railway Administration" as a separate budget-aided structural unit within the Ministry of Transport and Communications. Its functions shall be defined in the Law and in the Regulations on the structure, functions and the activities of the Executive Agency "Railway Administration" and will be related to the regulatory, controlling and other functions in respect to licensing and other activities.

WATER TRANSPORT

Inland waterway
Maritime transport
Ports

CURRENT SITUATION

The Ministry of Transport and Communications considers the issues related to maritime transport, inland waterways transport and ports as a priority. The main reason for choosing this priority is the aim of aligning Bulgarian legislation to EU policy on providing reliable, economical and safe shipping by minimising the risk for all the participants in the transport process and for the environment. The newly adopted legislation and that under preparation aim at liberalisation of the market and at establishment of a well organised maritime and river administration. River navigation directly links Bulgaria with EU member-countries. The legislative alignment related to inland waterways transport safety, promotion of qualification level of carriers, and etc. is of vital importance.

Legal framework

Current situation after May 1999:

The Law on Maritime spaces, Inland Waterways and Ports was adopted. (promulgated in State Gazette No 12/2000).

Law on ratification of the International Convention for search and rescue at sea, 1979, ratified by law, adopted by the 38 National Assembly on 12.05.1999 – State Gazette No 47/21.05.1999.

Law on the ratification of the Convention for prosecution of the illegal acts directed to the maritime shipping safety and of the Protocol for prosecution of the illegal acts directed to the safety of immovable platforms located on the continental shelf - promulgated in State Gazette No 43/11.05.1999.

Law on the ratification of the Protocol of combined transportation along the inland waterways to the European Agreement on the routes of international combined transportation and the objects related to them (AGTC) - promulgated in State Gazette No 30/2.04.1999.

Law on the ratification of the Additional Protocol to the Convention for the regime of navigation along the Danube river from 18.08.1948 and the Protocol with regard to the signing of the Additional Protocol to the Convention for the regime of navigation along the Danube river from 18.08.1948 - promulgated in State Gazette No 18/26.02.1999.

Law on the ratification of the European Agreement on the main inland waterways of international importance - promulgated in State Gazette No 18/26.02.1999.

Law on the ratification of the Convention for facilitating international maritime shipping - promulgated in State Gazette No 59/26.05.1998.

Decree No 212/99 of the Council of Ministers on the reorganisation of General Directorate "Maritime Administration" into Executive Agency "Maritime Administration" under the Minister of Transport and Communications. This new agency is authorised to ensure maritime and inland waterways navigation safety. The Executive Agency has local branches in the ports of Varna, Bourgas, Rousse and Lom.

Decree No 212/99 of the Council of Ministers established Executive Agency "Port Administration" under the Minister of Transport and Communications. This newly established agency is authorised to ensure the security and safety of ports and the level of declared categories of ports and standards.

Directorate General "Study and Maintenance of the Danube" under the Minister of Transport and Communications is authorised to study and maintain navigation conditions along the inland waterways of the Republic of Bulgaria.

Regulation No 6 from 3.08.1999 on the competence of the seafarers in the Republic of Bulgaria - State Gazette 73/17.08.1999

Regulation on the repeal of the Regulation on shipbuilding rules in the Peoples' Republic of Bulgaria (extract No 87 /1957) - promulgated in State Gazette No 111/21.12.1999

Regulation on the repeal of Regulation No 7 /94 on the terms and conditions for licensing of ship suppliers in the Republic of Bulgaria (State Gazette 12/95) - promulgated in State Gazette No 111/21.12.1999

SHORT-TERM PRIORITIESFurther alignment of legislation

LAW ON AMENDMENT TO THE MERCHANT SHIPPING CODE - approved by the Council of Ministers and its adoption by the National Assembly is forthcoming in 2000.

Secondary legislation provided for in the Law on Maritime Spaces, Inland waterways and Ports and the amended Merchant Shipping Code to be adopted in 2000.

Regulation on the structure, functions and activities of Executive Agency “**Port Administration**”; the regulation will come into force during the first half of 2000. The Port Administration will function as a legal budget-aided body within the Ministry of Transport and Communications.

Regulation on navigation in inland sea waters and in territorial seawaters – to be adopted by the end of 2000.

Regulation on the terms and conditions for transportation of passengers and goods between Bulgarian ports by vessels sailing under foreign flag- to be adopted by 30.12.2000

Regulation on the terms and conditions for issuing of ship documentation- to be adopted by 30.12.2000.

Regulation on carriage of dangerous goods.

Supplement of Regulation No 1 on enlisting of ships in the ship registers of Bulgarian ports - to be adopted by 30.12.2000.

Supplement of Regulation No 5 on the ship documentation.

Harmonisation of technical requirements and requirements for maritime safety

Improvement of safety navigation measures

Conformity with EU legislation

The conformity of the national legislation with the requirements of the EU legislation is achieved by the adoption of a number of laws and secondary legislation acts introducing the provisions of the EU Directives and Regulations.

The competition rules for the inland waterways are discussed under Chapter VI “Competition Policy”.

The issues concerning safety, in particular the technical rules for construction of vessels (Directive 82/714, Directive 93/75) and with regard to the people on board (Directive 94/58) are important for the inland waterways and maritime transport sub-sector. In the Draft Law on the amendment of the Merchant Shipping Code there are texts related to classification societies in compliance with Directive No 94/57 on the general rules and standards for inspecting ships and controlling organisations and from the respective activities of the Maritime administrations incorporated. The maritime safety is a priority matter that is subject to treatment in both laws - the adopted Law on Maritime Spaces, the Inland Water ways and Ports and in the Draft Law on the amendment of the Merchant Shipping Code. The issues related to the requirements for registering of ships and transfer of ships from one register into another, are regulated in detail. Requirements for collecting statistical data on navigation are introduced. The issues related to the administrative institutional building are also a matter of special attention. Seminars for training inspectors, exercising control on navigation and Flag and Port State Control, etc are to be organised.

MEDIUM-TERM PRIORITIESFurther alignment of legislation

Further alignment of Bulgarian maritime legislation with the EU legislation in compliance with the development of EU policy for the sector (EC Report 97/C 205/05)

Further harmonisation of technical requirements and requirements for maritime safety; improvement of safety navigation measures

Institution building

Executive Agency “Maritime Administration” is an existing structure. It is a single budget-aided legal body under the Ministry of Transport and Communications with 4 regional offices - in Varna, Bourgas, Rouse and Lom and employs 400 people. Its functions are defined in detail in the Decree of the Government. In a medium -term period the improvement of its activities on the application of the adopted legislation will continue, including with regard to the control functions.

Executive Agency “Port Administration” as a single budget-aided legal body under the Ministry of Transport and Communications. Is a newly-established structure for the ensuring of the security and safety of ports, keeping of register and collection of statistics for the port operators, control on the observation of

the requirements for free access and application of equal competition conditions for the operators as well as solution of all the problems of direct public interest.

DEVELOPMENT OF TRANSPORT INFRASTRUCTURE

CURRENT SITUATION

As a result of the adopted national transport policy concerning priority development of transport corridors and the efficient co-operation between Bulgaria and the European Union in the field of Trans-European Transport Networks strategic planning, considerable experience in defining national transport priorities related to Pan-European transport corridors has been attained. Business plans, pre-feasibility and feasibility studies, financial schemes for construction, etc. for all major infrastructure sites in the country, including railway infrastructure, roads, ports of Burgas, Varna, Rousse and Lom, Sofia and Bourgas airports have been elaborated. Rehabilitation projects for the Bulgarian State Railways and the National road network have also been elaborated. These large and comprehensive studies have been mostly funded under the PHARE program and with the assistance of European consultant companies. The study entitled "Forecasts and Investments Programs for Development of Transport Infrastructure of Bulgaria in the period 2000-2010" is an overall reviews of transport infrastructure development planning in Bulgaria. The backbone of the Trans-European Transport Networks on the territory of Bulgaria is completely defined due to the active participation of our country in the TINA program. The additionally needed links between corridors and priority sites to be completed till 2015 have been defined.

The program of the Ministry of Transport and Communications, as part of the Medium Term National Investment Program for the period 1998 – 2001, contains 40 projects, 25 out of which are included under the Chapter on projects with national significance. The investment needed amount to 840 million EURO. Out of them over 400 million EURO will be utilised during the mandate of the present government. A total amount of over 420 million EURO is needed for the implementation of projects with regional significance.

SHORT-TERM PRIORITIES

Construction of infrastructure – implementation of the projects included in the National Investment Program for the period 1998 – 2001.

The updated program of the government "Bulgaria 2001", the Action Plan of the Ministry of Transport and Communications for the period 2000 –2001 and the Strategy for development of the transport sector till 2006 conformed the defined infrastructure priorities of the country as part of the Pan-European Transport Networks. The document signed by representatives of the European Commission, the Stability Pact, the Republic of Bulgaria and Rumania (Agreed Minutes, Brussels - 07. 02.2000; Experts Report, Brussels, 23.02.2000 and the Declaration signed by the Prime Ministers of Bulgaria and Rumania on 27.03.2000, witnessed by Mr. Bodo Hombach, Special Co-ordinator of the Stability Pact for Southeast Europe for the construction of a new bridge over the Danube river, in the Vidin-Kalafat area (km 796+/-1) along the route of Transport Corridor IV.) are of great significance for the development of Pan-European, regional and national transport links.

MEDIUM-TERM PRIORITIES

Further Development of Transport Infrastructure along the Pan-European Transport Corridors IV, VII, VIII, IX and X:

Corridor IV

- Construction of a combined (rail and road) bridge over the Danube River, connecting Vidin (Bulgaria) and Calafat (Romania)
- Road Transport:
 - Repairs and reconstruction of Road I-1 section "Sofia – Kulata. Estimated cost: US\$ 370 Million
 - Construction of "Struma" (131 km) and "Lulin" (16 km) motorways. Estimated total cost: US\$ 595 Million
 - Construction of the "Orizovo – Kapitan Andreevo" section of "Maritza" motorway - length 108 km. Estimated cost: US\$ 250 Million.
 - Rehabilitation and reconstruction of Road E-79 between Vidin and Montana and Road II-81 between Montana and Sofia. Estimated cost: US\$ 341 Million

- Railway Transport:
 - Reconstruction and electrification of the railway line “Plovdiv–Svilengrad– Bulgarian-Turkish border” for speed up to 160 km/h - Estimated cost: 340 Million Euro.
 - Reconstruction, upgrading and electrification of the railway line “Dupnitsa–Kulata – Bulgarian-Greek border” – length 119 km. Estimated cost: US\$ 30 Million.
 - Renewal and recovery of railway sections of the “Vidin – Sofia - Kulata” railway line (1 and 2 stage)– Estimated cost US\$ 177 Million.

Corridor VIII

Road Transport

- Completion of the construction of “Trakia” motorway - section “Orizovo - Jitarovo (Bourgas)” – length 193 km. Estimated cost: US\$ 475 Million.
- Completion of “Tcherno more” motorway – section “Jitarovo (Bourgas) - Priselci (Varna)” – length 92 km. Estimated cost: US\$ 470 Million.
- Completion of Sofia Ring Road: north and south arc – total length 46 km.
Estimated cost: US\$ 110 Million.

- Reconstruction and extension of Road I-6 section “Radomir - Gueshevo” – length 68 km.
Estimated cost: US\$ 225 Million.

- Rail Transport:

Construction of a new 2,5 km railway link between Gueshevo and the Bulgarian-Macedonian border. Estimated cost: US\$ 10 Million.

Double tracking and electrification of the “Karnobat - Sindel” railway section – length 123 km. Reconstruction for 130 km/h speed. Estimated cost: US\$ 125 Million.

Reconstruction and electrification of the Radomir-Gjueshevo railway line – length 88 km. Estimated cost: 100 Million Euro.

Double tracking and electrification of the “Plovdiv - Zimnica” railway section - length 178 km. Reconstruction for 160 km/h speed. Estimated cost: US\$ 39 Million.

Combined Transport Terminal in Sofia. Estimated cost: US\$ 50,4 Million.

Maritime Transport

Port of Bourgas Development

Terminal 1 for general liquid cargoes: estimated cost US\$ 93,4 Million.

Terminal 2 for bulk and general cargoes: estimated cost US\$ 127,6 Million.

Terminal 3 for Ro-Ro and ferry transport: estimated cost US\$ 50 Million.

Terminal 4 for container handling: estimated cost US\$ 116 Million.

Oil Harbor Rosenetz – Extension and reconstruction: estimated cost US\$ 100 million.

Port of Varna Development

Container Terminal –estimated cost US\$ 32 Million.

Grain Terminal – estimated cost US\$ 15 Million.

Corridor X

- Road Transport:
 - Rehabilitation and reconstruction of the road Sofia – Kalotina: Estimated cost: US\$ 50 Million.

Corridor IX

Road Transport:

- Reconstruction and upgrading of international Road E-85 (I-5) - estimated cost: US\$ 390 Million.
- Construction of sections of access Road I-5 to the Bulgarian-Greek border at Makaza – estimated cost: US\$ 53 Million
- Construction of a tunnel under “Shipka” - estimated cost : US\$ 114 Million
- Reconstruction and upgrading of the “Ruse - Kurdjali” section of Road I-5
- estimated cost of US\$ 62 Million

Railway Transport:

- Reconstruction and upgrading of the Combined Transport Terminal in Dimitrovgrad - estimated cost: US\$ 30,4 Million.

Corridor VII

Port of Rouse Development

Container Terminal and Grain terminal - estimated cost - US\$ 10-12 Million.

Port of Lom Development

Danube River ports rehabilitation – estimated cost 24.8 Million Euro.

Air Transport

Reconstruction and development of Sofia Airport - estimated cost: EURO 240 Million.

Air Traffic Development in Bulgaria - estimated cost: US\$ 254 Million.

Reconstruction and development of Bourgas Airport - Estimated cost: US\$ 66 Million.

FINANCIAL NEEDS FOR INSTITUTION BUILDING

The role of administrative structures, established in order to accomplish the legislation objectives and the strict application of laws undoubtedly is very significant. The proper administrative structuring, the recruitment of staff, qualification and education level are of great importance for the efficient implementation of aligned legislation. The arrangement of this important issue requires substantial funds for training, seminars, study visits and others. Financial support needed for the transport sector in connection with consultations with legal and administrative experts on European Community legislative system and interpretation of primary and secondary legislation text could be summarised as follows:

Seminars to take place in Bulgaria, discussions and exchange of opinions for a large number of experts from Civil Aviation Administration, Maritime Administration, Port Administration, Road Administration, Railway Administration, from 3 to 5 days, total cost **EURO 240 000**;

Study visit in an EU member-state of 10 legal experts from the **Ministry of Transport and Communications and the Ministry of Justice**, with the aim of studying the European legislation and harmonisation of the Bulgarian legislation to that of the European Union, duration of 3 -5 days, total cost **EURO 25 000**.

Study visit in an EU member-state for 7 experts from “**Transport Policy** “ unit in the Ministry of Transport and Communications in the field of development of Trans-European network, combined transport, statistics and financing, duration of 3 -4 days, total cost **EURO 18 000**.

Study visit of 4 European experts **in Bulgaria** for discussions and exchange of ideas in the field of transport administration in all transport sectors and on concrete issues, related to licensing control, issuing of certificates and inspection - total cost **EURO 80 000**.

Ensuring of administrative, linguistic and specialised technical training of experts from in the Ministry of Transport and Communications - total cost **EURO 150 000**.

Finances for the completion of the aviation training of 16 students from the department of “Air Transport” in the Technical university in Sofia - total cost about **EURO 500 000**.

Necessary financing for **technical equipment** for establishing connection between the Civil Aviation Administration and the airports /building of a network/ - **EURO 10 500**.

Study visit of experts from the Civil Aviation Administration in relation to Bulgaria’s membership in the Joint Aviation Authorities /JAA/, duration of 3-5 days, total cost about **50 000 EURO**.

Studying and assessment of transport legislation impact upon transport market and undertaking of adequate measures – the project should be elaborated in respect to all transport modes, because of its essential significance in outlining of transport policy and decision taking. Total cost of the project **EURO 100 000**.

Provision of funds for translation of directly applicable EU legal acts, 6000 pages, total cost approximately **EURO 156 000**.

10. TAXATION**CURRENT SITUATION****LEGISLATION. SUBSTANTIVE LAWS**VAT Act

With the amendments to the VAT Act (promulgated in State Gazette, issue No. 111 of 21 December, 1999) with effect from 1 January, 2000, the process of modernisation of substantive tax laws continues in direction of detailed unification with the EU legislation in VAT field.

The level of harmonization has increased in the following directions:

Taxation of the tourist services, with effect from 1 January, 2000 in accordance with the special scheme, provided for by Art. 26 of the Sixth Council Directive 77/388/EEC of 17 May, 1977 on the harmonization of the legislation of the Member-states, regulating the turnover tax – common system of VAT: uniform assessment base.

Taxation of the transactions, related to investment gold, with effect from 1 January, 2000 in accordance with the special scheme, provided for by the Golden Council Directive 98/80/EEC of 12 October 1990, amending Directive 77/388/EEC, creating Art. 26 b – special scheme for investment gold taxation.

For the proper application of the VAT Act the following Regulations have been drafted and their promulgation is upcoming: Regulation on the procedure for reimbursement of VAT paid by diplomatic missions, consulates, representations of intergovernmental organisations and members of their staff; Regulation on the paid VAT reimbursed to foreign legal entities, registered under this act in countries which reimburse VAT to Bulgarian legal entities for services used by them on the territory of the country.

SUBJECTIVE LAWS

With the Tax Procedure Code, promulgated in State Gazette, issue 103 of 30 November, 1999, with effect from 1 January, 2000, where the underlying principles building the modern tax administrations are laid down, the procedures on registration of tax subjects, establishment, securing and collection of tax and other state and municipal public receivables, appeals of acts connected with the before mentioned activities, as well as the structure and powers of the tax administration are regulated.

With the entering into effect of the Tax Procedure Code the second stage of the tax reform in the legislative sphere is coming to an end.

SHORT TERM PRIORITIES**CONTINUATION OF THE PROCESS OF ALIGNMENT OF THE BULGARIAN LEGISLATION WITH THE EU AQUIS IN TAX FIELD.**

Preparation and proposition of a statutory base for establishment and functioning of a system of bonded warehouses and "VAT-warehouses" under fiscal control in compliance with the Council Directive 92/12/EEC on the general rules for goods subject to excise duties and for the movement and monitoring of these goods.

Drawing up of accompanying documents for the movement of the goods in accordance with the requirements of the Commission Regulation 92/3649/EU of 22 November, 1993 on simplified administrative document for the movement of excise goods.

Development of a draft programme for gradual increase in the excise rates up to the minimum rate, adopted by the Community, as at the moment of accession of the Republic of Bulgaria as a full member of EU.

Development and approval of a concept for establishment of the Unified Revenue Collection Agency.

Preparation of a proposition for amendment and supplementation of the tax and social security legislation in connection with establishment of Unified Revenue Collection Agency / taxes, social security and other state receivables without indirect taxes on import of goods, collected by General Customs Directorate/.

Issuing of Regulation on the procedure for reimbursement of VAT paid by diplomatic missions, consulates, and representations of intergovernmental organisations and members of their staff.

Issuing of Regulation on the paid VAT reimbursed to foreign legal entities, registered under this act in countries which reimburse VAT to Bulgarian legal entities for services used by them on the territory of the country.

Increasing the administrative capacity of the tax administration for applying EU legislation in the taxation field by means of continuing the process of restructuring and modernization of the tax administration

TRAINING

Introduction of new standards in the activities of the tax administration.

Development of a system for risk assessment and selection of cases for audits.

Development and application of an unified system for analysis, planning and reporting of audits.

Information campaigns on tax collection

Information technologies

Development of an "Information strategy" in compliance with the concept for the establishment of Unified Revenue Collection Agency.

Development of an "Information security policy" and "Implementation plan" for 2 year period

Analysis of the information flows and needs of the tax administration and development of a "Global information model" and specification of the work structure and functionality of "data warehouse".

MEDIUM TERM PRIORITIES

CONTINUATION OF THE PROCESS OF ALIGNMENT OF THE BULGARIAN LEGISLATION WITH THE EU AQUIS IN THE TAX FIELD

Review on the Bulgarian tax legislation and preparation of drafts, amending it for the purpose of detailed harmonisation of Bulgarian legislation with the European one in the field of VAT and excise duties. Designing of a strategy and action plan for the gradual transposition of European legislation in the Bulgarian legislation.

Review on the Bulgarian tax legislation and preparation of drafts, amending it for the purpose of detailed harmonisation of Bulgarian legislation with the European one in the field of direct taxes – Council Directive 69/335/EEC on the indirect taxation of the capital increase, Council Directive 90/434/EEC on the common tax system, applied to companies from different Member-states on mergers, splitting, transfer of assets and exchange of shares and Council Directive 909/434/EEC on the common tax system applied to parent-companies and their subsidiaries from different Member-states.

Designing of a strategy and action plan for the gradual transposition of European legislation in the Bulgarian legislation.

Development of an action plan with respect to introduction of a transitory VAT regime with a view to the EU requirements.

Development of a statutory base, regulating the marking of gas oil and kerosene for taxation purposes in accordance with the requirements of Directive 95/60/EU.

Studying of the impact and preparation of a report and strategy for application of the principles and requirements laid down in the Code of Conduct for business taxation of the European Commission.

Development of a methodology for:

Assessment and interconnection between the existing statutory acts;

Introduction of a proportionate correlation between the administrative violations and sanctions.

Preparation of a draft Tax Code compiling all the Bulgarian tax legislation.

Increasing the administrative capacity of the tax administration for applying EU legislation in the taxation field by means of continuing the process of restructuring and modernization of the tax administration.

Improvement of the activity of the tax administration

Establishment of Unified Revenue Collection Agency – taxes social security contributions and other liabilities to the state with the exception of the indirect taxes collected by the Customs on import.

Establishment of a system of linked bonded warehouses and “VAT-warehouses” under fiscal control in accordance with the Council Directive 92/12/EEC concerning the regulation of the rules for introduction and functioning of warehouses.

Introduction of new standards in the activities of the tax administration

Introduction of a system for automated risk assessment and selection of cases for audit.

Development and application of a methodology using representative methods for auditing in accordance with the best practice in Europe

Review of the functions of Operative Control Unit with view to establishment of a new unit for combating tax frauds. Establishment of Unit for combating tax frauds.

Review of the functions of Internal Control Unit for the purpose of reinforcing the controlling function.

Introduction of new standards in HRM and in the training of the tax officers. Development and application of Code of Ethics of the tax administration.

Development of an overall HRM strategy of the tax administration (1 to 3 years) to support the tax administration.

Designing of an action plan on training and developing the human resources of the tax administration.

Establishment, development and use of tax administration’s own training team.

Application of the overall HRM strategies of the tax administration over a period of 1 to 3 years.

Development of a methodology for specialised training in applying the new legislation

Development of procedures for risk assessment in connection with the conducting of management.

Implementation of series of purposeful courses on training in certain fields of the TA activities /application of the tax legislation, fiscal control, collection of liabilities overdue, taxpayers service, management and ethics, communications, application of the Double Taxation Conventions/.

Purchasing of the necessary equipment and software.

Designing of profiles, roles and obligations for the managers of the tax administration.

Development and improvement of a methodology for training of the managers at the different levels of the tax administrations in management basics.

Activities on communication strategy of the tax administration

Information technologies

Development and implementation of integrated tax information system including collection of social security contributions as well.

Administrative co-operation and mutual assistance

Review on the current situation and proposal for rationalisation and exchange of information between the tax administration and other institutions in the country

Designing of legal framework and model of bilateral agreement on exchange of information between the Bulgarian tax administration and the tax administrations of the other EC Member-states in line with the requirements of Directive 77/799/EEC and Regulation 218/92/EEC.

Institutionalisation of the Central Liaison Office and preparation for work on exchange of information on indirect taxes, tax frauds, preventive control and early notification.

ADMINISTRATIVE CAPACITY

REFORM OF THE TAX ADMINISTRATION

The functional structure of management of the Bulgarian Tax administration was established with the adoption of the Tax Procedures Code (TPC) and its coming into force on 01.01.2000. The General Tax Department acts

at the central level, whereas regional and territorial tax directorates and tax divisions act at the local level. The following functional divisions exist at each level where the corresponding functions are carried out:

- Operational functions – registration and taxpayer service, revenue accounting, audits (tax control), collection of state receivables, detection of tax frauds, appeals;
- Internal functions maintaining the system – management of human resources, management of financial resources and accounting (Financial and accounting department), investment management and servicing of the tax administration (administrative support department);
- Computer and information systems and technologies;
- Functions servicing the system – statistics, analyses and forecasts, legal servicing, internal control, Public Relations.

The General Tax Department manages and guides the activities of the structural units by means of defining the tasks and goals standing before the tax administration in accordance with the strategic and action plan of the tax administration.

The Tax Procedures Code has established a State Receivables Agency at the Ministry of Finance, the purpose of which is to increase the level of tax collection with minimum resources. The Agency is a legal entity. It organizes and manages activities related to the securing and enforced collection of public receivables, establishes and collects private state receivables established by law, the enforced collection of which is carried out according to the public receivables procedure.

“Fiscal Policy” Department is set up within the Ministry of Finance with Ordinance of the Council of Ministers # 48 of 4 April, 2000 /State Gazette, issue 30 of 11 April, 2000/ with effect from 11 April, 2000, which is to develop the unified fiscal policy of the country and will co-ordinate activities on the harmonisation of the Bulgarian legislation with the European one in that field

Up to now the reform and modernization of the Bulgarian tax administration has been executed in accordance with the main requirements set forth by the EU to the candidate countries in the form of key indicators included in the “Fiscal Blueprints” (Blueprints – Brussels, 29.10.1999). The measures for implementing the short and medium term priorities are based on gap and needs analyses, carried out within the framework of the preliminary program managed by IOTA for developing “Business Change Management Plans” for the tax administrations of the candidate countries.

Presently, the tax administration is applying for technical assistance under a PHARE 2000 program with a project for “Harmonization of legislation and improving the activities of the tax administration”. This will serve as the basis for determining the EU member countries to carry out the Twinning procedures. Some research is being done at the moment of the EU countries with best practices in each Blueprint topic.

On the grounds of Decision of the Council of Ministers of 28 October, 1999 the establishment of Unified Revenue Collection Agency is forthcoming which is to be responsible for the collection of all taxes, social security contributions and other state receivables without the indirect taxes on import of goods, collected by General Customs Directorate. Concept for Agency which to unite the General Tax Directorate and those bodies of the National Social Security Institute which implement functions on social security contributions collection is being developed with the help of IMF. The view of IMF is that this unification will provide for the possibility of:

- Further harmonisation of the taxable base used for charging of taxes and social security contributions
- Improvement of payment of taxes and social security contributions;
- Integration of the functions on voluntary compliance as regards taxes and contributions and those on enforced collection;
- Reduction of the costs of the employers and the other liable persons as regards voluntary compliance.

INFORMATION MANAGEMENT AT ALL LEVELS OF THE GTD.

Presently, a concept for establishing a unified information system for complete securing of the activities of the tax administration is under discussion at the Ministry of Finance and the General Tax Department. This is also necessary for the future establishment of the Unified Revenue Collection Agency.

FINANCIAL NEEDS

The financial resources needed for the implementation of the measures on the short term and medium term priorities on larger projects where as donors participate the World Bank and IMF are being specified.

SHORT TERM PRIORITIES

State Budget	273,05 thousand Euro
Phare	500 thousand Euro
Other	still being decided on

MEDIUM TERM PRIORITIES

State Budget	232,5 thousand Euro
Phare	2 million Euro
Other	still being decided on

Expected results of the implementation of the measures for achieving the objectives set

Gradual alignment of Bulgarian with European legislation in the tax field.
Preparation of a draft for codification of the substantive tax laws
Improvement of the activity of the tax administration and the quality of the taxpayers service
Increase in the share of voluntary compliance and reduction of the share of tax frauds
Raising the public confidence
Increasing the collection of state budget revenue through achieving higher level of voluntary compliance of tax and other liabilities
Improvement of the administrative co-operation and exchange of information with the tax administrations from the Member-states and associate countries.

11. ECONOMIC AND MONETARY UNION**ECONOMIC POLICY****CURRENT SITUATION**

The economic policy of the Government of Republic of Bulgaria follows its Programme "Bulgaria 2001", approved by Parliament in June 1997, and supported by the international financial institutions.

The macroeconomic situation in Bulgaria remains stable (in conformity to Art. 121 [ex Art.109j] of the Treaty) despite the negative impact of the external shocks (in particular, the Kosovo crisis in March-June 1999) and the tensions caused by the acceleration of structural reforms. As a consequence of the external shocks, the economic growth rate slowed down in the first half of 1999. However, the second half of the year witnessed a substantial improvement of exports performance and the real GDP growth rate in the third quarter reached 4.5% compared to the corresponding quarter of the previous year (2% for the first nine months of the year). The expected annual real GDP growth rate is about 2.5%. The average annual inflation remained relatively low (1.8%) though increasing in the second half of the year. During the year the base interest rate varied within the range between 4.46% and 5.04%. According to the preliminary data the consolidated budget deficit for 1999 is about 1%, i.e. below the planned level of 2.7%. This tighter-than-envisaged fiscal stance was instrumental in containing the effects of the various shocks on the external account. The gross government debt/GDP ratio for 1999 would be around 95%. Foreign reserves increased by 5.6% in dollar terms at the end of 1999.

In March 2000 the Government presented to Parliament an updated Program "Bulgaria 2001", which covers the objectives of economic policy and the measures to be undertaken in the period to April 2001.

Surveillance and transparency of economic policy measures and outcomes

The National Accounts estimates prepared by NSI conform in general to the ESA 95. The National Statistical Institute in co-operation with EUROSTAT has started a number of pilot projects in the field of macroeconomic statistics harmonization (Protocol 6 on the convergence criteria and Council Regulation (EC) No 2494/95 of 23 October 1995). The National Statistical Institute and the Ministry of Finance concluded an agreement for co-operation in statistics of general government balance (deficit/surplus) and government debt in compliance with the requirements of Council Regulation (EC) No 3605/93 of 22 November 1993. The two institutions participate in a pilot project with EUROSTAT in the field.

The Government is building up an information network and a web site of the Council of Ministers, supplemented by web sites of the ministries and agencies within the Government. The web sites provide data, key documents and information of main activities. The updated programme "Bulgaria 2001" is available on the web site of the Council of Ministers. The central bank – the Bulgarian National Bank also provides abundant weekly and monthly monetary and banking data and information of its activities on the web site and on paper.

The Agency for Economic Analysis and Forecasting at the Ministry of Finance publishes Monthly Economic Review with detailed information on macro and micro level. Twice a year it publishes a semi-annual and annual economic review of the Bulgarian economy. The publications of the Agency are available to the public by subscription.

The Ministry of Finance publishes monthly data and information about the implementation of the budget in two publications, available to the public by subscription: "The Budget" and "Government Debt". (Art. 104 [ex Art. 104c] of the Treaty and Council Regulation (EC) 1466/97 of 7 July 1997, art. 4 (2))

All these publications are available to the public in the country and outside the country in paper and on the corresponding web sites and they contribute to the transparency of the economic policy measures and outcomes.

SHORT-TERM PRIORITIESAcceleration of economic growth based on the achieved macroeconomic stability.

The objective will be achieved by applying the same key economic instruments – the currency board arrangement, the maintenance of a close to balance consolidated government budget and strict financial discipline. The advance in structural reforms already translates in economic growth.

Completion of structural reforms

The priority will be achieved by restructuring natural monopolies, completion of the process of privatisation of assets, allocated for this purpose (till end 1999 70% of state-owned assets has been privatised), and further progress with reforms in the social sphere, especially in health-care. The achievement of this priority will facilitate the smooth functioning of private and public sectors. The updated programme of the Government and the Action Plans of the governmental units, which are a part of it, explain in details the measures for the achieving short-term priority one and two. Fiscal Policy and Avoiding Excessive Budget Deficit

MEDIUM-TERM PRIORITIES

The key objective of the macroeconomic policy in the medium term is to achieve a sustainable economic growth rate of at least 4-5 percent annually with stable price level and to improve the living standard of Bulgarian citizens. In the process of negotiations, the Bulgarian Government and the BNB shall continue to follow their policy, focused on maintaining macroeconomic and financial stability in conformity to the objectives of the Economic and Monetary Union

Providing for better monitoring of the macroeconomic variables in correspondence with the requirements of Art. 121 [ex Art. 109] of the Treaty through establishing a sound macroeconomic statistical basis

The National Statistical Institute in co-operation with the Ministry of Finance and together with EUROSTAT will develop the necessary macroeconomic statistics.

EXPECTED RESULTS

The achievement of the above stated priorities will enable the Government of the republic of Bulgaria to achieve sustainable economic growth with stable microeconomic environment.

ADMINISTRATIVE CAPACITY

All ministries, other governmental units, independent state institutions and the BNB are responsible for the design and implementation of economic policy priorities. The measures, undertaken for strengthening public administration, ensure the establishment of administrative capacity to absorb and implement the EU *acquis*, and in particular the EMU *acquis*.

As based on the official fees applied by PHARE the required financial resources for the translation of the part of the *acquis* on the Economic and Monetary Union amount to EURO 3.600.

FISCAL POLICY AND AVOIDING EXCESSIVE BUDGET DEFICIT.

CURRENT SITUATION

The Budgetary Procedure

The fiscal year in Bulgaria coincides with the calendar year. The general government budget includes the state budget, the budget of the National Social Security Funds, and the budget of the Health-care Insurance Fund, the Unemployment Fund and all other extra-budgetary funds and the municipalities' budgets. A specific law regulates the operation and the finances of each of these components.

The Organic State Budget Law establishes the general framework of the budgetary process. The state budget includes the central state budget, the budget of the judicial system and of the National Audit Office. The preparation of the state budget for the next year starts in the spring of the current year. It is based on three years macroeconomic forecast and budget balance targets. (Art. 3 (1), (2), (3) of the Treaty and Council Regulation (EC) No 1466/97 of 7 July 1997)

The evaluation of expected revenues and expenditures is further updated in the autumn of the current year. The draft State Budget Act, accepted by the Council of Ministers is submitted to the Parliament. The report attached to the annual draft Budget Act is an important internal economic policy document. In 1999 the report has been enlarged and substantially improved. The report includes not only the macroeconomic framework and the budget deficit targets for the next three years, but it also gives a comprehensive elaboration of the economic policy objectives and priorities as well as the instruments for their achievement. The report gives an assessment of the fiscal risks and the policy measures to counteract them. The targets for the general

government budget balance and the government debt as well as the measures to keep them under strict control represent the core of the report.

Attached to the draft State Budget Act are tables on a consolidated basis, which present the financial state of the consolidated general government budget. (Art. 3 of Protocol No 5)

The preparation of the draft budget acts of the National Health-care Insurance Fund and the National Social Security Fund follow similar time schedule as the state government budget. The Ministry of Finance cooperates closely with the corresponding governmental units in order to keep control over the consolidated general government budget. (Art. 3 of Protocol 5).

Before submission to the Council of Ministers the draft budget act of the National Health-care Insurance Fund is approved by its General Meeting while that of the National Social Security Fund is approved by its Supervisory Board. The Parliament adopts the Annual Budget Act not later than December.

The Annual Budget Act 2000 has been adopted by Parliament on 20 December 1999 and on 22 December 1999 it adopted the budget acts for 2000 of the National Health-care Insurance Fund and the National Social Security Fund.

Municipalities adopt their annual budgets after the approval by Parliament of the State Budget Act. They take under considerations the transfers between them and the central government as approved in the State Budget Act.

The Implementation of the Annual Budget Acts

The last two years witnessed substantial changes in the rules for Annual Budget Act implementation optimising and enhancing the efficiency of budgetary resources management. In 1999 the number of first level budgetary spending units has been reduced to 33 together with a substantial reduction of the number of extra-budgetary accounts and funds. In 1999 a single account system was introduced, established at the central bank (BNB). All payments of the central state budget and the budgets of first level spending units go through it. These measures have already strengthened substantially the expenditure management and fiscal transparency. Building up the modern accounting and information management system will make further progress in the field over the year.

The Tax Procedures Code has established a State Receivables Agency at the Ministry of Finance, operational as of January 2000. It organizes and manages activities related to the securing and enforced collection of public receivables, establishes and collects private state receivables established by law, the enforced collection of which is carried out according to the public receivables procedure.

In March 2000 the Government approved a Government Debt Management Strategy to ensure fiscal and external sustainability and to reduce total government debt. Guidelines for contracting and guaranteeing non-confessional debt have already been formalized, and external vulnerability indicators developed for monitoring purposes.

SHORT-TERM PRIORITIES

Maintaining close to balance consolidated general government budget

The Government sets as a target a consolidated general government budget deficit of 1.5% to GDP (Correspondence to Art. 104 (1) [ex Art. 104c (1)] of the Treaty). Although the envisaged fiscal stance is consistent with the macroeconomic framework for 2000, the Government is ready to tighten fiscal policy during the year if the external current account deficit does not improve as expected. To facilitate the tightening if needed, the 2000 Budget Act maintains the provision allowing the Ministry of Finance to limit discretionary spending to 90 percent of the budgetary allocation. The budget also includes expenditure contingencies of 1.25% to GDP, mainly to cover transitional costs of structural reform.

In 2000 the surveillance on municipalities will be strengthened. New provisions have been introduced in 2000 budget law which include limiting expenditure to the level of revenues collected (rather than projected), and linking transfers from the central government to fiscal performance, with penalties for deviations.

Improvement of fiscal expenditure management

In 2000, pursuant to the Annual State Budget Act 2000, all state budget units and accounts will be included in the already established single account system. The payments of the budget units will be processed through this single account at the BNB or through transit (zero-balance) accounts in commercial banks. At the end of

each day, the payment orders will be settled against the single account in BNB. The municipalities' accounts will not be included in the single account system at this stage.

Improvement of tax and social securities collection

The Government has started the preparation of the establishment of a Unified Revenue Agency at the Ministry of Finance, which will combine the collection activities of the tax and social security administration.

Improvement of accounting

In 2000 the draft of the new budget classification and budget chart of accounts will be further developed establishing a standardized accounting procedure for all budgetary organizations. It will provide for both cash-based and accrual-based reporting, too. It will meet all national and international accounting standards. The draft was ready in September 1999, prepared by a working group of experts from the Ministry of Finance, from the National Audit Office, from other interested ministries and experts from SIGMA. An IMF mission of experts consulted the working group, too. SIGMA will provide assistance for the implementation process, which includes a preparation of the Manual for using the new chart of accounts and its introduction in the budget sector by stages. This Manual will be tested in parallel with the building up of the new Financial Management Information System (FMIS) - first in the Ministry of Finance and later in the pilot ministries. The draft operational manual should be finished till the end of November. At the end of 2000 both the operational manual and the chart of accounts should be ready.

Building up the Financial Management Information System (FMIS)

A key issue in the budgetary reform plays the establishment of a new Financial Management Information System (FMIS). It is based on the best practices in the advanced economies. The new system will improve substantially the government budget resources management.

A new procedure for the assignment of a public procurement for the building of FMIS-stage 1 started on 24th of January 2000, the provider has been already selected and a one-year contract will be concluded shortly.

At this stage the main functions of the system will be introduced at the first level spending units and at some of the second level spending units. At the beginning, the system will include the basic modules for the budget implementation as follows:

- General ledger;
- Accounts payable and accounts receivable;
- Management of the liquidity and payments;
- Management and control.

The General ledger will be based on the unified chart of accounts for the budget sector. It will include agreements taken (commitments and contracts), cash operations as well as accounting operations on accrual basis. The system allows for integration and high level computerization of all accounting operations. Its facilities will provide for cash flows analysis and forecasting. The budgetary units will send electronic orders to the payment systems. There will be mechanisms for payment authorization on a higher administrative level, in addition to the schemes, included in the control function of the budget. Proposals exceeding the limits will be rejected by the system. There will be devices for additional control on different levels. The determination and establishment of the control functions will be made under the supervision of the Ministry of Finance.

Improvement of government debt management

Prepare a draft law on Government Debt Management in the first half of 2000, based on the Government Debt Management Strategy. It is expected that the Law will be adopted till the end of 2000 or in the beginning of 2001.

MEDIUM-TERM PRIORITIES

Maintain close to balance consolidated general government budget

The government will continue the policy of maintenance of a close to balance consolidated general government budget. However, as a key challenge in the medium term may come from the balance of payments, the Government is ready to respond by tightening the fiscal stance if the current account balance deteriorates more than forecasted. Thus the Government will defend the smooth operation of the currency board arrangement.

The medium term priority will be achieved by further improvement of budget performance and implementation in the medium term. The creation of the Unified Revenue Agency and a full-fledged Treasury comprise the core of the fiscal reforms.

Establishment of a Unified Revenue Agency

The Unified Revenue Agency should become operational till the end of 2001. Until now the tax and social security administrations have had parallel structures and separate information systems. Combining the collection activities of the two agencies under a single information and enforcement system should result in economies of scale and reduce the presently widespread evasion and underreporting. To minimize disruptions the agency will be implemented in a phased manner during 2000 – 2001 with IMF and World Bank technical assistance.

Completion of the Financial Management Information System (FMIS) and establishment of the Treasury System

The first stage of FMIS will be finalized in the first half of 2001 and a procedure for the second stage provider will be initiated. The Treasury system established by FMIS will enhance the Ministry of Finance's capacity for effective management of the budget execution.

The second stage will include all second level units and the additional modules for:

Assets and costs accounting;

Budget planning and preparation of the budget.

FMIS will include enhanced system for information and management analysis. This system will use information from all modules of the FMIS and from external systems. It will process and analyse the information and present it for the management needs of the Ministry of Finance and the budget units.

On the next stages the system will be extended both with additional functions and modules (for example for human resource management, for logistics, for management of the production cycle etc.), and with new consumers.

Dynamic reduction of government/debt ratio

Implement the Debt Management Law in the end of 2000 or at the beginning of 2001.

EXPECTED RESULTS

The implementation of measures for achievement of the priority objectives will improve fiscal expenditure management and will ensure the maintaining of close to balance consolidated general government budget.

ADMINISTRATIVE CAPACITY

The draft State Budget Act, accepted by the Council of Ministers is submitted to the Parliament. The Ministry of Finance cooperates closely with the corresponding governmental units in order to keep control over the consolidated general government budget. The Annual Budget Act is adopted by Parliament. Parliament adopts the budget acts of the National Health-care Insurance Fund and the National Social Security Fund. Municipalities adopt their annual budgets after the approval by Parliament of the State Budget Act. A single account system of the State Budget is established at the Central Bank (BNB). A State Receivables Agency is established at the Ministry of Finance. The Ministry of Finance plays the main role in the implementation of fiscal policy.

As based on the official fees applied by PHARE the required financial resources for the translation of the part of the *acquis* on the Economic and Monetary Union amount to EURO 3.600.

MONETARY AND FOREIGN EXCHANGE POLICY

CURRENT SITUATION.

The Law on the Bulgarian National Bank (Law on the BNB) determines the regime of functioning of the central bank and all issues concerning monetary policy in Bulgaria. The Currency Board Arrangement (CBA) was introduced in Bulgaria on 1 July 1997 (Law on the BNB). According to this arrangement the national currency – the lev, was fixed to the DEM at a rate of BGL 1000 to DM 1. The money issue rule states that on demand, the

Bulgarian National Bank shall be bound to sell and purchase Deutschemarks against levs up to any amount within the territory of the country on the basis of spot exchange rates, which shall not depart from the official exchange rate by more than 0.5 percent, inclusive of any fees, commissions and other charges to the customer. The total amount of monetary liabilities of the BNB cannot exceed the leva equivalent of the gross international foreign exchange reserves, as the lev equivalent is determined on the basis of the official foreign exchange rate of lev against the DEM.

Exchange rate

According to the Law on the BNB since 1 January 1999 the official foreign exchange rate of the lev was fixed against the Euro at the same rate at which the Deutschemark was fixed to the Euro - 1955.83 levs per 1 Euro (1.95583 new levs per 1 Euro, effective as of 5 July 1999). The choice of the Deutschemark as an anchor and the subsequent substitution with the Euro declares explicitly the intention of Bulgaria to join the EU and the European Monetary Union. The Law on the BNB conforms to the basic principles of the Treaty Establishing the European Community and of the Statute of the ESCB and of the ECB for enforcing financial discipline and providing stable macroeconomic environment.

BNB Statutory Objective

The Law on the BNB (Art. 2) determines the main objective of the central bank as: "The main task of the BNB shall be to contribute to the maintenance of the stability of the national currency through implementation of the monetary and credit policy as provided for by this Law". The maintenance of stable national currency results in price stability, thus conforming to the primary objective of the ESCB of "maintenance of price stability". (Art. 105 [ex Art. 105] of the Treaty Establishing the European Community)

BNB Independence

The Law on the BNB complies with the requirement for central bank independence (Art. 107 [ex Art. 106], Art. 108 [ex Art. 107] of the Treaty Establishing the European Community). The institutional independence of the BNB ensues from the principle of establishment of the CBA and from Art. 44, Art. 45 of the Law on the BNB. The Law on the BNB guarantees that when exercising the powers and carrying out the tasks and duties conferred upon by the Law the BNB should not seek or take instructions from government or any other state body. Art. 1, Art 50 and Art. 51 of the Law further strengthened BNB independence by stating that the central bank reports its activities to the National Assembly.

The establishment of the managing body of the BNB - the Managing Board, meets the requirements for independence: the National Assembly elects four of the members of the Managing Board (the Governor and three Deputy Governors) and the President of the Republic appoints the other three members. Decisions of the Managing Board are adopted by a majority of the members present (Art. 17), as each member has one vote.

Art. 12 of the Law on the BNB regulate the personal independence of the BNB Managing Board. The term of office of the members of the Managing Board is 6 years according to the Law except for the members of the opening one. Members of the opening Managing Board, constituted pursuant to the Law on BNB, had been elected or appointed, as the case should be, for the following terms of office:

The Governor for 6 years;

The Deputy Governor heading the Issue Department - for six years; the Deputy Governor heading the Banking Supervision Department - for four years; and the Deputy Governor heading the Banking Department - for two years;

For the other members: one for one year, another one for three years, and the third one for five years, as designated by the act of appointment.

When the term of a member of the opening Managing Board expires his successor has a mandate of 6 years.

The mandate of the members of the Managing Board can be terminated or suspended only on the grounds stipulated by the Law (practical inability to perform his functions, enforcement of an imprisonment sentence, serious misconduct in office). The members of the Managing Board, appointed by the President, may not engage in any other activity at the BNB. None of the members of the Managing Board has the right to engage in any other remunerative activity for banks or in the executive.

Prohibition of monetary financing of government deficit

The Bulgarian legislation is harmonized with the provisions of Art. 101 [ex Art. 104] of the Treaty Establishing the European Community, according to which the central banks are not allowed to extend credit facilities,

including overdraft facilities in favour of central government, regional, local or other public authorities, other bodies governed by the public law or public undertakings. The Law on the BNB explicitly provides that the BNB may not extend credits to the State or to any state agency, except credits against purchases of Special Drawing Rights (SDR) from the International Monetary Fund under strictly stipulated by the law terms (Art. 45).

Prohibition of a privileged access of public authorities to financial institutions

No Bulgarian law stipulates for any form of privileged access by

government, regional, local or other public authorities, other bodies governed by the public law or public undertakings to financial institutions (compliance with Art. 102 [ex Art. 104a] of the Treaty Establishing the European Community).

Banks' supervision

With regard to the banking legislation (other than the Law on the BNB) Bulgaria reports high degree of harmonization with the EU legislation in the field of financial services and particularly of banking services. The Law on Banks and BNB Regulations are worked out in conformity with the First and Second Banking Directives, the Directives on capital adequacy and solvency ratio of banks, the Directives on large exposures, Directive on the supervision and control of market risks.

The last essential amendments of the Law on Banks that entered into force in July 1999 improved the banking supervision supplementing the legislation concerning the banks' insolvency procedures and the range of possible supervisory measures. As a result, the efficiency of the banking supervision, the protection of the depositors' interests and the stability of the banking system have been increased.

Free movement of capital

A substantial progress related to harmonization of the legislation has been achieved in another area directly related to the Economic and Monetary Union (EMU) – the free movement of capital. The Foreign Exchange Law adopted last year and effective since January 01, 2000, substantially liberalizes the movement of capital, providing at the same time effective system for reporting of the capital flows.

MEDIUM-TERM PRIORITIES

Bulgaria considers that the currency board arrangement provides the necessary monetary stability framework and that this monetary system should be maintained until the moment of accession to the EU.

Bulgaria has set up as a mid-term priority to join the Economic and Monetary Union (EMU). The strategy presupposes the attainment of three main objectives before the accession to the EU:

- Fulfilment of the convergence criteria;
- Timely preparation of the appropriate legislative framework;
- Establishment of the necessary internal organization and set of instruments of the Bulgarian National Bank in order to be ready to meet the requirements of the Statute of the ESCB.

Maintenance of the national currency stability under the currency board arrangement.

Bulgaria considers that the CBA provides the necessary monetary stability framework and that this monetary system should be maintained until the moment of accession to the EU. Correspondingly, the re-introduction of functions and instruments of a central bank with independent monetary policy before membership in the EU is not expedient. Legislation, which is fully compliant with the Statute of the ESCB shall be prepared before the accession of the country to the EU.

ADMINISTRATIVE CAPACITY

The Ministry of Finance plays the main role in the implementation of fiscal policy. According to its Medium-term Strategy, developed with PHARE assistance, the Ministry of Finance undergoes structural changes to enhance its ability for EU *acquis* implementation.

There is a necessity of training and expert technical assistance for the employees at the BNB, the Ministry of Finance and the Agency for Economic Analysis and Forecasting on the EMU issues.

As based on the official fees applied by PHARE the required financial resources for the translation of the part of the *acquis* on the Economic and Monetary Union amount to EURO 3.600.

EXPECTED RESULTS

The above stated priorities will guarantee the maintenance of the national currency stability under the currency board arrangement.

12. STATISTICS**CURRENT SITUATION**

The National Statistical Institute as the main coordinating Body of National Statistical System is developing the National Programme for Adoption of the Acquis of the European Union /NPAA/ in the field of Statistics. The NPAA is aimed to determine the attained level of compliance with Acquis Communautaire and in particular with the Eurostat requirements given in Statistical Requirements Compendium /issue as of July 1998/. Other Bodies of Statistics, that are responsible for the implementation of the requirements of Acquis Communautaire and participating in the elaboration of separate modules (individually or with NSI), are Bulgarian National Bank, Ministry of Finance, Ministry of Labour and Social Policy, Ministry of Agriculture and Forests, National Centre for Health Information, National Social Security Institute and other administrative authorities. In connection with measuring the level of compliance reached with the Eurostat requirements on indicators from different modules and more precise and specified evaluation, the four-levels scale for evaluating the compliance with EU requirements concerning each statistical module is changed to 5-level scale:

- full compliance;
- to a great extent;
- at a medium level;
- to some extent;
- no compliance/ harmonization/.

125 modules are elaborated and included in detailed and updated version of the programme; as a result of that the total number of elaborated modules reached 92% of all modules in the Compendium. 30% of the total number of modules in the Compendium is to full or to a great extent harmonized with the requirements of the European legislation, 13% - at a medium level and 30% of the modules - to some extent.

LAW ON STATISTICS

The Law on Statistics was adopted in 1999. The Law provides for the implementation and realization of the EC requirements in the field of statistics, in particular the Council Regulation 322/97 concerning the statistics of the EC. The Law on Statistics regulates the application of fundamental principles of the Official Statistics, as well as the scope, content and access to the information in Unified Register for Identification of the business and other units "BULSTAT". The coordination of statistical activity is defined as priority task, concerning the successive development of unified national statistical system.

LAW ON CENSUS POPULATION, HOUSING FUND AND AGRICULTURAL FARMS IN 2001

The Law on Census Population, Housing Fund and Agricultural Farms in 2001 was adopted in February 2000. In accordance with its provisions, a pilot census of the population was carried out in March in the Ihtiman municipality.

STRATEGY FOR DEVELOPMENT OF THE STATISTICAL ACTIVITY IN BULGARIA FOR THE PERIOD 2000 - 2006

In March 2000, National Statistical Institute adopted a Strategy for development of the statistical activity in Bulgaria for the period 2000 - 2006, in pursuance to the Law decrees, as well as the Eurostat requirements for the detailed planning of the statistical activity.

As a result of this, the stages in the development of the National Statistical System are defined in details, and the full harmonization with the European statistical system is foreseen for the year 2007.

SHORT-TERM PRIORITIES**DEVELOPMENT OF THE STATISTICAL INFRASTRUCTURE**

The statistical register will be improved on the basis of the developed and operative administrative business register BULSTAT, in order to achieve compliance with Council Regulation 696/93 concerning the statistical units, as well as Council Regulation 2186/93 concerning the business registers.

APPLYING THE PRINCIPLES OF STATISTICAL CONFIDENTIALITY AND DATA PROTECTION

According to the Law on Statistics, NSI developed Draft-regulation of Information Service, which provisions regulate in details the procedures for providing statistical data and focus on the protection of the individual statistical data.

IMPLEMENTATION OF THE PROGRAMME FOR HARMONIZING THE BUSINESS STATISTICS

NSI will participate in the projects for improvement of structural business statistics, short-term indicators, PRODCOM survey, producer price index, statistics of innovations and transport according to the Programme for the improvement of the business statistics prepared with IMF and Eurostat for the 2000.

AGRO-MONETARY STATISTICS

NSI will take part in the project of Eurostat concerning the Agro-monetary statistics which includes 4 components - agriculture economic accounts, agricultural prices, agricultural labour input (jointly with the Ministry of Agriculture and Forests) and SPEL modelling, according to the developed programme for preparing the methodology and organization of agriculture price survey during the 2000.

IMPROVEMENT OF LABOR RESOURCES SURVEYS

NSI will conduct 4 labour force surveys during the 2000, which is in full compliance with the requirements of the Acquis Communautaire related to the quarterly periodicity of this survey. The improvement concerning its scope will be achieved by NSI's participation in the Eurostat project "Labour force survey" in 2000.

NSI will focus its efforts in elaborating a methodology for labour costs survey, mainly by participation in Eurostat project "Labour costs indices" during the current year.

REGIONAL STATISTICS

The improvement of the Unified Classification of Administrative-Territorial and Territorial Units will continue during the 2000.

The creation of database for the regions on level NUTS 2 and NUTS 3 will start during the 2000, in compliance with the Regio-Database of EU. Also, the establishment of the system of statistical indicators on regional level starts.

DISSEMINATION OF STATISTICAL INFORMATION

The General Data Dissemination System will be introduced and the implementation of the Special Data Dissemination System will be prepared to start during the 2000. By using the both systems, the principles of transparency and impartiality of statistical activity will be provided at maximum level.

MEDIUM-TERM PRIORITIES**MACROECONOMICS STATISTICS**

The current activities of the NSI concerning the elaboration of the national and regional accounts in compliance with the European standards of ESA 95, will continue in the medium - term aspect as well. The activity will be realized in the following directions:

- aggregates for national accounts
- sector "General Government" and other institutional accounts
- tables "Supply - Use"
- assets and liabilities balance sheet
- quarterly national accounts
- regional GDP
- environment accounts and renewable energy sources

STATISTICAL INFRASTRUCTURE

The System of classifications and nomenclatures, the register of statistical indicators, the register of statistical units will be developed in medium - term aspect and the survey of business registers quality control will be conducted. The activity on establishment of the settlement register will continue.

DEMOGRAPHIC AND SOCIAL STATISTICS

Population, housing and agricultural farms census will be conducted in March 2001.

The activity on achieving the compliance with the EU requirements in the field of demographic and social statistics in the medium-term aspect will be accomplished in the following directions:

- demographic projections;
- external migration;
- integration of households surveys and registers;
- incomes and consumption of households;
- education statistics;
- continuing vocational training survey;
- culture statistics;
- statistics of social protection;
- health statistics.

BUSINESS STATISTICS

NSI will continue its activity on achieving the compliance in medium-term aspect in the field of business statistics in the following areas:

- structural business statistics;
- short-term indicators in industry, services, construction and trade;
- statistics of transport and communications;
- statistics of information society;
- statistics of research and development activity and innovations;
- statistics of financial, insurance and business services.

ENVIRONMENT STATISTICS

NSI will participate in the prepared by Eurostat multicountry project on Environment statistics in medium-term plan. The activity will develop in the following directions in order to achieve the compliance with the EU requirements:

- emission statistics;
- waste and water statistics;
- environmental expenditures and investments.

MONETARY AND FINANCIAL STATISTICS

BNB is planning to achieve full compliance with the EU requirements in medium-term aspect in the areas of monetary and financial statistics and balance of payments.

AGRICULTURAL STATISTICS

NSI will focus its efforts on achieving full compliance with EU requirements in the fields of agro-monetary statistics in the medium-term aspect.

Agricultural census is foreseen to be conducted in 2003.

Ministry of agriculture and forests works on the following medium-term priorities:

- structure and typology of agricultural farms, EUROFARM;
- statistics of viticulture and fruit growing;
- crop production statistics;
- animal production statistics;
- fisheries statistics

ADMINISTRATIVE CAPACITY

The National Statistical Institute is a leading institution, which accomplishes the adoption, establishment and submission of the statistical registers, classifications, nomenclatures and standards of EU. NSI is a state agency attached to the Council of Ministers of the Republic of Bulgaria. The NSI staff consists of 1897 employees. Central and regional structures are established within NSI.

The statistical activity is carried out also by specialized units in the following institutions: Ministry of Finance, Bulgarian National Bank, Ministry of Labour and Social Policy, Ministry of Transport and Communications,

Ministry of Regional Development and Public Works, Ministry of Agriculture and Forests and others. A strong financing from state budget is needed as well as financing from PHARE National and Multi-beneficiary programmes, in order to strengthen the administrative capacity of the National Statistical System.

FINANCIAL NEEDS

STATE BUDGET FINANCING

In accordance with the Decision No 19 of Council of Ministers from 20.01.2000 related to adoption of the Activity Report of the National Statistical Institute as of 1999 and the National Programme for Statistical Surveys as of 2000 /published in the Official Gazette, issue 8 dated 28.01.2000/, for financing the statistical surveys in this year 1 000 000 leva are provided. For the future annual financing of the statistical surveys, in compliance with EU legislation in this field the foreseen sum for 2000 should be defined as a minimum and it will increase at least 5% annually.

For the conduction of the Population census in 2001 as well as its preparation as of execution the Law on Population, Housing and Agricultural Farms Census in the Republic of Bulgaria in 2001 /published in the Official Gazette, issue 16 dated 25.02.2000/, the sum of 40 003 166 BGL is stated by NSI to the Ministry of Finance, which to be spent for the census within the period of three years in accordance to defined purposes - 2000, 2001, 2002.

NATIONAL PHARE PROGRAMME FUNDING

In order to support the activity of harmonization with EU requirements in the field of statistics, NSI submitted a project under National PHARE Programme 1998. This Project named "Compliance of Bulgarian Statistical Practice with the Requirements of Membership of the EU", starts in April 2000 and finishes in September 2001. NSI is a beneficiary of 700 000 Euro, which is calculated to the following three components:

- statistical infrastructure;
- economic statistics;
- regional statistics.

MAF is a beneficiary of 300 000 Euro under the same Project which is foreseen for a Test of applicability on the structure of Agricultural Farms survey.

MAF will work on Project "Support for restructuring agricultural statistics and its compliance with EU standards", financed by the National PHARE Programme 1999 for the amount of 1 350 000 Euro. MAF applied for the amount of 2 000 000 Euro under the National PHARE Programme 2000 for the Project "Restructuring of the Agricultural statistics system".

In order to increase the administrative capacity of the National Statistical System, NSI submitted a project under the National PHARE Programme 2000 for the amount of

2 000 000Euro. The Project "Institutional Building, Development and Improvement of National Statistical System will be applied through twinning on the following 5 components:

- support for conduction Population and Housing Census in 2001;
- elaboration of financial accounts;
- improvement of external trade statistics;
- development and improvement of statistical infrastructure;
- improvement of dissemination of statistical information.

In order to provide a permanent level of compliance with the requirements of the Acquis Communautaire in the field of statistics, a sustainable financing under the National PHARE Programme is needed as regards development of statistical methodology, survey practice and technological base.

EXPECTED RESULTS

The expected specific results from the application of measures for the achievement of the priority objectives can be separated in the following two groups:

EXPECTED GENERAL RESULTS:

- implementation of the Acquis Communautaire in the field of statistic, taking an active part in its development;
- coordinated statistical system in the country, general consolidation of the statistical infrastructure;

covering the gaps in the production of statistical information;
providing reliable statistical data with international comparison.

EXPECTED RESULTS OF THE WORK ON THE SEPARATE STATISTICAL MODULES

Macro-economic statistics – achievement of full implementation of the ESA'95 statistical methodology
Business statistics - preparation of the introduction of the INTRASTAT system for trade in goods between Member states, harmonized structural business-statistics, harmonized short – term indicators of the statistics of business.
Regional statistics – providing representative data on regional level in accordance with the NUTS classification, regional information systems.
Agricultural statistics - introduction of new methods for sample surveys, statistical information system for the agricultural sector.
Environment statistics – compatible with the EC statistics, especially for the fields where difficult accession negotiations are expected.
Demographic and social statistics – collecting an updated information for the demographic state of the country, harmonized social statistics, maintenance of an updated “Population” database.

13. SOCIAL POLICY AND EMPLOYMENT

LABOUR LAW**CURRENT STATUS**

Legislation in force in the field of Labour law regulates the matters related to the social dialogue; employment relationship and employment contract; organisation of work (working time, breaks and leaves); special protection of some categories of employees (persons under 18 years of age; women; persons with reduced working capacity); safety and health at work; control over the compliance with the labour legislation; individual labour disputes (including the judicial procedure for cases in the field of labour relationships), etc. Thus the Labour Code covers a significant part of the directives included in Chapter "Labour Law", and especially Directives 93/104/EC, 91/533/EEC and 94/33/EC. A working group has been set on amending and supplementing the Labour Code which considers the matters related to the industrial relations in the light of *acquis communautaire*. The amendments of the labour Code will cover a wide range of topics, such as tripartite co-operation and collective bargaining, the organisation of working time, leaves, termination of employment, etc.

On 29.03.2000 Bulgaria ratified the European Social Charter (Revised), the Act on its ratification was promulgated in "State Gazette", No. 30 of 2000. Bulgaria will be bound by the following Articles of the Charter, having relevance for the Chapter "Labour Law": Article 1 "The right to work", paragraphs 2, 4, 5, 6 and 7 of Article 2 "The right to just conditions of work", Article 4 "The Right to a fair remuneration", Article 7 "The right of children and young persons to protection", Article 21 "the right to information and consultation", Article 24 "the right of protection in cases of termination of employment", Article 25 "The right of workers to the protection of their claims in the event of the insolvency of their employer", Article 28 "The right of workers' representatives to protection in the undertaking and the facilities to be accorded to them", Article 29 "the right to information and consultation in collective redundancy procedures".

ILO Convention No. 173 Workers' Claims (Insolvency of the Employer) is being prepared for ratification. Currently, tripartite consultations are being held on the obligations to be taken by Bulgaria under Part Three of the Convention "Protection of Workers' Claims by a Guarantee Institution".

SHORT-TERM PRIORITIESHarmonisation of Bulgarian labour legislation with the *acquis*

- Drafting a Bill on Amending and Supplementing the Labour Code

- Creation of conditions for an efficient dialogue between the employers and workers (information and consultation procedure Directive 98/59/EC; Directive 77/187/EEC, amended by Directive 98/50/EC

- Harmonisation of the provisions related to some types of the employment contracts (fixed term employment contracts, minimum standards on the working conditions; guaranteeing equal treatment of the different categories of workers – Directive 97/81/EC, Directive 1999/70/EC)

- Raising the minimum annual paid leave to 20 working days (Directive 93/104/EC)

- Covering the full scope of the requirements of Directive 91/533/EEC

- Harmonisation of the special protection of young people at work (working time, night work, etc.)

- Unification of the legal terminology by introducing legal definitions or by adaptation of existing definitions to the definitions used by the EU legislation (related to all acts of the EU in the field of Labour law and Equal treatment)

Guaranteeing workers' claims in case of insolvency of their employer (Directive 80/987/EEC)

- Ratification of ILO Convention No 173

- Drafting a Bill on establishment of a Guarantee Fund

MEDIUM-TERM PRIORITIESFacilitating the freedom of movement of workers in the framework of provision of services and guaranteeing the minimum requirements in regard to the wages and the working conditions for this category of workers. (Directive 96/71/EC)

- Draft Ordinance on the basis of the Act on Protection against Unemployment and Employment Promotion

Introducing the possibility for judicial protection infringed workers' rights in case of transfer of undertakings (Directive 77/187/EEC, as amended by Directive 98/50/EC)

Measure:

Draft amendment to the Labour Code

Guaranteeing workers' rights related with the globalisation of the economy by introducing the Works Councils as workers' representatives in the transnational companies (Directive 94/45/EC)

Draft amendment of the Labour Code

Protection of workers' claims in case of insolvency of their employer

Measure:

Establishment of a Guarantee Fund for protecting workers' claims in case of insolvency of their employer

Unification of the legislative terminology by introducing legal definitions or by the adaptation of existing definitions to the definitions used in the EU legislation

Measure:

Draft amendment of the Labour Code

Draft amendment of APUEP

FINANCIAL NEEDS

The funds necessary for the development of the amendments are estimated at 0.0608 mil. EUR, whereas this amount includes the remuneration of the members of the ad hoc groups, the funds for consultant contracts and for the medium-term consultant support.

EXPECTED RESULTS

Reduction of the social tensions caused by the structural reforms in the economy by means of incentives for an autonomous social dialogue.

Provisions for a higher flexibility of the labour market as a result of the regulation of the various types of labour contracts.

Improved labour conditions and living standards of the workers.

SOCIAL DIALOGUE

CURRENT STATUS

The social dialogue is based on a tripartite principle as well as on the principle of the bipartite dialogue. The tripartite principle is laid down in the Labour Code, the APUEP and the Act on Safety and Health at Work (ASHW), as well as in a number of other laws and regulations. The collective bargaining is laid down in Chapter Four of the Labour Code and is being conducted on several levels: sectors; branches, administrative-territorial structures; as well as in the undertakings. Article 6 of the Labour Code lays down the General Assembly of the employees, which may elect representatives for protection of their common interests. The General Assembly has tasks in collective bargaining in some specific cases. The collective labour disputes (conciliation, mediation and strikes) are laid down in the Act on Settlement of the Collective Labour Disputes). Currently, drafting of the Bill on Amending and Supplementing the Labour Code is under way during which the provisions in regard to the social dialogue (tripartite co-operation, collective bargaining, information and consultation) are being reviewed jointly with the social partners. The social partners participate actively in the process of harmonisation of Bulgarian legislation: they are being consulted on all draft legislation. A new element in this regard is the consulting with the social partners on the highest level by the European Integration Council and their involvement in the work of the Coordination Council for Preparation of the Republic of Bulgaria for Accession to the European Union and for Conducting the Accession Negotiations, as well as in the work of the Working Groups at the Coordination Council by virtue of the CM Decree No 3 of 20.01.2000 on the Coordination of the Activities for Preparation of the Republic of Bulgaria for Accession to the European Union and for Conducting the Accession Negotiations. A Joint Economic and Social Committee Bulgaria – EU has been set and works actively in order to carry out an effective dialogue between Bulgaria and European employers' and employees' organisations. The Bill on the Economic and Social Council, drafted

jointly with the social partners has already been submitted to the Council of Ministers. The adoption of this Act will give a new role to the social partners in the public life. On 29.03.2000 Bulgaria ratified the European Social Charter (Revised), the Act on its ratification was promulgated in "State Gazette", No. 30 of 2000. Bulgaria will be bound by the following Articles of the Charter, having relevance for the Chapter "Social Dialogue": Article 5 "The right to organise", Article 6 "The right to bargain collectively", Article 21 "the right to information and consultation", Article 22 "The right to take part in determination and improvement of the working conditions and working environment", Article 28 "The right of workers' representatives to protection in the undertaking and the facilities to be accorded to them", Article 29 "the right to information and consultation in collective redundancy procedures".

SHORT-TERM PRIORITIES

Legislative regulation of the autonomous social dialogue

Drafting a Bill on the Economic and Social Council

Drafting of a Bill on amending and supplementing the Labour Code (in regard to the tripartite cooperation, collective bargaining, the General Assembly, information and consultation)

MEDIUM-TERM PRIORITIES

Establishment of the new administrative structures for social dialogue

Establishment of the Economic and Social Council

ADMINISTRATIVE CAPACITY

Regional Employment Councils

It is foreseen to establish the Economic and Social Council

FINANCIAL NEEDS

The funds necessary for the drafting of the Economic and Social Councils Act and for the creation of both the Economic and Social Council and of the Committees on Social affairs, as well as the costs for their operations are estimated at 0.505 mil. EUR.

EXPECTED RESULTS

The development of an efficient autonomous dialogue at a national, branch and local level will assist the sustainable social and economic performance and will alleviate the negative social consequences caused by the structural reform.

EQUAL TREATMENT OF WOMEN AND MEN

CURRENT SSTATUS

The Voluntary Supplementary Pensions Insurance Act entered into force on 01.07.1999. The Compulsory Social Security Act entered into force on 01.01.2000. They form the crucial part of the legislation in the field of social security and do not contain discriminatory provisions.

On 29.03.2000 Bulgaria ratified the European Social Charter (Revised), the Act on its ratification was promulgated in "State Gazette", No. 30 of 2000. Bulgaria will be bound by the following Articles of the Charter, having relevance for the Chapter "Equal treatment": Article 20 "The right to equal opportunities and equal treatment in matters of occupation and employment without discrimination on the grounds of sex", Article 26 "the right to dignity at work", Article 27 "The right of workers with family responsibilities to equal opportunities and equal treatment".

An inter-institutional working group has been established in order to draft a Bill on Equal Rights for Women and Men. There are numerous NGOs working in the field of equal treatment, such as Women's Alliance for Development, Gender Project for Bulgaria, "Bulgarian Gender Research" Foundation, Bulgarian Women's Union, Bulgarian Association on Family Planning and Sexual Health, "Animus" Foundation (dealing with problems of traffic of women). Bulgarian largest syndicate organisations: KNSB (the Confederation of the Independent Syndicates in Bulgaria) and the Labour Confederation 'PODKREPA' have special departments

dealing with gender equality: Women's Union (PODKREPA) and Research Commissions on the problems of working women (KNSB).

The working group on amending and supplementing of the Labour Code will propose an amendment to the Labour Code introducing the term 'indirect discrimination', as well as the principle of equal pay for work of equal value.

SHORT-TERM PRIORITIES

Implementation of the principle of the equal treatment of women and men in the sphere of the labour legislation

Implementation of the principle of the equal treatment of women and men in the sphere of the labour legislation (Directives 77/117/EEC, 76/207/EEC, 92/85/EEC and 96/34/EC)

Measure:

Draft amendment of the Labour Code (equal pay; provision of working conditions)

Drafting a Bill on Equal Rights for Women and Men (84/43/EEC)

Measure:

Setting a working group and drafting of the Bill

MEDIUM-TERM PRIORITIES

Introduction of the judicial and administrative protection in cases of infringement of equal treatment rights and of the shifting of the burden of proof in such cases

Introduction of the judicial and administrative protection in cases of infringement of equal treatment rights and of the shifting of the burden of proof in such cases (Art. 2 of Directive 75/117/EEC, Art.7 of Directive 76/207/EEC; Art. 9 of Directive 86/613/EEC; Art. 12 of Directive 92/85/EEC; Art. 9 of Directive 79/7/EEC; Art. 10 of Directive 86/387/EEC).

Measure:

Drafting of a legislative act

Introduction of the right to parental leave into Bulgarian legislation (Directive 96/34/EC).

Measure:

Drafting jointly with the social partners amendment of the Labour Code

ADMINISTRATIVE CAPACITY

It is foreseen to establish a National Council on Equal Opportunities for Women and Men

FINANCIAL NEEDS

The implementation of the project for the creation of A National Council on Equal Opportunities for Women and Men will require a total of 2.0 mil. EUR (0.61 mil. EUR from the state budget, and 1.4 mil. EUR from the PHARE programme).

EXPECTED RESULTS

Practical application of the legislative and regulatory instruments related to the equal treatment of women and men in compliance with the EU legislation.

EMPLOYMENT AND EUROPEAN SOCIAL FUND

CURRENT STATUS

Employment

The priorities of the labour market policy are determined by:

- The updated programme of the Government "Bulgaria 2001" (January 2000-April 2001)
- The provisions of the Act on Protection against Unemployment and Employment Promotion
- The White Book of EU
- The European Employment Strategy
- The criteria for accession of the Republic of Bulgaria to the European Union

The Government envisages in its programme to improve the legislative conditions of employment of foreign citizens in the country; implementation of allowance regime for mediator activities in consulting and employment in the country and abroad.

The basic principle of the activities of the Ministry of Labour and Social Policy (MLSP) is the partnership with the institutions and NGOs in design and conduct of the labour market policy.

The synchronisation of the separate normative acts in regard with the regulations concerning the functioning of the labour market is an important condition for the realisation of the activities related to the execution of the governmental programme by 2001. This synchronisation is obligatory carried out by: Labour Code; Compulsory Public Security Code; Act on Reconstruction and Privatisation of the Public and Municipal Enterprises; Trade Law; Act on the Social Assistance; Act on Health Security; Act on the Professional Education and Training; Act on the Regional Development; Act on the Administration; Civil servant's Act; Directives, Decisions and Recommendations of EU.

The principle of the social dialogue is implemented in the design and execution of the regional employment programmes. Regional councils on employment by areas and/or by municipalities on the principle of the public service are established for this aim. The regional councils include representatives of the: regional authority, municipal administrations, Regional Employment Service (labour offices), regional structures of the national representative organisations of employers, regional structures of the national representative organisations of workers and employees, regional structures of the Ministry of Education and Science, regional coordinators of funds (Agricultural Fund, etc), territorial statistical offices, NGO (on the issues of the social policy), Employment Associations, agencies, business centres, etc.

The active and passive measures/programmes of the labour market are laid down by the Act on Protection against Unemployment and Employment Protection and the Regulation for its implementation.

The passive measures on unemployment are related to the social protection at unemployment. They include cash benefits and cash allowances at unemployment. The entrance into force of the APUEP enlarged the circle of the persons who are entitled to rights of benefit at unemployment. The borders of the paid benefits are amended by APUEP: the higher level was increased with 10 points and became 150% and the lower one was decreased with 10 points in order to promote more active job searching and now is 80% of the minimal working salary.

The activities in execution of the updated Government's programme "Bulgaria 2001" are directed to fasten the economic growth, development of the labour market, employment promotion and increase, development and improvement of the vocational training of unemployed and employed as simultaneously an active protection against unemployment is provided.

It is necessary to be underlined that these actions are undertaken under currency board. In spite of that, the results of the enlargement of the services and the execution of the programmes and measures on employment for the period of July 1997-1999 are, as follows:

Hired unemployed persons – for the period of June-December 1997–122 910 persons; 1998- 188 717 persons; 1999- 216 939 persons;

Persons included in programmes and measures on employment promotion for the period of June-December 1997- 35 461 persons; 1998-79 256 persons; 1999 – 119 846 persons.

There is a positive trend for increasing the part of the means for active policy on the labour market (except for 1999) as a result of the continuous enlarging set of activities on employment promotion.

The following measures are carried out in the country:

Employment promotion

Unemployment reduction and employment promotion:

- Mediator Employment Services;
- Programmes on temporary employment in socially useful activities;
- Promotion of employers to hire persons who have been unemployed for a long time;
- Giving assistance to unemployed to start working at different place;
- Programmes on providing employment to the unemployed persons by employment associations;

- Measures on labour transition at massive redundancy of workforce – there has been created a procedure in accordance with which the employer is obliged to inform 60 days in advance the corresponding territorial body of tripartite cooperation, municipal administration and territorial branch of the National Employment Service (NES). The notification contains information about the number of persons who are up to be dismissed, their professional qualification, age and gender as well as the stages and terms of their redundancy. Local commissions are established to design and suggest programmes on vocational training and alternative employment based on the submitted information and surveys.
- Employment provision by establishment of objects of the social and technical infrastructure. Regional Initiatives Fund is established by loan of the Government of the Republic of Bulgaria from the World Bank in the second part of 1998;
- Programmes on professional qualification and retraining -inclusion in the courses for training - qualification, retraining, additional training;
- Promotion of employers to employ unemployed at part time jobs;
- Increasing the employment by promoting the first five hired persons;
- Professional informing and consulting
- Programme on vocational training of military servants;
- Beautiful Bulgaria Project with task to keep employment and create temporary employment and vocational training for the vulnerable groups at the labour market;
- The following projects are included under Leonardo Programme: Development of new knowledge by vocational training; Specialisation of young workers from the municipality of Nevrokop in the field of impregnation of wood material; Social integration of vulnerable groups at the labour market. Professional orientation and primary vocational training for persons in unequal position.

Unemployed young people:

- Promotion of employers to employ young people;
- Programmes on vocational guidance, vocational training and hiring of persons who are not older than 29 years;

Transition from passive to active measures:

- From Social Care to Employment Programme;
- Motivation, stimulation and assistance/ training of unemployed to self-employed activity-unemployed entitled to a right of cash benefit have opportunity to get business creation grant.

Promotion of partnership approach

- Establishment of regional and municipal councils (commission) on employment and methodical support for the development of regional employment programmes;
- Methodical aid and support for NGO's programmes on training and employment;
- Work in team for solving the specific problems of the labour market. The Ministry of Labour has signed an agreement for cooperation with the Ministry of Education and Science, Ministry of Agriculture and Forests, Ministry of Defence and other organisations;

Facilitating the transition from school to work

- Job placement for young people graduated from orphanages including orphans after graduating high school as a result of the cooperation agreement between the Ministry of Labour and Social Policy and Ministry of Education and Science.
- Programmes on professional orientation, vocational training and employment of unemployed without working experience and no older than 29 years.

Promotion of development of labour market opened for everyone

- Promotion of employers to employ disabled persons;
- Literacy, Qualification and Employment Programme;
- National Framework Programme on social and economic integration of persons of Roma origin;
- Programme on giving economic opportunities for women of the region of Devin (the deadline for completing the project on establishing a business centre is December, 1999);
- Regional Initiatives Fund finances pilot projects on employment of persons of Roma origin-gathering and processing plastic waste products (KUPATE) at the municipalities of Ruse, Vratsa, Plovdiv, Stara Zagora, etc; growing and gathering herbs- at the municipality of Elhovo;
- Temporary Employment Programme and Winter Programme;
- Involvement in the measures regulated by APUEP in compliance with the requirements of education and qualification.

The policy related to persons with disabilities is based on the constitution of the Republic of Bulgaria where the will of Bulgaria to become a social state is expressed in its preamble. This principle is laid down in article 51 of the Constitution; the Act on Protection, Rehabilitation and Social Integration of Disabled Persons (APRSIDP) and the Regulation for its implementation as well as other secondary legislation are based on it. Currently an amendment of APRSIDP is being prepared.

Vocational training and education (VTE)

Since 1998 Rehabilitation and Social Integration Fund (RSIF) has financed several projects related to vocational training and education of disabled persons as the emphasis is put mainly on their integration and cooperation to the other members of the society.

RSIF will deal with vocational training of persons in unequal position at the labour market-disabled youngsters at the age of work. The fund is a financial coordinator of the biggest pilot project in the Republic of Bulgaria under Leonardo Da Vinci Programme and in cooperation with partners from Germany, Austria and Romania will train about 60 persons with disabilities in new modern professions considering their disabilities. There will be also developed training tools for creating opportunities for integrated education and vocational training. The project has duration of 18 months.

Employment

Employment promotion of disabled persons is based on APRSIDP according to which an employer with more than 50 employees is supposed to employ at least 4 per cent disabled persons.

In December 1999, a decision of the Council of Ministers of Republic of Bulgaria was adopted on assignment of public and municipal orders to specialised enterprises of disabled persons by an approved list.

Development of entrepreneurship

Facilitation the start and the development of business

- Programme on business promotion and support (establishment of centres for business consultations in Vidin, Razlog and Blagoevgrad);
- Entrepreneurship promotion – promotion of self-employment
- Start Your Own Business Programme with tasks on training and financial assistance for successful business start of unemployed persons;

Development of opportunities for new vacancies

- Development and realisation of sectional and regional/local programmes on employment- The Government of Republic of Bulgaria approved Regulations on development and realisation of national, sectional and regional programmes on employment with the objective to reduce the pressure on the labour market in the period of structural reform by creating vacancies at local level in the frames of the social market economy and by new activities related to the labour market demands.

Promotion of business and employees' adaptability

Support of the adaptation in the enterprises

- Survey of the quality and quantity aspects of the labour market demands and their commitment to the opportunities and directions of vocational training of unemployed;
- In execution of the Government's programme and APUEP, the activity of MLSP in the sphere of vocational training is mainly directed to the increase of professional knowledge and skills of unemployed in accordance with labour market demands. The opportunity for training of employed persons as a preventive measure was legislatively established by APUEP entrance into force.
- Distribution of Quick Start educational programme on achieving faster adaptation of workers to the real manufacturing environment and specific requirements and conditions of manufacture.

Strengthening the policy of equal treatment

Gender approach

- Adoption of gender approach in execution of labour market policy;
- Development and improvement of information about labour market processes;

Equal treatment of women and men

Republic of Bulgaria applies the principle of equal treatment of women and men in regard to employment, vocational training and development, taking into account, that the equality of treatment is one of the goals of the Community (The Constitution of Republic of Bulgaria, Labour Code, APUEP).

According to periodic monitoring on workforce of the National Statistical Institute, the economic activity of men (55.6%) is 10 points higher than the one of women (45.6%). The activity of women is influenced by their traditional withdrawal related to birth giving and raising of children as well as their earlier retirement. That is why the coefficients of economic activity differ in age groups. Besides women have right of free choice. No

matter of that, country data indicates higher employment at women. Women during and after maternity leave, young women, women older than 40 years are outlined as vulnerable groups. The measures and programmes on training and employment are also designed for their social and economic integration.

There are no definite quotas based on gender in Republic of Bulgaria. All persons, no regardless of gender have equal access to work, vocational training and development. They are in equal position at work application and / or vocational training.

Compatibility of work and family life

- According to the Bulgarian legislation, the right of maternity leave can be also entitled to the father;
- Promotion of flexible forms of employment;

Facilitation of labour market reintegration

- Persons who wish to return to labour market are given employment services in accordance with the activities regulated by APUEP;
- A Programme for assisting re-socialisation of the persons released from prison by the means of vocational training and retraining is implemented in accordance with the concluded Agreement for joint action between MLSP and the Ministry of Justice (MJ)

Monitoring of processes and employment policy

The established conditions for labour market monitoring and development of active policy assessment in Republic of Bulgaria are as follows:

Monitoring of workforce is held three times a year by the National Statistical Institute-characteristic of workforce by gender, age, education, place of living, status, etc;

Administrative statistics of persons who are looking for job;

Monitoring, assessment and control over objective-oriented programme;

System of monitoring and assessment of labour market programmes and measures The National Employment Services carried out survey and assessment of the measures and programmes at the end of 1998 (with the methodological assistance of Know-How Fund of GB and Sociological Institute at Bulgarian Science Academy) and submitted its conclusions and recommendations. Methodology for net assessment of the influence of labour market programmes and measures is in the process of development (the project is developed under a World Bank loan).

It is envisaged in perspective a further development of the informational base especially in regional aspect as well as development and enlargement of the system for monitoring and assessment of labour market programmes and measures.

The European Employment Strategy and EU directions on employment are the fundamental documents of employment policy in short and mid-term perspective. The employment policy is with priority directed to: development and improvement of the legislative and normative structure; employment increase; reduction of the number of unemployed; reduction of the continuous stay of unemployed at the labour market; social and economic integration of vulnerable groups; development of vocational training of employed and unemployed persons (continuous training, training for acquiring new qualification, qualification increase, re-qualification of employed and unemployed) strengthening the capacity of the structures; development of social partnership in vertical and horizontal line; development and improvement of the data base.

The National Economic Development Plan for the period of 2000-2006 was developed in 1999. The main directions for the development of human resources and of the instruments of employment increase are outlined.

The reduction of the additional pressure on the labour market as a result of restructuring of the economy and social sphere should be achieved by:

Further synchronisation and regulation of the activities of the state, employers' organisations, organisations of workers and employees, NGOs and other partners at the labour market based on clear branch and regional strategy;

Maintenance of workforce vocational training structure (employed and unemployed persons) adequate to employers' demands;

Improvement of labour office services;

Promotion of workforce mobility by regions, sections, status of work and professions;

Development and realisation of regional and branch programmes on training and employment;

Attraction of foreign investments to fasten the process of economy restructuring and opening new vacancies;

The development and realisation of the regional programmes on employment is an important instrument of the policy pressure reduction on the regional labour market. They are developed in compliance with the provisions of APUEP.

Combat against Racism

The Bulgarian Government was highly appraised internationally for the policy promoted towards the ethnic groups in the country. National Council on Ethnic and Demographic issues is functioning with the Council of Ministers.

Bulgarian legislation excludes any form of discrimination. The Government has adopted a Framework programme on the equal integration of Roma in Bulgarian society. Representatives of the minorities have been included in the Regional employment councils.

At its session the Council of Ministers has decided that ministers and heads of institutions should create expert groups including representatives of the Roma NGOs for the implementation of these programmes. In this connection an expert representing Roma organisations is already appointed in the "Labour Market" Directorate of MLSP. A working meeting with Roma organisations is foreseen to take place in December which will discuss the schedule for action in 2000 - being a continuation of the acting measures and programmes and outlining projects to be developed. In this way greater transparency of the activities as well as making more perfect managerial decisions for solving problems of qualification and employment of people of Roma origin shall be guaranteed.

In some towns and villages with compact Roma population there have been established branches of Employment Bureaux or the provision of information on jobs is ensured. Such branches have been established in Plovdiv and Pazardjik, while in Sliven and Kyustendil information on jobs was provided. Specialists of Roma origin are appointed as assistants at the branches.

The problems that Bulgaria faces in solving these social and economic changes have identified as a chief priority of the Government the reduction of unemployment and its duration among the people of the gravest position on the labour market. Among the vulnerable groups are also the unemployed of Roma origin. The high level of unemployment within this group in recent years has been predetermined by the unconformity between the characteristics in the quality of the labour force offered and the high requirements of the employers under the conditions of market economy. The prevailing part of the Roma population is without education and vocational training, with comparatively low labour discipline and living conditions. This makes them non-competitive on the labour market and gives grounds for their social exclusion.

Currently in the labour market have been implemented a number of programmes and measures for social and economic integration of unemployed persons of Roma origin. Their basic objective is to provide Roma community with adequate opportunities for labour realisation and vocational qualification. The inclusion of unemployed from the Roma community into different programmes and priority measures assists their quicker integration into society - "Literacy, Qualification and Employment" programme; "From Social Care to Employment" programme; "Temporary Employment" programme; "Winter" programme.

Simultaneously to the above-mentioned programmes in the country there have been carried out a number of measures promoting employers to employ unemployed, part of them being of Roma origin, namely: Promotion of employers to employ unemployed; Promotion of the unemployed to self-employment.

Regional Initiatives Fund with the MLSP is funding projects guaranteeing employment for persons of Roma origin. The Fund finances projects from the social and technical infrastructure, proposed by the municipalities, which on the one hand ensures employment to unemployed Roma people, and on the other improves the living conditions in the quarters where Roma people live. The Fund finances with priority innovative projects and projects which ensure employment of Roma population: the Programme for job placement of Roma people in gathering and processing plastic waste products. The Literacy programme and provision of employment in herbs cultivation and of other plants in Elhovo municipality etc.

MLSP took part in the Conference of the Council of Europe on the social and economic integration of Roma population, which took place in Sofia in October 1999.

Choosing Sofia as the host of this event is another recognition of the Government's efforts in solving the above problems.

European Social Fund

Two projects under the PHARE programme are implemented now ensuring work places and training redundant workers from the re-structured steel-producing factories and from the mining industries (Kremikovtzi, Pernik, Bourgas and the Rodopi - region). Besides, the projects are aimed at establishing the institutional structure at the national and regional level capable of investment financing in order to create sustained jobs. Under the PHARE programme, the following projects are proposed for financing: "Employment promotion through the strengthening of tourism sector potential", "Investment on the labour market and vocational training", "Investment in business-incubators in regions gone through an industrial decline", "Protection of children - contingent of the Ministry of Labour and Social Policy". It is also envisaged that the

Regional Initiatives Fund should be transformed in the future in Social Investment Fund. There are certain innovative projects in the field of human resources development, which will lead to improvement of the living conditions and human resources development, laid down in the National economic development plan for Bulgaria. The administrative structures responsible for the projects connected with human resources development are Ministry of Labour and Social Policy, Ministry of Education and Science, Ministry of Culture, Ministry of Health which system works in good co-operation and co-ordination carried out on the basis of Co-operation agreements. Projects held at the regional level are presently managed by the Regional employment councils (established by Council of Ministers' Decision No 57 of 21.12.1998 on the adoption of Rules on elaboration and carrying out of employment programmes) where the social partners and civil society structures are also involved.

SHORT-TERM PRIORITIES

Employment

Employment promotion

Joint Employment Policy Review in co-operation with European Commission
Elaboration of National Employment Plan

Promoting the partnership approach

Improving the capacity of Regional employment councils at district and/or municipality level through organising of seminars.

Decreasing unemployment and employment promotion under the conditions of structural reform

Decreasing unemployment and employment promotion under the conditions of structural reform

Carrying out of the project for restoration of the environment and ensuring of employment in Pernik:

- Measures for restoration of the environment, support for the development of new enterprises, job ensuring and training of the mines work force in Pernik region;
- Establishment of Group for project management;
- Support for partnership in the EU;

Programme for overcoming the social consequences of the structural reform in steel-producing and mining industries in the regions of Pernik, Sofia, Rodopi and Bourgas (Commission decision No 1006 / 92 / ECS). Elaboration and implementation of special programmes for employment increasing through development of small and medium enterprises, promotion of the launching of own business or business in co-operation with other persons, development of eco-tourism, eco-agriculture, employment promotion of special target groups on the labour market;

- Microprojects concerned with the entrepreneurship promotion
- Training and employment for people of special target groups with unfavourable position at the labour market (women, young people, disabled people, long-term unemployed, poor educated and qualified, etc.)
- Vocational education and retraining for those who have lost their jobs due to restructuring of the economy
- Creation of new jobs through carrying out of investment programmes

Elaboration of a programme for vocational qualification of the staff in enterprises where 10 % of the personnel is going to become redundant and of other potentially unemployed;

Promotion of competitiveness, mobility and adaptability of the national labour force

Extension the right of access to vocational education and training through eliminating legal restrictions for binding this training with a certain vacancy;

Elaboration of a programme for organising a training for gaining key qualifications, necessary to be obtained in the market economy conditions;

Extension the implementation of vocational qualification programmes directed to the needs of the client-employer;

Entrepreneurship development

Facilitating the launching and development of entrepreneurship - promotion of business launching and business development through establishing the business-centres / incubators.

Strengthening the equal opportunities policy

Gender-approach

- Establishment of the National council on equal opportunities for women and men. Elaboration of the Draft on equal opportunities for women and men;

- Elaboration of programmes for employment of women in regions of high unemployment level - training of women and promotion of self-employment for women; support in creation of organisations providing employment for women.
 - Elaboration of a programme for training of entrepreneurship skills for women in regions of high unemployment level and poorly developed economy;
 - Strengthening the control on equal treatment;
- Training for employment of special target groups in unfavourable position at the labour market
- Elaboration of a programme for vocational qualification of long-term unemployed;
 - Elaboration of a target programme for vocational education and setting up the disabled people to work;
 - Elaboration of a programme for obtaining education, vocational qualification and setting up to work for those who have early left their education;
 - Elaboration of a national programme for supporting the social integration and professional realisation of students from homes for children and youth;
- Monitoring of the programmes and measures in the labour market
- Development of the system for monitoring and assessment of the labour market. It is a duty of the National employment service to carry out the administrative statistics and to improve periodical labour market analyses.
 - Carrying out of the investigations on nominal and net effect of programmes and measures in the labour market.

Disabled people

Updating the legal basis concerning the problems of disabled people

Act amending and supplementing the Act on protection, rehabilitation and social integration of disabled people;

Training of disabled people in the field of new technologies

New ways for integration of disabled people in the labour market through new methods for vocational education and retraining (Project "Leonardo da Vinci No BG/99/1/086019/PI/I.1.1.e/FP")

European Social Fund

Bill on Social-investment fund (1st phase): Council Regulation No2396/71 of 08.11.1971). Creating a capacity for project management of a future Social-investment fund with a co-operation of the UNDP (group for fund management). Financing of the projects which resolve problems of the infrastructure and provide employment
Elaboration of a bill on Social-investment fund (1st phase)

MEDIUM-TERM PRIORITIES

Employment

Promotion of employment

Decreasing of the unemployment and employment promotion in the conditions of structural reform

- Elaboration and implementation of a project "Employment promotion through strengthening the potential of the tourism sector;
- Project for development of National network for public and private consultative centres providing support for launching own business;
- Implementing of regional programmes for the increase of employment and restriction of unemployment. Financing of micro-projects approved by Regional employment services and by National council on protection against unemployment and employment promotion;
- Elaboration of national programme for joint activities of the Ministry of labour and social policy and employers' organisations for broadening and improving the training of employed and unemployed for how to launch an own business;
- Introducing preventive programmes for training of the redundant workers from the restructured enterprises;

Increasing the quality and maintaining the employability of the labour force

- Elaboration of the National programme on basic measures for development of continuous vocational education in order to create the qualitative potential of the labour force and decreasing the public expenditures needed to support unemployed and special target groups on the labour market;

- Establishing a system for examining the needs of the labour market and their binding with the needs for training;
- Elaboration of a programme for vocational training of youth without profession in order to facilitate their transition from school to labour (380Y0103(01));
- Investments in labour market development through vocational training;

Developing entrepreneurship

Investment in business-incubators in regions of industrial decline.

Strengthening the policies on equal opportunities

Establishment of a National council on equal opportunities for women and men;

Elaboration of Regulations of functions and tasks

Disabled people

Providing of equal opportunities for disabled people

Elaboration of a National strategy for equal chances of disabled people

Increasing the share of tourism sector in the regional employment and in GDP

Increasing employment through strengthening the potential of tourism sector;

Adaptation of the labour force to the new economic conditions and to the European integration

Investment on the labour market through vocational training;

Developing entrepreneurship

Investment in business-incubators in regions in industrial decline;

European Social Fund

Establishing Social-investment fund

Establishing Social-investment fund

ADMINISTRATIVE CAPACITY

Employment

A Centre for information and publishing has been established which is supporting the National employment service in providing methodological and information issues necessary for the activities of Vocational information centres (VIC). Up to 29.02.2000, 11 VICs are holding their activities, including 1 mobile VIC and 37 job clubs two of which are mobile.

The information, consultation, training, intermediation services for employment provided by the employment services to the employers and to the unemployed are completely free and have been undertaken and improved according to the best experience of the Member states. These services have been carried out as it is laid down in the Act on protection against unemployment and employment promotion (APUEP) and according to the policy laid by the Government.

In the country, private companies also provide employment services by ensuring information and employment. The services of these companies are paid. The terms and conditions of their activities are defined in the APUEP and in a special Ordinance.

The structures necessary for the implementation of laws in the field of social affairs have been created in the country. In order to develop and strengthen the capacity of these structures and to provide for the conditions for the implementation of the EU achievements in the field of employment it is envisaged:

- to broaden the sectors in the Ministry of Labour and Social policy occupied with the employment problems
- ;
- to carry out a reform in the employment field aiming at bringing the structure of the National Employment Service in compliance with the administrative division of the country (28 district centres) and at the establishment of conditions for the implementation of the provisions of current and of newly adopted acts ,adequate to the Government's priorities.
- to establish vocational information centres;
- to establish the job clubs;
- to establish and strengthen the groups for project management by joint financing on the national and regional level;
- to establish and strengthen the Regional Employment Councils;

European Social Fund

A unit within the Ministry of Labour and Social Policy carries out the institutional coordination for implementation of the measures concerning ESF.

FINANCIAL NEEDS

To carry out the short-term and medium-term measures in the field of employment and ESF it will be necessary 81,08 M Euro. The following finance sources are envisaged: state budget (19,27 M Euro), pre-accession EU funds (50,6 M Euro), other (10,1 M Euro): Vocational qualification and unemployment fund, Protection of environment fund, Agriculture fund, Regional initiatives fund, Bulgarian-American investment fund, etc.

EXPECTED RESULTS

The Ministry of Labour and Social Policy expects the following results from the implementation of the measures and the programs during the next years:

- enhanced and increased capacity of the Ministry and the employment offices; the creation of conditions for the management of projects subject to joint financing; the implementation of activities related to the application of the achievements of the EU legislation;
- expansion of the schemes for increasing the employment and improving the quality of the workforce;
- the creation of conditions for a transition from a passive to an active labour market policies; expansion of the services provided in support of unemployed in their efforts to find jobs;
- improved coordination, control and dialogue among all responsible institutions and social partners in view of the introduction and the implementation of the activities relevant to the labour market in transition periods;
- development and upgrading of the relationships between the Government, the NGOs and the social partners;
- improvement of the management decision-making and raising the efficiency of the programs and measures related to the labour market.

DISABLED PERSONS

The development of the policy in regard to the vocational training and education of persons with disabilities aiming their integration in the society (mainstreaming) in conformity with the European standards for creation of a society without 'special needs', i.e. society for all, will lead to their closer integration in the society while preserving at the same time the specialised vocational training and education for the cases of exhaustion of the possibilities for mainstreaming.

SOCIAL PROTECTION

CURRENT STATUS

Social protection in the most general context comprises: the right to work, social protection in case of all insurance risks, family benefits and universal social compensations without contributions, social assistance and social welfare /cash and in kind/, health insurance and financing.

In that sphere the Government is undertaking serious steps to reach the level of international standards and regulations.

- 0 A. In the field of social protection MLSP together with the Ministry of Health, National State Insurance Institute, National Health Insurance Fund and the social partners is taking part in the "Consensus" multi-national horizontal programme aimed to reform social protection in the states from Central and Eastern Europe /CEECs/.
- 1 Assisting policies elaboration in the countries covered by PHARE and supporting financially the process of reforming social protection system, it has as a major objective the creation and further development of vital social protection systems in line with the whole macro-economic development and with a view to ensure maximum compatibility with the EC law in this field. The "Consensus" programme supplements the social protection programmes at national level financed by PHARE.
- 2 According to "Consensus II" Programme Bulgaria is taking part in the following projects:
 - International seminar on the aspects of the financial management of the social protection schemes - Budapest, September 1999 - objective:

- offers a series of seminars on three separate but linked aspects of financing management with the aim to: increase the knowledge of the problems arising in the planning and implementation of the social protection financing systems, make estimate of the way in which these issues could be analysed and assessed, present examples for good practices and information for improvement of the practice in the Cheeks in order to establish a basis for the creation of worknets of the institutions from this sphere.

The monitoring of the progress in the social protection reform in the CEECs *objectives*: to provide updated, comprehensive and comparable analysis of the main spheres of social protection in the CEECs directed toward the social significance, economic and financial influence and the perspective for further structuring the future needs of the CEECs. The analysis should be made on the basis of reliable and comparable ideas, terminology and data. On this might be based the next and future reforms of social protection or, where applicable, negotiations concerning EU enlargement toward the CEECs.

Support for the elaboration of a communication strategy for an inter-institutional commission for the social protection reform /ICR/ - *objectives*: to develop further the skills created in the first package of projects in support of the secretariats of ICR. To outline the communication strategy which each of the CEECs and its secretariat could support for a longer period from their own resources. The strategy could cover the linkage between the members of ICR themselves and between ICR and the institutions established with the aim of solving the accession problems, provision of information and documents to external interested persons /for example press, mass media/ and indicating all information sources which should be provided on a regular basis as well as the management of information flows.

A terminological social protection dictionary - *objectives*: to create a terminological social protection dictionary in English and in the language of each of the involved CEE states with the aim of equalising the terminology in leading international discussions related to the accession, of facilitating the dialogue and mutual understanding, for the elaboration of standardised terminology.

Detailed preparation and planning for the implementation of EU coordination regulations - *objectives*: to determine the way in which the institutions responsible for the different types of insurance should develop their abilities so that they could successfully implement the regulations in a sustainable and reliable way and ensure the elaboration of a part of the methodology.

Transition from home help services to a new kind of social services for the disabled, elderly persons and children - *objectives*: to support the implementation of the legislation and prepare proposals for the further government measures for interaction with representatives of NGOs and local authorities. Elaboration of mechanisms for effective management, financing and control of the services in such a way that the individuality, inviolability and human dignity of the consumers of the system is guaranteed.

The second pillar of social insurance schemes **and** the investment strategy - *objectives*: to assist the choice of the model for establishing and managing the funds from the third pensions' pillar; to assist the passage of such legislation which should regulate the rights and obligations of the insured persons, the share of contribution rate, the compulsory character of insurance; to assist the creation of the strategy for pursuing investment policies and of the capital markets by the investment activity of professional pension funds.

Developing a managerial and administration personnel training model of the health institutions bound to the introduction of the health insurance system - *objectives*: to assist the Ministry of Health in training managerial and administrative personnel from the health institutions as well as the newly appointed personnel for the health insurance system for acquiring close specialised knowledge in the sphere of: identification of health assistance needs, negotiating medical services at national, regional and local levels, control of the quality of medical services and financial control.

On March 23, 2000 Bulgaria ratified the European Social Charter /revised/ which serves as the basic international legal tool in the sphere of social protection, the Law for its ratification being promulgated in the Official Journal, issue 30 from 2000. The Charters' Articles to which Bulgaria has assumed obligations are: Article 1 "The right to work", paragraphs 2,4,5,6 and 7 of Article 2 "The right to just conditions of work", Article 3 "The right to safe and healthy working conditions", paragraphs 2,3,4 and 5 of Article 4 "The right to a fair remuneration", Article 5 "The right to organise", Article 6 "The right to bargain collectively", Article 7 "The right of children and young persons to protection", Article 8 "The right of employed women to protection of maternity", Article 11 "The right to protection of health", paragraphs 1 and 3 of Article 12 "The right to social security", paragraph 1,2 and 3 of Article 13 "The right to social and medical assistance", Article 14 "The right to benefit from the social welfare services", Article 16 "The right of the family to social, legal and economic protection", paragraph 2 of Article 17 "The right of children and young persons to social, legal and economic protection", paragraph 4 of Article 18 "The right to engage in a gainful occupation in the territory of other Contracting parties", Article 20 "The right to equal opportunities and equal treatment in matters of employment and occupation without discrimination on the grounds of sex, Article 21 "The right to information and consultation", Article 22 "The right to take part in the determination and improvement of the working conditions and working environment", Article 24 "The right to protection in cases of termination of employment", Article 25 "The right of workers to the protection of their claims in the event of the insolvency of their employer", Article

26" The right to dignity at work", paragraphs 2 and 3 of Article 27 "The right of workers with family responsibilities to equal opportunities and equal treatment", Article 28 "The right of workers' representatives to protection in the undertaking and facilities to be accorded to them", Article 29 "The right to information and consultation in collective redundancy procedures".

The subjects of this chapter are only two of social protection components, which have recommendational rather than compulsory character, namely: complimentary voluntary pension insurance; social assistance and services.

The perfection of the citizens' system for social protection is one of the basic directions in Bulgaria's policy. One of its immediate basic tasks being the perfection of the pension system with aim of reducing the possibilities for early retirement and promoting insured persons' participation in the social insurance funds financing by introducing possibilities for complimentary voluntary insurance.

In this respect a task force was established which drafted the project for Bulgaria's transition toward the three-pillar pension system.

As for the third pillar of the pension insurance - the voluntary one, some concrete measures for its setting up were undertaken:

still in 1994 with the amendments in taxation laws was regulated the basis for the complimentary voluntary pension insurance in Bulgaria, namely - tax alleviation on personal insurance contributions, i.e. sums paid for that purpose are deducted from the income liable to taxation.

in July 1999 it was enacted and promulgated in the Official Journal the Complimentary Voluntary Pension Insurance Act /CVPI/, entered into force since January 4, 2000. By this legislative framework are created the conditions for the development of CVPI stipulating the public relations linked to CVPI, establishing, licensing, restructuring, termination and liquidation of pension insurance companies, establishment, management and termination of voluntary pension insurance funds, state social insurance supervision and protection of the insured persons. In the meaning of this Act CVPI with preliminary determined contributions is a kind of social insurance where sums liable to payment as pensions are determined by the contributions collected in the individual accounts and the incomes distributed from their investment.

The principles on which is based and functions the third pillar for pension insurance and the legislative framework are: regulatory mechanism which guarantees the assets of the pension fund in case of insolvency, provision of clear, comprehensive and impartial information, free choice of the pension scheme, full information about the managerial fees and the methodology for the calculation of the future pension under determined prerequisites, non-admission of gender discrimination.

The reform of the social protection system in the legal aspect according to its principles, purposefulness and types of benefits corresponds to a great extent to the EU norms. Despite of that for the year 2000 are envisaged the following legislative changes in this area as a component of social protection.

Social Assistance Act /SAA/ and the Regulations for its implementation

In connection with the passage of the Compulsory Social Insurance Code disability groups under this Act shall be brought into line with the new criteria for residual capability.

In the minimum income for access to the social assistance system widows' pensions allowances will be eliminated.

Under Article 19 of the SAA, MLSP issued an Ordinance, which entered into force in April 1999. Its new provisions are as follows:

- a/ enlargement of the network of social services with private ones and such with joined participation;
- b/ creating social service offices ensuring social and legal consultations, consultations for families wishing to adopt a child, social activity for disadvantaged persons;
- c/ establishment of centres for social rehabilitation and integration of disabled and of disadvantaged persons;
- d/ revealing of asylums for vagrant children.

Family Benefits and Child Allowances Act

In execution of the obligations assumed by the Government Programme for the creation of a modern family issues legislation, the MLSP drafted a project of the Family Benefits and Child Allowances Act which passed first reading in the Parliament. After its adoption the Birth Promotion Decree will be replaced.

The drafted Bill is in compliance with the EU social protection norms related to recognition of the right to sufficient means for covering the basic needs of the different in kind and size families, connected with the guaranteed minimum income by the provision of differentiated social payments.

Child Protection Act

The Government pays special attention to child protection as a priority of primary importance. In this direction a Bill for the amendment and supplement of the Child Protection Act was elaborated and brought in the Parliament. The Bill puts under the special protection of the state and society every child in cases where:

- The child is left without parental care;
- The parents or persons exercising rights and obligations in caring and breeding up a child cannot ensure the possibility for reaching a publicly acceptable standard for its development;
- There exists a danger for its life, physical or mental health;
- The child is suffering from mental, physical, psychical injuries or difficult to heal diseases;
- The child has committed or there exist prerequisites for committing actions against society;
- The child expresses special skill or talent.

With the adoption of this Act will be established conditions to stress on the following principles:

- child breeding establishments shall be considered the last option;
- confirming the tendency for developing daily centres for rehabilitation and social integration of the children assisted by the non-governmental sector;
- creation of prerequisites for alternative forms of child breeding up;
- establishing centres for work with children and families;
- creation of conditions for life, vocational qualification and employment of orphan children over 18 years of age.

The adoption of this Act will lead to particular changes in the corresponding part of the Family Code.

Protection, Rehabilitation and Social Integration of the Disabled Act

A Bill for the amendment and supplement of this Act is in the process of co-ordination aiming at creating better opportunities for the independent life of the disabled through the creation of the necessary conditions for social rehabilitation, for employment and ensuring accessible social, cultural and labour environment.

The elaboration of a national strategy for the disabled is under way which stresses on the social services for the disabled provided without leaving the usual home environment.

In November 1999 The European Commission signed a financing memorandum for the implementation of the "Consensus III" Programme for the social protection reform and the application of the EU social protection legislation. The MLSP together with its partners has presented two proposals, which were approved at a preliminary stage, namely:

I. Social policy information and documentation centre - objectives

- to provide in due time updated information to MLSP employees, all institutions and mass media working in the sphere of social protection;
- to assist the activity of the task force groups in the co-ordination of social security schemes through the provision of information, analysis and translations in this sphere as well as information for the best practices of the EU;
- to maintain an updated database in this sphere;
- to maintain and update the dictionary of social protection terms compiled under "Consensus II" Programme;
- to provide access to the Internet site of the European Commission ;
- to organise periodically seminars, discussions, lectures in order to provide the society with updated information in this area;
- to provide training under the best EU practices for the employees working in the social protection field.

II. Human resource development and NSIF information capacity - objectives

- to revise systematically the needs of the NSIF and RSIF in the area of human resource development;
 - to enhance the sustainable capacity of NSIF and RSIF trainers through inspection of the needs of training of trainers;
 - continuing the development of technical skills in the management of the health insurance system;
 - to create the opportunity the service providers to commit effectively and efficiently their obligations;

- to train the services providers;
- to develop NSIF and RSIF capacity to provide information to the -public.

In the sphere of social protection at Governmental level in the medium-term aspect is envisaged:

On the Social Assistance Act:

laying down a new model of social assistance, regulated by law aimed at co-ordinating public efforts with those of natural and legal persons in effecting social services;
drawing a legislative framework for the creation of the social security system when profiting from social services;
enlargement of the types of social services and improvement of the quality of life of the serviced persons as well as creating new employability /occupation/ among socially assisted persons.

On the Child Protection Act

Implementation of a national strategy to reform the children care and the plan of action;
Realisation of programmes for re-organising the existing social institutions into institutions of "family"-type.

SHORT-TERM PRIORITIES

Enhancing human rights protection in the context of international standards and recommendations

Adopting the Act on the amendments and supplement to the Protection, Rehabilitation and Social Integration of the Disabled Act

Establishment of a new model of social assistance and services to improve the quality of life of the persons receiving services from the system

Amendments of the Rules for the application of the SAA
Organising seminars for the training of employees of the National Social Assistance Service, social workers and others according to the needs of the new system.
Setting up an actual information system for the system itself - hardware and software
Informing the society and developing a communications strategy

Creating the prerequisites for implementing a reform in child protection

Establishing a Public Agency for child protection according to the Act
Management and administrative training of the Agency's officials
Training of social workers and others for work in the system for social services for children
Setting up a modern database for the children under protection
Informing the public through seminars, etc.

MEDIUM-TERM PRIORITIES

Creation of conditions for deepening of social integration and exchange of experience for the best practices of the EU with the aim to update social protection

Setting up an information and documentation social protection centre at the MLSP
Setting up of the centre in the premises of MLSP
Setting up the centre's software
Creation and maintenance of the database
Training of MLSP officials and task forces in the best practices of the EU
Developing an Internet site in English for the users of the system
Organisation of debates, seminars, lectures

Raising the standards for children's' welfare in compliance with the international one and in compliance with the adopted strategy for child protection.

Creating a functioning and effective national institutional system for child protection
Elaborating a municipal strategy for child protection, including management decentralisation at municipal level
Developing social services for effective family assistance at municipal level with the assistance of NGO
Improving the living conditions and care for the children in the establishments with the support of NGO
Development of a capacity of the child care system

ADMINISTRATIVE CAPACITY

An inter-departmental commission for the reform has been built up under the PHARE "Consensus" Programme, which involves representatives from the following institutions:

- Ministry of Labour and Social Policy
- Ministry of Health
- Ministry of Finance
- National Social Insurance Institute
- National Health Insurance Fund
- National Statistical Institute
- KNSB
- "Podkrepa" Syndicate
- Bulgarian Economic Chamber

Bulgarian Chamber of Commerce and Industry In the area of child protection together with the MLSP and the Ministry of Health are working also:

- The Ministry of Education And Science
- The Ministry of Justice
- The Ministry of Interior
- The National Social Assistance Service, the district and municipal services
- Educational inspectorates with the Ministry of Education and Science
- Regional health protection centres with the Ministry of Health
- Regional internal affairs directorates

FINANCIAL NEEDS

The resources needed in this area by priorities are, as follows:

For the short-term priorities - the sum total of 1.37 mil. Euros, of which 0.175 million Euros from the state budget, 0.050 million Euros from PHARE and 1.145 million Euros from other sources /World Bank, British Know-how Fund, bi-lateral technical assistance/.

For the medium-term priorities - the sum total of 4.72 million Euros, of which 0.54 million Euros from the state budget, 4.18 million Euros from PHARE.

PUBLIC HEALTH

CURRENT STATUS

Prevention and combat against AIDS

Republic of Bulgaria is in procedure of transferring its membership fee for 1999 for participation in the Community programme in compliance with Decision No 60 of the Council of Ministers on 23.02.1998. Bulgaria's participation in the programme aims creation of opportunities for acquiring more information related to the knowledge, adjustments and practices in some of the vulnerable group, which will be used for elaboration of a programme on prophylactics and control over HIV/AIDS and sexually transmitted diseases.

Combat against cancer

A decision is envisaged to be taken by the members of the commission on Combat with Cancer Programme on 24.03.2000 regarding the participation of Republic of Bulgaria.

Republic of Bulgaria is in procedure of transferring its membership fee for 1999 to the Community programme in compliance with Decision No 60 of the Council of Ministers. Bulgaria's participation in the programme aims putting target groups on screening in order to reveal the pre-cancer processes and prophylactics of malignant diseases. This will also increase the relative part of the revealed and cured patients at an earlier stage of the most often met oncology disease.

Programme on establishing a network for registration and information of communicable disease at the Balkan Countries

Programme for establishing a network for registration and information of communicable disease at the Balkan countries is founded with the Community in accordance with Decision No 2119 / 98EC of the European Parliament and the Council of 24.09.1998 on establishing a network for epidemic supervision and control over

the communicable disease. The goal of the programme is to create a network for fast information on outbreak of communicable disease in order to prevent their spread as well as to promote cooperation between the Balkan countries in implementing the anti-epidemic measures.

The programme is funded by EU and chaired by Greece as chief executor.

Public Health Act

By Order RD-09-147/02.09.2000 of the Minister of Health, a working group is established to draft a Public Health Bill in execution of the provisions of the updated "Bulgaria 2001" Programme of the Government of Republic of Bulgaria (January 2000 – April 2001).

Health Protection and Information of Customer

The Act on amending and supplementing the Tobacco and Tobacco Products Act regarding the issues of Directives 98 / 622, 98 / 239 and 98 / 438 was adopted on 06.04.2000. Based on this act ordinances regulating the labelling of tobacco products and tar content in cigarettes are envisaged. The ordinance on the requirements for labelling of the tobacco products is prepared and will be promulgated in a short time after the promulgation of the Act. The ordinance will come into force on 01.01.2001.

In regard to the requirements for the tar content in cigarettes (Directive 90 / 239) it is considered that Bulgaria will request a transitional period.

SHORT-TERM PRIORITIES

Participation of Republic of Bulgaria in Community programmes targeting promotion of the co-operation in the sphere of public health and implementation of acquis in this field

In regard with Decision No 60 of the Council of Ministers on 23.02.1998 on approving the participation of Republic of Bulgaria in Combat against Cancer programme.

- Starting the programme and establishing five local educational centres;
- Preparation of educational materials and manuals;
- Conduct of courses;
- Conduct of workshops;
- Study visits for 10 specialists abroad;
- Educational courses for GPs in the local educational centres;

Promotion of cooperation in the sphere of public health and implementation of acquis in Combat against AIDS and other sexually transmitted diseases

Participation of Bulgaria in Community programmes targeting promotion of cooperation in the sphere of public health and implementation of acquis in Combat against AIDS and other sexually transmitted diseases (STD)

Prophylactics of AIDS and STD among prostitutes and their clients from the south-western border region.

Health Protection and Information of Customers by elaboration of normative acts related to tobacco products

Ordinance on the requirements for labelling of tobacco products (Directive 89/ 622/ ECC)

MEDIUM-TERM PRIORITIES

Programme for establishing a network for registration and information of communicable disease at the Balkan countries.

The goal of the programme is to create a network for fast information on outbreak of communicable disease in order to prevent their spread as well as to promote cooperation between the Balkan countries in the implementation of anti-epidemic measures.

Conduct of workshops on the identification of the necessary activities and finances; conduct of training courses for epidemic specialists; collection and distribution of the specified under the programme information about the communicable diseases in Bulgaria; analysis of the received data from the other Balkan countries;

Health Protection and Information of Customer by elaboration of normative acts related to tobacco products

Amendment of the Tobacco and Tobacco Products Act;
Ordinance on the advertisement and sponsorship of tobacco products

ADMINISTRATIVE CAPACITY

Combat against cancer programme will assist preventing and reducing prematurely cancer death and sick rate by improving the general health level, reducing the social and economic consequences of cancer, improving the living standards of cancer patients.

FINANCIAL NEEDS

For the realisation of the programmes in which the participation of Republic of Bulgaria is agreed 0.205 Meguro are required. For the elaboration of normative acts related to tobacco products 0.02 Meguro are required.

EXPECTED RESULTS

Combat against cancer programme will assist preventing and reducing prematurely cancer death and sick rate by improving the general health level, reducing the social and economic consequences of cancer, improving the living standards of cancer patients. Under the programme the following activities are envisaged: collection and analysis of data, information and health education; early reveal and prophylactic examines, education, quality control and warranties.

AIDS and STD Prevention Programme will assist preventing the distribution of AIDS and STD, which are outlined as the most common infections of the century. The activities under this programme cover the following spheres: monitoring and control over the communicable disease, combat against transmission of disease, information, education and training, support of the people with HIV and AIDS, combat against discrimination.

Under the Programme for the establishment of a network for registration and information of the communicable diseases at the Balkan countries to be created a network for fast information on outbreaks of communicable disease in order to prevent their spread. The programme will also promote cooperation among the Balkan countries in implementing the anti- epidemic measures.

SAFETY AND HEALTH AT WORK

CURRENT STATUS

The following measures on transposition and application of the acquis in the Bulgarian legislation have been undertaken:

Directive **89/391/EEC** on the introduction of measures to encourage improvements in safety and health of workers at work. At the end of 1997 the Bulgarian Parliament adopted the Act on Safety and Health at Work (ASHW) – SG, No. 1444 of 1997. The Act was enforced on 1.01.1998 and under para 3 of the Transitional and Final Provisions “Enterprises, sites, working places and working equipment entered into exploitation before the enforcement of the Act shall be made in compliance with its requirements not later than 3 years since the date of the enforcement of the Act.” (01.01.2000).

ASHW together with certain texts of the given herewith legislative Acts transposes in full the framework Directive 89/391/EEC into the national legislation:

Labour Code (the amendments concerning safety and health at work were adopted in December 1992, SG, No. 100, 1992);

Ordinance No. 7 of 1999 of the Ministry of Labour and Social Policy (MLSP) and the Ministry of Health (MH) on the minimum safety and health requirements at the workplace and for the use of work equipment (adopted on 23.9.1999, in force since 08.01.2000) – SG, No. 88, 1999;

Ordinance No. 3 of 1998 of the Ministry of Labour and Social Policy on the functions and tasks of the officials and specialised services in the enterprises for organising the performance of the activities related to protection and rehabilitation of professional risks (adopted on 27.07.1998, in force since 08.08.1998, SG, No.91/1998);

Ordinance No. 3 of 1996 of the MLSP and the MH on the instructions of workers and employees about safety, hygiene at work and fire protection (adopted on 14.05.1996, in force since 01.07.1996, SG, No. 44, 1996);

Ordinance No. 5 of the MLSP and MH on the order, way and periodicity of risk evaluation (adopted on 11.05.1999, in force since 25.05.1999, SG, No. 47, 1999);

Ordinance on the establishment, investigation, registering and reporting of accidents at work, adopted with Decree of the Council of Ministers No. 263, 30.12.1999, in force since 01.01.2000, SG, No. 6, 2000; Ordinance No. 14 of the MH on the labour medicine services, adopted on 07.08.1998, in force since 17.08.1998, SG No. 95, 1998);

The Act on proposals, signals, claims and applications (in force since 07.07.1980, SG, No. 52, 1980, as amended SG, No. 68, 1988).

Besides the above mentioned Ordinances the following other legislative documents were adopted as a component of legislative reform which facilitate the implementation of some provisions of ASHW:

The Compulsory Social Security Code, adopted by the Parliament on 02.12.1999, in force since 01.01.2000, SG, No. 110, 1999. Chapter 5 of the Code refers to Insurance in case of accident at work and occupational disease and introduces the principles and approach applied in the EU Member States;

Ordinance No. 4 of MLSP and MH of 03.11.1998 on training the representatives in the Committees and Groups on working conditions in the enterprises, in force since 11.02.1999, SG No. 98, 1998;

Ordinance 15 of 31.05.1999 of MLSP and MH on the terms, conditions and requirements for elaboration and implementation of physiological patterns of work and breaks during work (entered into force on 21.06.1999, SG No. 54, 1999).

The Act on Protection against the negative effect of chemical agents, substances and products, adopted by the Parliament on 20.01.2000, in force since 05.02.2002, SG No. 10, 2000. This Act will help the implementation of the directives on safety and health at work related to chemical substances.

Directive 89/654/EEC of 30 November 1989 concerning the minimum safety and health requirements for the workplace (first individual directive within the meaning of Article 16 (1) of Directive 89/391/EEC). The directive is fully transposed in the national legislation under the provisions of the ASHW and Ordinance No 7 of the MLSP and MH on the minimum safety and health requirements at the workplace and for the use of work equipment (adopted on 23.9.1999, in force since 08.01.2000) – SG, No. 88, 1999;

Most of the provisions of the directive have been implemented in the enterprises since 1996 because they were included in both ordinances, replaced by Ordinance No. 7 and considerable part of them were implemented earlier since they were implemented by other legislative acts.

Directive **89/655/ECC** on the minimum safety and health requirements for the workplace is completely transposed by the texts of the Safety and Health at Work Act and Ordinance No. 7 of the MLSP and MH on the minimum safety and health requirements at the workplace and for the use of work equipment (in force since 08.01.2000). The Ordinance also transposes most of the requirements laid down in the Directive **95/63/EC** amending and supplementing Directive **89/655/ECC**. Its full transposition will be completed in 2001-2002 by supplements to Ordinance No. 7. In accordance with Article 4 of the transitional and final provisions of Ordinance 7 the implementation of the requirements laid down in Articles 115, 123 (points 2 and 3), 126 (paragraph 2), 130, 177 (paragraphs 6 and 7), 180 and 181 must be complied with by 01.01.2001.

Most of the requirements of Directive are applicable in the companies since 1996, because some of the requirements were contained in the ordinances replaced by Ordinance No. 7. Other requirements are applicable even for a longer period, because they were subject of previous regulations.

Directive **92/58/EEC** on the minimum requirements for the provision of safety and/or signs at work has been fully transposed under the ASHW and Ordinance No. 4 of 1995 of MLSP and Ministry of Interior (MI), SG No. 77, 1995. The directive is implemented in the enterprises. There are some problems regarding its implementation in some small enterprises and companies.

Directive 90/270/EEC on the minimum safety and health requirements for work with display screen equipment has been almost fully transposed by Ordinance No. 8 of 1996 of MH on the hygienic requirements to working places for work with screen equipment, SG No. 29, 1996. The ordinance in force has been implemented in practice. In 2000 an amendment of the Ordinance is envisaged thus full transposition of the directive will be achieved.

Directive 90/269/EEC on the minimum health and safety requirements for the manual handling of loads where there is a risk of particularly of back injury to workers has been fully transposed in the national legislation by Ordinance 16 of MH and MLSP (adopted on 31.05.1999, in force since 15.09.1999, SG No. 54, 1999

Regarding the rest of the directives on health and safety at work given below the analysis of the national legislation has revealed that their full transposition requires amendments in already enforced acts as well drafting of new ones. Corresponding tasks and measures are envisaged in the tables for short-term and medium term priorities:

Directive **89/656/EEC** on the minimum health and safety requirements for the use by workers of personal protective equipment at workplace; **92/85/EEC** on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are

breastfeeding; **92/57/EEC** on the implementation of minimum safety and health requirements at temporary or mobile construction sites; **92/91/EEC** concerning the minimum requirements for improving the safety and health protection of workers in the mineral-extracting industries through drilling; **92/104/EEC** on the minimum requirements for improving the safety and health protection of workers in surface and underground mineral-extracting industries; **93/103/EC** concerning the minimum safety and health requirements for work on board fishing vessels; **82/130/EEC** on the approximation of the laws of the Member States concerning electrical equipment for use in potentially explosive atmospheres in mines susceptible to firedamp; **83/477/EEC** on the protection of workers from the risks related to exposure to asbestos at work; **93/88/EC** and **90/679/EEC** on the protection of workers from risks related to exposure to biological agents at work; **90/394/EEC** on the protection of workers from the risks related to exposure to carcinogens at work; **91/322/EEC** and **96/94/EC** establishing a second list of indicative limit values in implementation of Council Directive **80/1107/EEC** on the protection of workers from the risks related to exposure to chemical, physical and biological agents at work; **92/29/EEC** on the minimum safety and health requirements for improved medical treatment on board vessels; **86/188/EEC** on the protection of workers from the risks related to exposure to noise at work.

The following institutional, structural and organisation measures have been undertaken targeted towards facilitating the implementation of the reform:

The General Labour Inspectorate is subject to organisational and functional strengthening in view of the implementation of its task, including the comprehensive supervision over the compliance with the labour legislation (Labour Code, Art 399) and the integrated control in terms of health and safety at work (Act on Safety and Health at Work). The requirements of the ratified by Bulgaria ILO Convention 81 on labour inspection have been complied with in practice. Labour inspectors are provided with special training in order to improve the qualification level of the personnel working for the General Labour Inspectorate. A new approach to the inspection is being introduced in order to extend the scope of control. An information system is being established to supply with appropriate information on the implementation of the requirements laid down in the legislation and on the control activities.

On the grounds of legislative requirements and their implementation structures related to the social dialogue have been established dealing with all issues of the safety and health at work:

- The National Council on Working Conditions (NCWC) including representatives of the nationally represented organisations of workers (trade unions) and employers as well as representatives of the State regularly holds meetings. The Council is chaired by the Minister of Labour and Social Policy, vice-chairpersons are the representative of both parties of the industry, the decision making process is based on consensus. About 20 meetings have taken place. All general issues related to safety and health at work, concepts and drafts of legislative acts, follow-ups on transposition and implementation of EC acquis, enhancement of the social dialogue on branch and regional level are discussed. In 1999, there have been established and started to operate Branch Councils on Working Conditions in the industry, energy, construction and transport sectors as well as Regional councils on working conditions in 11 regions.
- There are Committees and Groups on working conditions in the companies and enterprises, which consist of equal number of employers' and employees' representatives. These Committees and Groups discuss all issues related to health and safety at work of the workers. There are about 4000 Committees and Groups on working conditions in the country by the end of 1999.

Members of the Committees and Groups on working conditions are provided with initial training (not less than 30 hours) and annual training (not less than 6 hours). Under the provisions of Ordinance 4 of MLSP and MH of 03.11.1998. The lecturers are highly qualified specialists. Special attention is paid to the good practice in the dialogue between workers and employers. Joint training forms are organised with the active participation of the Bulgarian Industrial Chamber, the syndicates, the Ministry of Labour and Social Policy and Ministry of Health.

The process for the establishment of an infrastructure assisting the employers in fulfilment of their obligations on health and safety at work is still in progress:

- 97 Occupational Health Services are registered so far. This kind of services should cover no less than 50% of the employees by the end of 2006;
- an unified information system on health and safety at work is being established;
- efforts are being put for ensuring the required capacity for assessment of the factors of the occupational environment and the parameters of the working process;
- for the implementation of measures on safety and prophylactics of the working risks there have been concluded contracts with legal and physical persons, who have commenced to fulfil their duties.

In 1999, several additional initiatives have started:

- National network of companies promoting health and safety at work started to operate with the active participation of the social partners and the financial support of Working Conditions Fund. The Motto of the National Network is "Quality, health and safety in the 21st Century". The National Network of Companies is a NGO. It has already covered 23 companies with more than 50 000 employees. The goal of the National Network of Companies is to cooperate with and become member of the European Network on Health Promotion.
- publishing of information bulletins and brochures in the field health and safety at work.

On 29.03.2000 Bulgaria ratified the European Social Charter (Revised). The Act on the ratification of the European Social Charter (Revised) was promulgated in SG No. 30, 2000. The ratified Articles relevant to the Safety and Health at work are: paragraphs 2, 4, 5, 6 and 7 of Article 2 "The right to just conditions of work", Article 3 "The right to safe and healthy working conditions", Article 22 "The right to take part in the determination and improvement of the working conditions and working environment".

SHORT-TERM PRIORITIES

Strengthening of the administrative capacity

Drafting a Labour Inspection Bill

Protection of the working capacity and health of the workforce and population by ensuring safety and health

Protection of the working capacity and health of the workforce and population by ensuring safety and health

Protection of the working capacity and health of the workforce and population by ensuring safety and health at work on the basis of further implementation and application of the EC acquis related to the usage of personal protection equipment, temporary and mobile construction sites. Exposition on asbestos, biological agents, cancerogens and mutagens.

Ordinance of MLSP and MH on the minimum health and safety requirements for the use by workers of personal protective equipment at workplace. The ordinance will assure total transposition of Directive 89/656/EEC.

Consultation on transposing art. 6 of the Directive in the framework of a PHARE project.

Coordination with the project on implementation of the "New Approach" Directive on personal protective equipment (89/686/EEC).

Training of employers' and workers' representatives on the requirements of the Ordinance.

Amendment of the Rules on safety at work during building and assembly works ensuring full implementation on Directive 92/57/EEC.

Drafting an Ordinance on the amendment and supplement of Ordinance 8 of MH of 1996 on the hygienic requirements at the working places for operation with display screen equipment. (Directive of the Council 90/270/EEC).

Drafting an Ordinance on asbestos waiving Ordinance 12 of MH on the sanitary and hygienic requirements to the production, import and use of asbestos and asbestos containing materials and products, (Directive 83/477, amended by Directive 91/382/EEC).

Manual on manipulation with loads (it will assist the implementation of Ordinance 16 of 1999 transposing Directive 90/269/EEC).

Drafting an Ordinance of MH on the provision of safety and health at work in the operation with biological agents (Directive of the Council 90/679/EEC on the protection of workers from risks related to exposure to biological agents at work, amended 93/88/EC, adapted to the technical development by Directives 95/30/EC; 97/59/EC; 97/65/EC).

Current situation and financial analysis targeted towards the implementation of the Directive.

Drafting an Ordinance of MH on the protection of workers from risks related to exposure of cancerogens and mutagens. (Directives of the Council 90/394/EEC and 97/42/EC).

An Ordinance on the protection of workers from risks related to noise at the working place, which will fully transposes Directive 86/188/EEC.

Inspection of the General Labour Inspectorate on the implementation of safety and health at work legislation.

MEDIUM-TERM PRIORITIES

Preserving of the capability for work and health of the labour force and population through the provision of health and safety at work on the basis of further introduction and implementation of the European legislation related to mineral extraction through drilling, work on board of fishing vessels, usage of electrical equipment

and potentially explosive atmospheres, automotive equipment and equipment for lifting of loads, work with certain specific agents and for introduction of indicative threshold values.

Draft amendment of MLSP Ordinance #9 of 1997 concerning the general rules for management of activity on provision of health and safety to mine workers, fully transposing of Directive 92/104/EEC.

Analysis and amendment of other current legislative acts including the Rules for Safety at Work in Surface Mineral Extracting.

Ordinance on Minimum Requirements for Safety and Preserving Health of Workers in Mineral Extracting through Drilling. Directive 92/91/EEC.

Ordinance on Minimum Requirements for Safety and Health at Work on Board of Fishing Vessels. Directive 93/103/EC.

Specialised inspection on the Implementation of the Ordinance by the State Shipping Inspectorate.

Ordinance on the Use of Electrical Equipment in Potentially Explosive Atmospheres in Mines. Directive 82/130/EEC.

Elaboration of Bulgarian National Standard EN introducing the respective harmonised European standards.

Facilitating the establishment and empowerment of a laboratory and bodies for assessment of the compliance with requirements of the Directive and control of production.

Draft amendment of Ordinance #7 of 1999 on minimum requirements for health and safety of workers at work and for the use of working equipment. Transposition of the remaining part of Directive 95/63/EC (for amendment of 89/655/EEC).

Analysis of current legislative acts and other documents related to automotive equipment and equipment for lifting loads.

Information for the preparation and practice on the implementation of the Directive in Member states within the framework of existing project BG/IB/OT/01 under PHARE Programme.

Draft amendment of Ordinance #7 of the MLSP and the Ministry of Health of 1993 concerning hazardous and heavy works forbidden for women.

Draft amendment of the Ordinance of Reassignment adopted by CMD 72 of 30.12.1986 (Directive 92/85/EEC).

Ordinance on the Protection of Workers from Risks related to Exposure to Chemical Substances - full transposition of Directive 98/24/EC.

Ordinance on the Establishment of the Indicative Threshold Values while Implementing the Ordinance for Protection of Workers from Risks related with Exposure to Chemical, Physical and Biological Agents (Council Directive 91/322/EEC on the establishment of indicative threshold values for the implementation of Directive 96/94/EC).

Medical Services on Board Ships (Council Directive 92/29/EEC on minimum health and safety requirements for improved medical services on board ships).

Specialised control by State Shipping Inspectorate.

Ordinance on the Minimum Requirements for Improvement of Health and Safety of Workers in Potentially Explosive Atmospheres. Full transposition of Directive 1999/92/EC.

Research and preparation for the transposition and implementation of the Directive.

Inspection by the General Labour Inspectorate /GLI/ for the implementation of the legislation on health and safety at work.

Strengthening of Administrative Capacity

Development of the new structure of GLI in compliance with the Act on Labour Inspection

Implementation of phase 1 of the project "Training of the integrated labour inspection"

Training of experts of the Hygiene-Epidemiological Inspectorate/HEI/, Occupational Health Services, GLI, related to some specific issues while making the assessment of the risk at work, exposure to chemical, physical and biological agents; metallic lead and its non-organic compounds; vinyl chloride monomer; noise.

ADMINISTRATIVE CAPACITY

The GLI within the MLSP is the administration of the executive power that carries out integrated labour inspection while exercising the control over the provision of health and safety at work and gives compulsory instructions on effective methods for implementation of the legislation in that sphere. By virtue of a provision of the Act of Health and Safety at Work of August 1998 the GLI also carries out integrated control over the hygiene at work (before that carried out by HEI). In that relation training of labour inspectors has started since 1998 in specialised courses on hygiene at work.

The beginning of changes in inspection approaches was set up with the view to achieve a greater scope of the inspection. The aim is to apply in practice the principle "one inspector - one enterprise". Routine, specialised

and control check up will be carried out. The basic task of each check up is to control the availability of organisation and management of the process for the provision of health and safety at work in enterprises.

GLI planned activities for 2000 are being carried out in a new way in compliance with the principles for elaboration of plans of similar inspectorates in some Member states (Kingdom of Sweden and Kingdom of Denmark). In GLI planned activities, of its administrative units and those of labour inspectors along with the priority issues for inspection during the year, measures and inspection means for achieving the priorities, there have been also indicated criteria and indicators for assessment of inspection quality. It has been envisaged for the average duration of a given check up to be 1,5 working days.

In order to achieve the recommendation of the European Commission for availability of adequate administration for implementation of legislation, it is necessary in short term to adopt an Act on Labour Inspection which will create conditions for institutional strengthening and development of labour inspection.

By February 2000 the GLI structure is Central administration, Training and qualification centre and 28 Regional labour inspections.

For the implementation of the reform the following organisational changes have been undertaken:

- structures for social dialogue on all issues related to safety and health at work have been established on the basis of legal requirements and their implementation: a functioning National Council on Working Conditions including representatives of the nationally representative workers organisations (trade unions) and employers as well as state representatives; functioning committees and groups on working conditions in companies and enterprises; some Branch Councils on working conditions;
- initial and annual training of workers representatives and members of Committees and Groups on working conditions by virtue of a current secondary legislation in force;
- the new structure of HEI is in force since 1.4.1999 including basically new departments charged with the functions and tasks of labour medicine offices as well as new units for prophylactics and health promotion working on programmes for healthy way of life; 97 private and state labour medicine offices have been registered so far.

FINANCIAL NEEDS

In view of the institutional development and for technical, informational and staffing provisions for the GLI from 2000 state budget is necessary to provide for 2,3 million Euros.

EXPECTED RESULTS

Improvement of health and safety of workers. Decrease of gravity and frequency of industrial injuries and occupational diseases and decrease of related losses in enterprises and in society as a whole. Decrease of pressure on social insurance funds and their financial strengthening. Increase of productivity of labour as a result of working conditions improvement. Increase of economic efficiency of enterprises and their competitiveness.

Preserving and improving health status and related capacity for work.

Improvement of coordination and interaction in the process of introduction, implementation and control over the compliance with the respective legislative acts concerning health and safety of workers, among MLSP, Ministry of Health and other ministries and authorities.

Strengthening of social dialogue:

- at a national level - within the National Council on Working Conditions;
- at an enterprise level - between employers' and workers' representatives in Committees and Groups on working conditions

Enhancing the role of all participants in social dialogue on issues related to health and safety at work: employers, workers and their representatives, representative employers' organisations, representative trade union organisations, the state.

Possible risks: insufficient finance in enterprises for the implementation of some of the requirements within the prescribed terms

14. ENERGY SECTOR

In its 1999 Regular Report the Commission emphasized the necessity of efficient implementation of the Law on Energy and Energy Efficiency, as well as the adoption and implementation of sub-laws to achieve a higher level of harmonization and an increase of the energy efficiency. The Report focused on the necessity to continue the structural reform in the sector in the areas of price and tariffs, to decrease the state interference (particularly in the area of state subsidies for coal mining). The importance of the nuclear energy sector, taking into consideration the conclusions of the European Council in Cologne, which focused on the nuclear security was recognized as well.

The **European Commission stated in its conclusion** the necessity for Bulgaria, to pay special attention to the following issues:

Effective implementation of the Energy law – adoption and implementation of the subsequent secondary legislation and reform plans, establishment of effectively operating regulatory body.

Follow the prices and tariffs structural reform schedules and the decrease of the state interference (particularly in the “Coal mining” sector), and observe the schedules for the “Coal mining” sector restructuring;

Willingness for coping with extraordinary situations (including establishment of compulsory 90days petrol stocks);

Improvement of the energy efficiency and fuel quality.

Taking into consideration the above issues emphasized by the European Commission, as essential to the development of the energy sector, Bulgaria has to increase its efforts in its preparation for integration, by adopting secondary legislation and further developing the legislative framework for the sector, and provide conditions for effective operation of the relevant administrative structures.

NUCLEAR ENERGY

The nuclear safety is a main priority in the field of the energy policy of the Republic of Bulgaria.

The general priorities in the field of nuclear safety are as follows:

Strengthening the regulatory body – change of status, financing mechanism, specification of functions, authorities, and obligations of the inspectors. Optimisation of the regulatory regime.

Enhancement of the qualification of the personnel that works at nuclear facilities.

Improvement of the quality of the technical control over the nuclear power plant (NPP) facilities.

Improvement of the safety requirements on activities at the NPP, and on implementation of safety requirements concerning the decommissioning.

Increase of the efficiency and broadening the scope of the system for nuclear material account for and control.

Regulation of the relationships concerning the use of atomic energy for peaceful purposes, and the control over the activities and the entities that perform these activities by law.

CURRENT SITUATION

A draft of an Act on the Amendment and Supplement of the Act on the Safe Use of Atomic Energy was developed in 1999. The draft was evaluated by the Council of Ministers in February 2000, and the following recommendations were made: 1) a new Act on the Safety of Use of Nuclear Energy to be elaborated; 2) the possibility of joining the new act with the draft Act on Radiation Protection of the Population to be evaluated; 3) the possibility of joining the new act with the draft Act on Establishing a Radioactive Waste Management Organisation to be evaluated.

At the same time a programme for developing a comprehensive legislative programme on safe management of the spent nuclear fuel and radioactive waste was approved by the government (Decision 777 of the Council of Ministers, dated 10th December 1999). This programme envisages elaboration of normative acts in this field until 2001.

Based on the above mentioned the following short and medium term priorities have been defined: Strengthening the Regulatory Body – Change of Status, Financing Mechanism, Specification of Functions, Authorities, and Obligations of the Inspectors. Optimisation of the Regulatory Regime

The increase of human resources is performed gradually in accordance with the Council of Ministers Decision of 1st April 1999. At present the number of the pay-roll personnel is 88.

SHORT-TERM PRIORITIES

The main priority for 2000 is the strengthening of the regulatory body and the amendment of its organisation (organisational statute), in compliance with the Act on State Administration. This is expected to be carried out until May 2000. The aim is the Committee on the Use of Atomic Energy for Peaceful Purposes (CUAEPP) to be transformed into a specialised state body, with more independence, authorities and financial resources.

The definition of the mechanism for financing the CUAEPP by law is envisaged to be accomplished by the development of a new Act on the Safety of Use of Nuclear Energy until January 2001.

Enhancement of the Qualification of the Personnel that Works at Nuclear Facilities

The updating of the requirements on qualification of the personnel of nuclear facilities is planned to be carried out in a short-term (June 2000) by amending the CUAEPP Regulation 6 that is currently in force. This aims at change of the conditions, and order for authorisation of the personnel that works at nuclear facilities.

Improvement of the Safety Requirements on Activities at the NPP, and on Implementation of Safety Requirements Concerning the Decommissioning

The requirements on safety related to the decommissioning of nuclear facilities is underway, by preparation of a new Regulation on Safety during Decommissioning of Nuclear Facilities. This Regulation is expected to be completed until October 2000.

Improvement of the safety requirements on the NPP activities is one of the main objectives of the legislative programme on safe use of atomic energy. The short-term measures that are envisaged in this field are as follows: - improvement of the licensing regime, and increase of the safety requirements on NPP activities. This is to be achieved by amendment of the Regulation No. 5 of the CUAEPP.

Increase of the Efficiency and Broadening the Scope of the System for Nuclear Material Account for and Control

This is a short-term priority that is foreseen to be completed by elaboration and acceptance of an Act on Ratification of the Additional Protocol to the Agreement between the International Atomic Energy Agency and Republic of Bulgaria on Implementation of the Safeguards. This aims at improvement of the efficiency of the safeguards.

The scope of the control and account of nuclear material outside the nuclear facilities is foreseen to be broaden. At the same time improvement of the order of account for, storage, notification and transport of nuclear material on the territory of the Republic of Bulgaria is planned by updating of the Regulation No. 4 of the CUAEPP concerning the account for and control of nuclear material.

Regulation of the Relationships Concerning the Use of Atomic Energy for Peaceful Purposes, and the Control over the Activities and the Entities that Perform these Activities by Law

At present the possibility of joining the new Act with the Act on Radiation Protection of the Population and the Act on Establishment of a Radioactive Waste Management Agency is under discussion.

The elaboration of a new Act on Safety of Use of Nuclear Energy is foreseen as a medium term measure. This Act will replace the Act on the Use of Atomic Energy for Peaceful Purposes that is in force at present. It will precise the functions, authorities and obligations of the inspectors, and will optimise the licensing regime in this field.

MEDIUM-TERM PRIORITIESImprovement of the Quality of the Technical Control over the NPP Facilities

The updating of the organisational and technical requirements on assurance of the NPP safety, established by the Regulation 3 of the CUAEPP that is currently in force is planned as a medium term measure.

In addition a new regulation is envisaged that will define the criteria and requirements on technical control over the facilities, pipelines and equipment of a NPP. This aims at enhancement of control over the design, construction and operation.

CONVENTIONAL ENERGY SECTOR

HORIZONTAL MEASURES

Current situation

Compliance with the short term priorities of NPAA'99: Elaboration and Adoption of Law on Energy and Energy Efficiency and the related to it by-laws:

The Law on Energy and Energy Efficiency (LEEE) was adopted by the National Assembly on July 2, 1999 (promulgated in SG 64 from July 16, 1999). It provides the legislative framework for implementation of priority measures in the energy sector envisaged in the "Strategy for development of Energy and Energy Efficiency till 2010" and the Three-year Action plan for restructuring, phasing out of subsidies and financial recovery of the commercial entities within the Energy Sector for the period 1998-2001".

The Law reflects the principles of the EU Directives and in particular the Directives related to the common electricity and natural gas Directives.

In line with the law-making practice of the country as well as aiming at complete harmonization of the Bulgarian energy legislation with that of the EC, the Law on Energy and Energy Efficiency envisages the adoption of by-laws related to its application. Their elaboration is within the competence of the State Agency of Energy and Energy Resources, the State Commission for Energy Regulation, and State Agency for Energy Efficiency.

The Secondary legislation will set up clear, transparent and stable permanent rules that will provide the opportunity to ensure new private investments and will minimize the investors' risk and stimulate production at lowest possible cost, and guarantee reliability and steadiness of the energy supply. The timely adoption of the secondary legislation as a consequence of the LEEE would provide an opportunity for the energy sector reform – both financial and organizational.

In compliance with the agreements with the IMF, concluded on 13.04.2000 and the LEEE, the Council of Ministers adopted the following ordinances, which are of vital importance for the separation of NEK-EAD:

General terms and conditions in the contracts for sale of electricity, heat and natural gas.

Ordinance on connecting sites of electricity consumers and Independent Power Plants (IPP) to the transmission and distribution networks.

Ordinance on the technical operation of the energy equipment

Ordinance on the terms and conditions for issuing permits and licenses for activities performed in the energy field.

Ordinance on the setting and application of prices of electricity, heat and natural gas.

The other Ordinances envisaged in LEEE will gradually be submitted to the Council of Ministers till the end of September 2000, in line with the agreements with IMF.

Compliance with the short-term priority of NPAA'99 – Establishment of the legislative basis related to maintaining the obligatory 90-day petrol products reserves and implementation of measures in supply crisis situations.

In Bulgaria the issues relating to stocks of crude oil and petroleum products, as well as the application of crisis measures are regulated by a Regulation, adopted by the Council of Ministers in December 1996. This regulation does not comply with the requirements of EU Directive 68/414 (and the complementing Directive 98/93) with respect to the obligation to maintain 90-days stock of crude oil and/or petroleum products.

In future, three main Laws will regulate the fields of mandatory stocks and the application of crises measures, and the regulatory basis complying with the European directives will be based on them:

The Energy and Energy Efficiency Law (adopted by the Parliament)

The Crisis Management Law (its draft was adopted by the Council of Ministers on 6th March 2000, it is now in the Parliament, pending approval)

The Information Law, that will ensure a publicity of the data for such type of liquid fuels reserves is still being discussed on an experts' level in the Council of Ministers

The Crisis Management Law establishes the administrative structure that will coordinate the stocks related matters, including the mandatory 90-days stock - the State Agency for Crisis Management.

The incorporation of the European legislation provisions with respect to the mandatory stocks and the application of crisis measures will be done through adopting secondary legislation, on the basis of the regulations of the Crisis Management Law. For that purpose, the draft law envisages the following:

Art.10 The State Agency for Crisis Management:

item 10 - establishes, preserves, keeps, renews, finances and controls the state stocks and military stocks, following an order, defined by the Council of Ministers

item 11 - ensures the establishing and maintaining of mandatory stocks of crude oil and petroleum products and the application of measures in the event of a crisis in their supplies

Art. 45, para 1. The state stocks and military stocks shall be established, renewed, and managed by the State Agency for Crisis Management following an order, defined by the Council of Ministers

Art. 45, para 2. The type and quantity of state stocks and military stocks shall be defined by the Council of Ministers following a proposal by the State Agency for Crisis Management.

Art. 14, para 1. The ministries and the agencies, the state-owned companies and the commercial entities shall be obliged to provide to the State Agency for Crisis Management all necessary information without any delay - by request, or periodically - according to an agreed schedule.

Art.12, para 2. The information, provided in accordance with para 1, shall be used by the State Agency for Crisis Management only for the performance of its functions, without creating any conditions for violating the commercial secret and without causing economic damages to the entities that have provided the information.

Compliance with the short priority of NPAA'99 - Establishment of the required administrative structures. In conformity with LEEE, the Council of Ministers passed decrees institutionalising:

State Agency on Energy and Energy Resources, Council of Ministers Decree No. 179 (as legal successor of the Committee of Energy);

State Commission for Energy Regulation, Council of Ministers Decree No. 181 appointing its members by Decision.

The development and implementation of the country's energy policy is responsibility of the **State Agency on Energy and Energy Resources**. LEEE clearly outlines the powers of the president of the State Agency on Energy and Energy Resources and the activities of the State body. The responsibilities of the State Agency are: to draw up a national energy development strategy; to make forecasts and long-term programs concerning the energy sector; to draw up and control the fuel balance of the country; to develop secondary legislation in the field of energy and granting of concessions for extraction of energy resources, etc.

A regulatory body - the State Energy Regulatory Commission - was established for the first time with the LEEE. It is independent of the energy institutions appointed by the Council of Ministers.

The main objectives of the State Energy Regulatory Commission (SCER) are:

- to protect the interests of customers;
- to provide a balance between the interests of the energy enterprises and the consumers
- to provide equal treatment and non-discrimination terms to all participants in the energy sector;
- to promote competition.

The authorities of that body are related to granting and suspension of permits and licences; price and tariff regulation; supervision; developing and proposing for adoption by the Council of Ministers of subordinate legislation related to: procedure and conditions of permit and licence granting; determining the obligatory rules for price setting of electricity, heat and natural gas; phasing in the direct access to privileged customers, and other secondary laws envisaged by the LEEE.

Currently the activities of SCER are focused upon the development of secondary acts within its powers provided by LEEE. In that process it avails itself of the co-operation of foreign and local consultants, part of which is financed through the European Commission and the World Bank.

The activity of the commission is assisted by general and specialized administration organized in four directorates, according to their functions:

- administrative and legal services;
- economic and financial issues;
- permits and licenses;
- monitoring.

Employing experts with good expertise to work in SCER is difficult not only because of the big difference in labour remuneration in comparison with other companies in the sector, but also because of the unavailability of premises for normal activities of the employees. Currently, SCER employs 29 people while 85 are needed.

Short term priorities

Price Reform

Concerning the tariff and price reform within the energy sector, the deadlines for the stipulated measures have been observed, while in some areas are even ahead of the schedules for the period 1998 – 2001 for gradual bringing into correspondence of the prices with the generation costs, as is foreseen in the three-year "Action plan for restructuring, phasing out of subsidies and financial recovery of the commercial companies in the energy sector for the period 1998 – 2001", approved by the Council of Ministers. After the year 2001, there will

be a transition to the obligatory regulations, set by the Council of Ministers, and to the SCER-regulated energy, heat and natural gas prices.

In the year 2000, in accordance with the economic policy of the Government set in the three-year agreement with the IMF, the Law for the State budget for the year 2000 foresees subsidies for financial support of the current operations of the district heating companies and the coal mining companies, to be realized directly through allocation of the funds for the state budget. The amount of funds is around 2.6 times less than the amount for the year 1999, and will be phased out completely till the year 2002.

The price reforms are directly linked to the concomitant process of trade liberalization – for example as of 01.01.1999 the import permit regime for natural gas has been abolished and as of 01.01.2000 the registration regime for import and export for coal, crude oil, liquid oils, etc. was abolished.

The price reform of energy and energy carriers which is under way is characterised by:

prices of all types of coal, except for briquettes are liberalized in accordance with market principles. The briquette price for the domestic sector is raised with 30% since 01.07.1999. This was done with the purpose to phase out the needed subsidies. At present the opportunity for accelerated price liberalization, ahead of the terms set as compared to the National strategy for Energy and Energy Efficiency, is discussed.

prices of thermal energy for industrial consumers and budget supported organisations are set on the basis of the total costs in accordance with article 22 of the Law on Energy and Energy Efficiency. The price for the thermal energy for domestic purposes is fixed and there is a proposal the subsidy scheme to be extended till the year 2004. The gradual bringing into correspondence of the heating energy prices for domestic purposes, with the generation costs, is scheduled. It must be complied with the purchasing abilities of the households. There are plans for suspending of the raising of prices for domestic consumers.

Thus the consumers will be preserved, which is of crucial importance for the normal functioning of the district heating companies and of attracting foreign investors.

The price control will be limited by the ability of the state budget to finance the operation of the district heating companies up to the amount of the losses that they incur in the process of production and supply of heat energy for the private consumers, and the unfavourable situation of raising prices of major raw materials - oil and natural gas.

The gradual bringing of the heat prices for households to the economic cost of heat is scheduled to be completed by the end of the year 2004.

Electricity prices are fixed for all categories of consumers based on the Ordinance for electricity, heat and natural gas price setting and application for the domestic sector adopted by the Council of Ministers on 13.04.2000. The prices change in accordance with the adopted Action plan, in which is specified the growth of price per period till the year 2001. The action plan foresees a faster rate of price increase for domestic purposes, which aims at gradual elimination of the cross subsidizing between the different consumer categories. The last 10% price rise for the energy used for domestic purposes dates from 01.01.2000, when the prices for industrial consumers was not changed. There are plans for suspending of the price raising for domestic consumers that will grant a possibility for the energy consumers to be preserved.

Natural gas price is equal for all industrial consumers and is set in accordance with the provisions of the Ordinance for electricity energy, thermal energy and natural gas setting and price application for the domestic sector, adopted by the Council of Ministers on 13.04.2000. In accordance with the Law on Energy and Energy Efficiency as well as the ordinances related to it, the introduction of differentiated prices and tariffs for the natural gas is envisaged for the beginning of the year 2002.

The price regulation for the energy sector is the major function of the State Commission for Energy Regulation, established by the LEEE. It must be noted that according to paragraph 14 of the transitional and final provisions of the LEEE, the prices already set by the Council of Ministers for the heating, electricity, and natural gas shall be applied till the end of the year 2001. After this date price setting will be done in accordance to Chapter III, section 2 of LEEE "Prices and Tariffs". On 13.04.2000 the Council of Ministers adopted Ordinance for setting and applying of electricity energy prices, which will regulate the price setting for the trade companies in the power energy sector according to their activities – generation, transmission and distribution. These regulations will be applied experimentally for the period of fixed prices after the separation of the independent power producers and power transmission companies from NEK. During this period, the State Commission for Energy Regulation will monitor the application of the rules for the price setting and price implementation by NEK and the Independent companies.

Development of the Structural Reform in the Energy Sector

The structural reform is in progress as scheduled in the Action Plan and as committed in the agreement for the energy sector between Bulgaria and the IMF. The development of the restructuring process in the following sub-sectors:

POWER SECTORCurrent situation

Currently, the first step for the restructuring process in the energy sector has been already realized, and namely the accountancy separation of the different activities (generation, transmission and distribution), through which the information transparency of the regulation control is achieved.

Short term priorities - Restructuring

The next stage in the process is the legislative separation of independent structures from NEK, EAD and establishment of new companies. For the purpose of minimizing risks for the process, the reform in the energy sector will be conducted in stages. The following steps are planned:

Separation of the energy distribution activity from NEK – EAD and establishment of 7 regional energy distribution companies;

Set up of NPP “Kozloduy”, branch of NEK – EAD as an IPP;

Separation of TPP “Maritza Iztok1” from NEK – EAD and merging with “Briketna fabrika” EAD;

Separation of TPP “Russe” from NEK – EAD and merging with “Toplofikacia – Russe” EAD;

Separation of TPP “Bobovdol”, TPP “Varna” and TPP “Maritza 3” as IPPs;

Separation of the long-term material assets of branch TPP “Maritza Iztok 3” from NEK – EAD and their transfer to a joint venture with the participation of the American Company “Entergy”.

Separation of the long-term material assets of branch “Maritza Iztok 2” from NEK – EAD and establishment of a joint venture with foreign participation.

The institutional restructuring of NEK – EAD will be concluded and until mid-2000 a National Transmission Company with 100% state ownership will be established, in accordance with the LEEE, which will operate as a “single buyer”. Within the newly established company the Central Dispatching Administration will be included, and two pumped storage hydropower plants (PSHPP) – PSHPP “Chaira” and PSHPP “Orfey”. Because of the technological role of the HPPs, which are used as a system for stocking power, the cascades owned by HPPs are not scheduled for privatisation in medium-term.

Immediately after separation from NEK – EAD for some of the generation and distribution companies further steps for privatisation shall be undertaken. The procedures for privatisation will start by the end of the year 2000.

The established independent commercial entities will face a regulated market environment that will lead to optimising the cash flows and the investment expenses. An opportunity for rehabilitating capacities will be offered after considering the energy balance of the country. Privatisation will result in attracting foreign investors and optimisation of the companies’ management.

For the effective completion of the restructuring process of the companies within the energy sector and their efficient operation in a competitive environment, it is absolutely vital to adopt the key secondary legislation in compliance with LEEE.

DISTRICT HEATING SECTORShort Term Priorities*Development of the District Heating Companies*

Till the end of May, in line with the agreements with the IMF, a Strategy for development of the District Heating Companies will be developed jointly with the World Bank. This Strategy will be based on an assessment of prices, subsidies and investments in the district heating companies and will be in line with the overall energy policy of the country. The Strategy will be based on an analysis of the financial, environmental and social impact and will define the perspectives for the development of each of the district heating companies and the district heating system as a whole; it will specify which district heating companies will continue their operation; it will include plans for their restructuring and investments.

Financial stabilization of the district heating companies

The major task set for the year 2000 is the financial stabilization of the district heating companies. This will attract the attention the municipalities and the foreign investors in establishing regional joint stock companies "Toplofikacia".

A programme for service system improvement of consumers of heat

A programme for service system improvement aimed at consumers of heat in the domestic sector is being launched.

NATURAL GAS SECTORCurrent Situation

The measures laid down in the Complex Programme for the Restructuring of "Bulgargas" adopted with a Decision of the Council of Ministers № 471 from June 30, 1999, as well as in the plan-schedule for restructuring and financial recovery of the company – DCM № 671 from Oct. 27, 1999, are being implemented. Accountancy separation of the import, export and distribution activities related to natural gas, is already completed.

Short Term Priorities*Introduction of differentiated prices of the natural gas*

Introduction of differentiated prices of the natural gas according to consumer groups by taking account of the demanded volume and the consumption pattern – till the end of 2000. In compliance with the LEEE and the related ordinances, proposals will be formulated for setting differentiated prices and tariffs as regards transmission and distribution of natural gas for the various consumer types.

Separation on a functional principle of the transmission from the distribution gas pipe lines

Technological and commercial separation on a functional principle of the transmission from the distribution gas pipe lines.

Establishment of regional gas distribution joint venture companies

Regional gas distribution joint venture companies will be established in which "Bulgargas" EAD capital will participate with the value of the distribution gas pipelines as an instalment. The measures for creating legal, financial and technological conditions for establishing gas distribution companies are being implemented.

Attracting local and foreign investors for the establishment of natural gas distribution market

A programme for attracting local and foreign investors for the establishment of natural gas distribution market is also under preparation. Envisaged in it, are the following measures:

Gradual harmonization of prices with the production costs for the period till December 31, 2001, as envisaged in the "Three-year action plan for restructuring, phasing out of subsidies and financial recovery of the commercial companies within the Energy sector for the period 1998 - 2001", ratified by the Council of Ministers. After this period, a transition to the obligatory regulation and natural gas prices controlled by SCER and set up by the Council of Ministers will take place;

Liberalization of the gas supply for the domestic sector. With the LEEE the regime for authorisation of natural gas distribution is changed from concession to licensing, the licenses being given by SCER on the grounds of publicly announced, clear and non-discriminatory criteria. The Ordinance on the terms and conditions for issuing permits and licenses is under preparation;

Preparation and adoption of the secondary legislation related to the LEEE;

In the gas supply field, the work on the transit system expansion projects via Bulgaria to other countries will be continued, as well as the construction of a system interconnection between the gas transmission networks of Bulgaria and Romania and the underground gas repository "Chiren" expansion project.

Diversification of the natural gas sources

In view of the diversification of the natural gas sources, measures are implemented for attracting foreign investments related to studies and oil and gas production on the territory of Bulgaria and the Bulgarian aquatory of the Black Sea.

The gas repository "Galata" is planned to be launched into operation under concession.

COAL-MINING SECTOR

Current Situation

The coal-mining sector underwent considerable restructuring and a number of activities for its further development are being undertaken.

Nine non-vital pits are closed down and all legal obstacles for the privatisation of the vital mines are eliminated.

In compliance with the agreements with the IMF, an Action plan is under preparation aiming at giving an analysis of the possibilities for terminating the mining activities in all remaining non-vital pits during the year 2000 and the preparation of the vital ones for privatisation. The Action plan was adopted by the Council of Ministers on 13.04.2000.

In the loss-making entities, in which investors do not manifest interest in whole companies or independent parts of them, the mining activities will be terminated and liquidation procedures will be open.

In order to decrease the production costs and improve the financial results of the loss-making coal mining companies, the elaborated restructuring programmes will be closely supervised, and programs will be implemented for the separation of non-core activities and privatisation, targeting at costs decrease, including lay-offs of staff, that is not directly involved in the production process.

Short Term Priorities

Optimisation of the staff number

A specifically important aspect of the restructuring process in 2000 is the accompanying social policy, which involves optimisation of the staff number, and offering alternative employment, incl.:

- using part of the unemployed workers laid off from non vital pits and areas for implementing the process of technical liquidation and removing the harmful impact of coal mining onto the environment;
- re-directing the qualified staff from the liquidated inefficient capacities to the pits that will continue operation, taking into consideration the age groups and the natural exodus of staff.

In 2000, alternative employment programmes will be elaborated for the laid off staff from the coal mines, which will be directed by the Ministry of labour and social policy, the Ministry of regional development and public works and in cooperation with the trade unions. The programmes will rely upon the opening of new positions for the implementation of big infrastructure projects (transit corridors, product pipelines, etc.).

That is why, the following new tasks will be carried out:

- improving the coal-mining efficiency, by exploiting of the available resources as well as by giving concessions, and attracting additional funds such as investment credits from the financial and crediting institutions and Bulgarian and foreign investors;
- loss decrease, gradual phasing down and out of subsidies and accumulation of positive cash flow;
- decrease of expenses on individual economic elements;
- staff number optimisation;
- vending property, which is not directly related to the production process;
- terminating the accumulation and decreasing the overdue short-term and long-term liabilities;
- improving the receivables collection rate;
- continuing the restructuring process.

The future development of the coal mining sector is based mostly on the "Maritsa Iztok" pits which operate at low production costs and the highest labour productivity; on the liquidation of the non-vital companies, of the loss-making pits, units and sites within them; separation of non-core activities from the companies' infrastructure and proposing them to be liquidated.

LEGISLATIVE PRIORITIES

Short-term priorities

The development and adoption of Law for amending and supplementing the Law on Energy and Energy Efficiency.

The process of preparing the secondary legislation according to the LEEE as well as its implementation revealed that it is necessary to amend this act. The adoption of the amendment by Parliament is expected to take place till the end of July 2000.

The elaboration and adoption of the Law – related secondary legislation.

In line with the law-making practice of the country as well as aiming at complete harmonisation of the Bulgarian energy legislation with that of the EC, the Law on Energy and Energy Efficiency envisages the adoption of by-laws related to its application. Their elaboration is within the competence of the State Agency of Energy and Energy Resources and the State Commission for Energy Regulation, State Agency for Energy Efficiency.

The Secondary legislation will set up clear, transparent and stable permanent rules that will provide the opportunity to ensure new private investments and will minimize the investors' risk and stimulate production at lowest possible cost, and guarantee reliability and steadiness of the energy supply. The timely adoption of the secondary legislation as a consequence of the LEEE would provide an opportunity for the energy sector reform – both financial and organizational.

The secondary legislation will govern the overall process of issuing permits and licenses for activities within the Energy sector, of price setting and implementation control of the electricity, heat and natural gas; accountancy balance control of the energy enterprises; determination of the rules and conditions for gradual introduction of direct access to the electrical power transmission and distribution, for ensuring access to the transmission and/or distribution natural gas networks, for connecting consumers and producers to the distribution and respectively to the transmission electricity grids, for imposing extra public service obligations onto the energy companies; for setting the general provisions in the electricity, heat and natural gas sale contracts.

On 13.04.2000, the Council of Ministers adopted four of the envisaged for adoption ordinances in compliance with the LEEE.

The preparation of the secondary legislation is carried out in cooperation with other related ministries and institutions as well as energy companies, which in consequence will be subject to the by-laws. The Ordinances are adopted by the Council of Ministers. The elaboration of some of the Ordinances is assisted by TAIEX and the PHARE Programmes and by other EC Programmes as well as by the World Bank.

The elaboration of the legislative basis related to maintaining the obligatory 90-day petrol products reserves and implementation of measures in supply crisis situations.

Adoption of the provisions of European legislation in the field of obligatory stock keeping and implementation of crisis measures will be effected through the adoption of a secondary act on the grounds of the provisions of the Crisis Management Act (Art. 10 items 10 and 11, Art. 14 para. 1 and 2, and Art. 45 para. 1 and 2).

In compliance with the LEEE an Ordinance on the conditions and procedures for maintaining oil and oil products stocks shall be elaborated. It shall regulate the obligations of the power plants to maintain backup stocks of oil and oil products for emergency cases

Law on information. The operating version of this Draft Law envisages publicity of the information of the availability of liquid fuel stocks. The Draft Law on Information is being discussed on an expert level by the Council of Ministers.

Define the resources required for establishment and maintaining of the 90-day stocks of crude oil and/or petroleum products for the public sector and to consider a realistic schedule for accumulation of such stock

For the application of the EU acquis in the field of the mandatory stocks of crude oil and petroleum products (90 days), a period will be needed for the building of storage facilities, and the accumulation of stocks.

Medium term priorities

Interconnection of the national electricity transmission network with the united European electricity transmission network of UCTE

The interconnection of the national electricity transmission network with the united European electricity transmission network of UCTE is an immediate priority for Bulgaria. Technical possibility for interconnection to the UCTE will be available by the end of the year 2002. After this date the gradual opening of the energy market for eligible customers will be possible. With respect to the transit of electricity across the territory of Bulgaria, the specific relations shall be negotiated between Bulgaria and the counterpart on the basis of the existing international legal documents, ratified by Bulgaria.

Develop an Ordinance dealing particularly in the accumulation and consumption of the stocks

Develop an Ordinance dealing in crude oil saving through the utilization of fuel component substitutes.

ADMINISTRATIVE CAPACITY

Conforming to the agreements with the IMF, the Draft Law for amending and supplementing the Law on Energy and Energy Efficiency clearly defines the mechanisms for financing the State Commission for Energy Regulation.

Pending is the initiation of an institution building PHARE project for strengthening the positions of SCER. This project aims at the establishment of an efficient and transparent regulatory framework which will operate in compliance with the *acquis* and which will promote competitiveness after the establishment of the energy market in the country.

One of SCER priorities is the implementation of a SARA II project related to the establishment of a management information system. During the period of implementation of the project, the requirements as to the type of information and the methods for accumulation of information should be clarified, taking into account the functions of SCER.

The Draft law on crisis management establishes the administrative structure, which will coordinate the issues related to the stocks including the obligatory 90-day stocks – State Agency of Crisis Management (SACM).

The normative base in that field shall be developed by:

SACM shall develop the 90-day stock Ordinance;

SACM, together with the Ministry of Finance, the State Agency on Energy and Energy Resources (SAEER) and the Ministry of Economy shall define the resources needed for accumulation of the stock and the schedule of achievement of such target;

SCMA, together with all stake-holders shall develop the part on crisis measure implementation;

The Ministry of Economy shall develop an Ordinance on raw oil saving through the utilization of fuel component substitutes.

FINANCIAL NEEDS

Short-term priorities- total required funds- 439 thsnds. Euro

Required funds from the State Budget- 67.5 thsnds. Euro

Required funds from other sources- 361 thsnds. Euro

Funds are also given under projects along Multi- country Programme PHARE, SARA Programme

ENERGY EFFICIENCY

The improvement of energy efficiency is among the main priorities of the updated Program 2001 of the Council of Ministers and the Partnership for Accession.

The expected benefits to the economy of Bulgarian from the improvement of energy efficiency are:

Reduction of GDP energy intensity;

Improvement of the security of energy supply;

Achieving sustainable economic development in Bulgaria;

Improving the environment on a national and international scale and reduce of noxious emissions;

Improving the balance of payment through reduction of energy carrier imports;

Introducing market conditions in the energy sector and to improving the competitiveness of Bulgarian products.

Creation of appropriate conditions for extended use of RES

Improving the public relations and motivation on issues related to EC and in particular, related to energy savings and a wider use of RES;

CURRENT SITUATION

Compliance with the short-term priority of NPAA'99 - completion of the normative framework necessary for the development of energy efficiency;

The Law on Energy and Energy Efficiency was adopted by the National Assembly on July 02.1999. The law contains a separate section dedicated to energy efficiency. This section incorporates the major elements of the European policies in this sphere, including standards, marking, energy audits, energy expertise and the licensing of natural persons and legal entities to engage in related activities.

A comprehensive National Strategy on Energy Efficiency till 2010 is also in an advanced stage of development and is designed to address the utilization of energy, containing a separate section dedicated to energy efficiency.

A National Programme for energy efficiency concerning the energy consumption is being elaborated.

Compliance with the short-term priority of NPAA'99 - the adoption of the normative bylaws related to the rational utilization of energy (standards, markings, labelling);

Currently, there are no normative documents in effect in Bulgaria conforming to the directives on labelling of household electrical appliances. The standards are harmonized yet, with the exception of those on refrigerating appliances.

The Ministry of Economy and the State Energy Efficiency Agency are assigned the responsibility to prepare regulatory framework in this respect. On the grounds of Art. 7 of the Customer Protection Act and the trading procedures, two draft Ordinances were prepared in compliance with the framework directive on labelling of household appliances and the directive on labelling of refrigerating appliances. The drafts of these ordinances are being reviewed at the Ministry of Economy.

The preparation and adoption of a number of by-law on the rational use of energy, is envisaged in compliance with the LEEE.

Compliance with the short-term priority of NPAA'99 - the completion of the optimal institutional framework as follows

In compliance with LEEE, the Council of Ministers accepted a Decree No. 180 institutionalising the State Energy Efficiency Agency as legal successor of the National Energy Efficiency Agency. This agency develops and implements the State policy in energy efficiency. Its main functions are related promotion of the utilization of renewable energy sources, developing subordinate legislation and standards, control in the field of energy efficiency, etc.

For the purpose of developing the normative base in the area of household appliance labelling, an Inter-Departmental Working Group was set up. Its members are representatives of the Ministry of Economy, the State Energy Efficiency Agency, the State Agency of Metrology and Standardization, and the Branch Chamber of Electrical Industry (at the Bulgarian Chamber of Economy). The administrative body that shall apply the above-mentioned acts will be defined upon their adoption.

SHORT-TERM PRIORITIES

Implementation of projects along the EU programmes for improving the energy efficiency

two projects along the SAVE II Programme of the European Union;
the implementation of three projects within the UNECE "ECE-CIS-99-043 Energy Efficiency project for mitigating the effects of the climate changes" along the "Energy Efficiency 2000" Programme;
the implementation of the project for developing a database related to the energy efficiency issues in Hungary, Romania and Bulgaria as regards the decrease of the greenhouse gas emissions along the SYNERGY Programme – in the process of being approved;

Establishment of an Information Complex Centre, subjected to SAEE

Elaboration of the legislative base related to the rational utilization of energy (standards, marking, labelling) and harmonization with the requirements of the EU.

a standard determining the system for reporting energy and fuel consumption indicators in the manufacture of goods or provision of services under Article 144 of LEEE;
a standard determining the method of marking under Article 145 of LEEE of the operational energy consumption indicators for goods – both locally produced and imported, as well as for the buildings which, during regular operation consume electricity, heating energy, natural gas and fossil and liquid fuels;
an ordinance specifying the terms and conditions for issuing certificates of conformity to the established EE standards of goods using, generating, converting or conserving energy under Art. 147 para. 3 of LEEE;
an Ordinance specifying the terms and conditions for expertise and surveys for EE of objects which annual fuel or energy usage exceeds the limits determined under art. 149, para. 2 and para. 3 of LEEE;
an Ordinance specifying the terms and conditions for issuing permits for expert assessments of EE objects with yearly fuel or energy usage exceeding the limits determined under art. 152, para. 3 of LEEE;
tariff for the taxes gathered at applications submission for issuing of permits for energy efficiency expert assessments and investigations /art. 152, para. 4 of LEEE/

Defining of the resources required for harmonization of the relevant Bulgarian standards;

Drawing up of normative documents complying to Framework Directive 92/75 and Directive 94/2 on Refrigerators, Freezers and Combinations Thereof;

MEDIUM-TERM PRIORITIES

Improvement of the energy efficiency

- the elaboration of a national energy efficiency programme;
- the elaboration and implementation of a national informational, educational and popularising programme for energy efficiency and renewable energy resources;
- the establishment of a mobile laboratory for energy efficiency.

Development of a normative document in conformity with Directive 95/12 on Washing Machines;

Development of a normative document in conformity with Directive 95/12 on

Development of a normative document in conformity with Directive 95/13 on Driers;

Development of a normative document in conformity with Directive 96/60 on Combined Washing / Drying Machines;

Development of a normative document in conformity with Directive 97/17 on Dish Washing Machines;

Development of a normative document in conformity with Directive 98/11 on Household Lamps.

ADMINISTRATIVE CAPACITY

Pending is the implementation of a Complex Institutional Strengthening of the State Energy Efficiency Agency Project under the PHARE Program.

For the purpose of developing the legislative base in the area of household appliance labelling, an Inter-Departmental Working Group was set up. Its members are representatives of the Ministry of Economy, the State Energy Efficiency Agency, the State Agency of Metrology and Standardization, and the Branch Chamber of Electrical Industry (at the Bulgarian Chamber of Economy).

The administrative body that shall apply the above-mentioned legislative acts will be defined upon their adoption.

FINANCIAL NEEDS

Short term priorities- 27 thsnds. Euro requested under PHARE Programme

Medium Term Priorities- 7070 thsnds. Euro requested under PHARE Programme

15. INDUSTRIAL POLICY**CURRENT SITUATION**

The Industrial policy of the country is being based on the Government's Programme Bulgaria 2001, targeted towards the achievement of a stable economic growth and acceleration of the privatisation and the restructuring process. All these efforts aimed at the framework conditions improvement for industrial development, competitiveness of the enterprises and establishment of an environment stimulating small and medium size enterprises development.

A special attention is being paid to the improvement of the investment climate and the attraction of foreign investments. Meanwhile, the realisation of the approved by IMF Programme for Macroeconomic Stability and Structuring Reform in the context of the assigned three-year agreement is continuing. The agreements for acceleration of the Structural Reform with the financial institutions (World Bank, European Bank for Reconstruction and Development) outline the schedule for realisation of the steps needed to achieve the priority targets.

Considerable changes in the legislation were made in 1999. They are targeted to guarantee a maximum transparency of the privatisation process, to improve and simplify the liquidation and insolvency procedures and to increase the effectiveness of the concession granting procedures via conformance with the privatisation process. The Law on Commerce of the Republic of Bulgaria ensures full equality of the local and foreign persons when registering commercial companies and the Law on Foreign Investments provides equal rights and common procedure for foreign investment activities. A legal protection of the competition and the intellectual property is secured.

In order to enhance the competitiveness of the Bulgarian economy and the liberalisation of the economic activity, at the end of 1999 – beginning of 2000, an inventory and analysis of the introduced license, non-automatic and automatic regimes, with a view to their optimisation have been made. On the basis of the accepted principles and the developed recommendations, we are preparing changes and amendments to legislation that regulates license, automatic and non-automatic registration regimes in order they to be abrogated and facilitated, and to simplify the procedures for their implementation as well.

The presented to the European Commission project of a Strategy for Industrial Development (part of the National Development Plan of Bulgaria), is based on the main principles of Council Decision 96/413/EC which contains an Action Programme for strengthening the competitiveness of the European Industry.

The main goal of the Strategy for Industrial Development is to increase the competitiveness and to create a favourable environment for sustainable development of Bulgarian industry on the basis of well functioning and viable enterprises. The comments of the EC have been received and the experts are working on the implementation of the referred recommendations. On the basis of the results of the elaborated sectoral analyses on competitiveness sectoral policies shall be developed and concrete measures stimulating production and competitiveness shall be defined.

Strategic foreign investments are of particular importance for finalising the privatisation and for successful restructuring of the industrial sector. Main priorities are the improvement of the investment environment and the attraction of foreign investments. The adopted Investments Programme of the Government for the period 1998 – 2001 encloses infrastructure investment projects the realisation of which creates conditions for development and modernisation of the industry.

In 1999, 71% of the listed for privatisation state enterprises were privatised. The privatisation of the industrial enterprises is approaching its final stage. The privatisation of small and medium enterprises within the line-ministries and institutions has been completed. The privatisation of a considerable part of the large structural enterprises included into the Privatisation Programme was brought to the end through privatisation intermediaries and consultants. In 1999 a number of successful privatisation transactions for sell of commercial companies in difficult financial conditions were completed. In mid 1999 successfully ended the privatisation of 35 enterprises in the list B-group of the Isolation Programme that includes 41 state enterprises. For the rest of the enterprises procedures for liquidation and insolvency have been opened. The implementation of the Programme has lead to a decrease of the losses in the real sector.

SHORT-TERM PRIORITIES**Finalisation of the privatisation of large state-owned enterprises an restructuring of the industry**

Of great importance to the economic growth is a successful finalisation of the privatisation process as well as speeding up the restructuring process. Restructuring is aimed at creation of a competitive industry based on viable enterprises, operating in the conditions of the market principles of transparency and equality.

Improvement of the financial discipline in the real sector

Creation of an efficient legislation aimed at maximum transparency of the privatisation process shall speed up the industrial restructuring. Of great importance is strengthening the post privatisation control as well as continuing liquidation and insolvency procedures for enterprises in financial difficulties.

Strengthening the competitiveness of the Bulgarian Industry through liberalisation of the economic activities

An inventory and analysis of the existing license, non-automatic and automatic regimes have been made, with a view to their optimisation. On the basis of the accepted principles and the developed recommendations we are preparing the changes and the amendments to legislation in order to facilitate and simplify the procedures for the implementation as well.

Actualisation of the Strategy for Industrial Development /as a part of National Development Plan for the period 2000 – 2006/ in accordance with the comments from the part of the European Commission

By the end of May 2000, an actualised version of the National Development Plan, based on the comments of the European Commission has to be presented. Profound financial and economic analyses have been prepared, based on the cooperation with the National Statistic Institute and on data come from the latter. They are targeting a reliable prognosis of the development of investments to the private sector, which are of a considerable importance for raising the competitiveness of the Bulgarian industry.

Within the frames of this goal an actualisation and more detailed revision of the Strategy for Industrial Development is under way.

MEDIUM-TERM PRIORITIES

The competitiveness of the Bulgarian industry shall be raised by implementation of a policy stimulating the production of high-quality products and the introduction of innovations in order to increase the volume of foreign investments and to create viable enterprises. Particular attention is being paid to scientific and technological development (introduction of high technologies) and to the stimulation of industrial cooperation and development of the small and medium-size enterprises in Bulgaria. The existence of continuous and flexible industrial policy shall accelerate the process of economic development of the Bulgarian economy. All these elements are linked into a single mechanism designed to enhance the preparation of Bulgaria's industry for complying with the membership criteria of the European Union.

Strengthening the competitiveness of Bulgarian industry through pursuing a quality promotion policyEncouraging investmentsCreating viable industrial enterprises in a market economy environmentDeveloping high-technologiesEnhancing Industrial cooperation and stimulating development of small and medium-size enterprises**ADMINISTRATIVE CAPACITY**For implementation of the short-term priorities:

Ministry of Economy and line-ministries, Privatisation Agency, Ministry of Finance, Commission for Protection of Competition. Of great importance is the cooperation with different NGOs and expert assistance. Bulgarian Chamber of Commerce and Industry, Bulgarian Industrial Association are closely involved.

For implementation of the medium-term priorities:

Ministry of Economy, Commission for Protection of Competition, Bulgarian Chamber of Commerce and Industry, State Agency of Standardisation and Metrology, Bulgarian Industrial Association, Ministry of Regional Development and Public Works, Consumer union, Small and Medium Enterprises Agency, State Agency for energy and energy resources. Participation of the independent branch unions and associations, private companies, scientific institutes, universities, interdepartmental group and expert assistance.

FINANCIAL NEEDS

For the implementation of the short-term priorities will be defined at a latter stage

For the implementation of the medium-term priorities - a total of EURO 15,23 mil, including:

- from the state budget – EURO 3,01 mil
- from the PHARE program– EURO 10,000 mln
- other sources - EURO 2.220 mil.

EXPECTED RESULTS

Successful finalisation of the process of restructuring the Bulgarian economy. Creation of a legislative framework, fostering the restructuring process;

Establishment of viable industrial enterprises operating in the conditions of the market principles of transparency and equality;

Increasing the competitiveness of the Bulgarian production which shall lead to acceleration of the economic growth and the export, and to increasing of the employment and the living standard;
Creation of an environment favourable to the development of high technologies;
Development of strong and competitive SME sector;
Creation of a favourable environment for the increasing of foreign investments.

16. SMALL AND MEDIUM-SIZED ENTERPRISES**SMALL AND MEDIUM-SIZED ENTERPRISES****CURRENT SITUATION**

The promotion and support to small and medium-sized enterprises (SMEs) is a priority of the Government of the Republic of Bulgaria. Well over 98,6% of Bulgarian companies in 1999 are SMEs. The promotion of enterprise development, including SMEs, is also stated to be a medium-term priority in the Accession Partnership.

The Agency for Small and Medium-sized Enterprises /ASME/ was created in 1997 by force of Government Decree No 314/31.07.1997 as an institution with the Ministry of Industry. In August 1998 the Government adopted a National Strategy for Stimulating the Development of SMEs (Decision No 398/07.08.1998). The Strategy is in conformity with the EU priorities for SMEs promotion and takes into account the conditions in the Republic of Bulgaria for the sector development. The measures for achievement of the objectives of the National Strategy are outlined in the short and middle term actions of the Working Programme for the implementation of the Strategy.

After the adoption of the National Strategy and in compliance with the short-term priorities as set out in the Working Programme for the implementation of the Strategy an Act on Small and Medium-sized Enterprises was adopted by the National Assembly on 9th of September 1999.

The Act on Small and Medium-sized Enterprises is consistent with the priorities and the objectives of the National Strategy and introduces legal definitions of "micro-enterprise", "small enterprise" and "medium-sized enterprise". The Act outlines the institutional framework for promotion of the SME sector - it establishes the status of the Agency for Small and Medium-sized Enterprises as an institution with the Council of Ministers.

It provides also for the setting up of a body for consultation - Consultative Council - between the representatives of businesses and the administration. In compliance with the Law, the branch professional associations and unions, the National Association of the Municipalities, the line ministries and the Encouragement Bank proposed members of the Council and its work is to be launched soon. The Act on Small and Medium-sized Enterprises stipulates general measures for stimulating SME development. Their implementation will result in creation of favourable environment for a sustainable development of the sector.

Certain measures were initiated to streamline the procedures for administrative registration by introducing a unified identification code for all economic operators performing business or other activity on the territory of the Republic of Bulgaria, SMEs included. A new Act on Statistics was adopted by the National Assembly in June 1999. It stipulates:

- the introduction of a unified identification code of the economic and other entities, which are engaged in business on the territory of Bulgaria instead of BULSTAT, insurance and tax registration numbers. The unified identification code is to be effectively introduced with the start of the new financial year in 2000.

Enhancing the possibilities for better access to finance for SMEs is an important priority in the government's policy. The Agency for Small and Medium-sized Enterprises provides information and advice to SMEs on credit lines and programmes as well as on banks, specialised financial institutions and funds.

The Encouragement Bank Inc., established by Order No 48 of 13.10.1998 of the Council of Ministers, has as its only priority target SMEs. The Encouragement Bank Inc. started to operate in September 1999 and until the end of 1999 has released loans on the amount of 665 thousand BGN.

Credits on the total amount of 2,2 mil. EUR have been released until the end of 1999 by local commercial banks that manage the credit line for SMEs of the PHARE Programme, launched in accordance with the financial memorandum between the EU of the one part and the Ministry of Industry and the Bulgarian National Bank of the other part.

Within the framework of the agreement for financial cooperation between the Governments of the Republic of Bulgaria and of the Federal Republic of Germany and the Loan, Financing and Project Agreement between the Republic of Bulgaria, the Bulgarian National Bank and Kreditanstalt fur Wiederaufbau, Frankfurt-am-Main, Bulgaria has received a loan of a total of 8.5 mil. DEM for SME credits, which is operated through local commercial banks. The credits lent to SMEs are up to 15,000 DEM (micro-credits) and up to 50,000 DEM. Till the end of 1999 more than 130 credits have been released on the amount of 2,5 mln. DEM.

A guarantee scheme of the United Bulgarian Bank /UBB/ is under preparation in accordance with an agreement between the USAID and the Bank. The Agency for Small and Medium-Sized Enterprises, the

State Agency for Energy Efficiency and UBB signed a cooperation agreement for the implementation of the scheme. The amount of the guarantee provided is 6 mil. USD for credits to SMEs for the period until 2004 and respectively 6 mil. USD for credits for energy saving projects for the period until 2006.

As the start-up and development of SMEs could be promoted through securing part of the credit risk on credits extended to SMEs, the Agency for Small and Medium-sized Enterprises developed a draft concept for establishment and functioning of a guarantee fund. A working group on the project was created including representatives of the Ministry of Finance, Bulgarian National Bank, commercial banks and insurance companies.

The implementation of the priority to foster the partnership and cooperation among the SMEs of the National Strategy adopted by the Government is further enhanced by Bulgaria's participation in the Third Multiannual Programme for SMEs in the EU (1997- 2000). With support of the programme eight Euro Info Centres have been established in the country and the participation of 42 SMEs in the Europartenariat event in Potsdam in October 1999 was organised.

In cooperation with the European Innovation Centre in Bulgaria, The Agency for Small and Medium-sized Enterprises informs SMEs on the possibilities of the Second Horizontal Programme "Promotion of innovations and encouragement participation of SMEs" within the framework of the Fifth EU Framework Programme for Research and Development. The Agency and the European Innovation Centre took part in a consortium whose aim was the participation in a competition of the Second Horizontal Programme with a project "Operation of Innovation Relay Centre - Bulgaria". The European Commission has approved the Project and the working programme for its implementation is being prepared.

The financial and technical support in 1999 for the development of five regional business centres /Varna, Doupnitsa, Shoumen, Sliven and Haskovo/ contributed for the improvement of the information and consultation services for SMEs.

A survey of the organisations supporting SMEs has been carried out with the support of the PHARE project BG 9704/0202 and the information is being used for dissemination.

With the support of the same project a survey of the SME sector has also been started.

The establishment of a web site of the ASME as well as the publication of the first two issues of the Information Bulletin of the Agency also contribute significantly to improve the information services for SMEs.

In 1999 the ASME concluded cooperation agreements with regional agencies - members of the Bulgarian Association of the Agencies for Regional Development. In this way the ASME continued its initiative for establishment of a regional SME stimulating network.

The municipalities have a major role to play in stimulating the development of SMEs and therefore the ASME encouraged and helped the start of establishment of SME units on local level. In order to assist the municipal authorities in their work on the development of the SME sector, the ASME conducted more than 20 seminars in the different regions. The establishment of units in the municipalities will continue in the short-term period as well. Upon the initiative of the ASME, SME units also were established in the state regional authorities.

The development of entrepreneurial abilities was also among the SME priority targets. A total of 1,132,000 EUR was allocated in 1999 from the "Professional Qualification and Unemployment" Fund for launching of individual businesses. Within the programme "Start your own business" in five regions of the country 23,000 EUR were provided.

ASME has also contributed for the development of entrepreneurial abilities in 1999 by continuing the international training for managers of Bulgarian SMEs in EOMMEX, Greece. Two training courses were organised in Athens in 1999, which gave also the Bulgarian entrepreneurs the possibility to hold business meetings with Greek counterparts.

The SME sector in Bulgaria continues to develop progressively. The Agency has reported the implementation of the immediate actions of the Working Programme for the implementation of the National Strategy for Stimulating the Development of SMEs and is now working on the performance of the tasks envisaged in the Working Programme for the years 2000-2001.

In the draft of the National Development Plan elaborated in 1999, a set of measures has been envisaged for the promotion of the Bulgarian SMEs in the period till 2006. It is possible that the finalisation of the National Development Plan will reflect on the implementation of the NPAA by adding new measures and modifying the envisaged ones.

There is also a series of activities in support of SME development laid out within the approved National Plan for Regional Development of the country (State Gazette No 106/1999) and in the Regional Development Plans of which the National Plan is comprised. These Plans are aimed at the establishment of an entrepreneurial environment and at enhancing the economic activity in the different regions.

Future efforts will be directed towards achieving the following priorities:

SHORT-TERM PRIORITIES

Simplification of the administrative and regulatory system related to SMEs;

Strengthening of the institutions supporting SMEs and launching of a regional SME stimulating network;

Better access of SMEs to finance;

Improvement of the information and consultation services to SMEs;

Development of an entrepreneurial spirit and abilities;

Encouraging direct contacts between SMEs through cooperation programmes. Europeanization and internationalisation of the SMEs.

MEDIUM-TERM PRIORITIES

Whilst there have been positive policy developments in the past years, the major obstacles for the sustainable development of the Bulgarian SME sector still remain the need to improve the legal, administrative and tax environment, to strengthen the support infrastructure for SMEs and to further develop access to finance.

That is why, the medium-term priorities for the SME sector support in Bulgaria, are defined as follows:

Development of competitive SMEs as a stable economic sector by creating a favourable institutional, regulatory, administrative and financial environment in the Republic of Bulgaria;

Better access of SMEs to finance;

Development of a regional network for SME promotion.

ADMINISTRATIVE CAPACITY

The state policy in the sector is coordinated by the ASME with the Council of Ministers, as stated in the SME Act, in close cooperation with non-governmental organizations, supporting the SMEs, with ministries and other public institutions. The ASME collaborates closely with the regional state authorities and the municipalities, to work on SME programmes and to support SME activities. The Agency has started to build a national SME support network including the newly created Euro Info Centres, the European Innovation Centre in Sofia, the regional development agencies, business centres and other NGOs. The National Employment Office, along with its territorial departments - the Regional Employment Offices and employment bureaus - is also actively engaged in SME job creation.

The ASME has trained and qualified staff, which will enable it to carry out its tasks envisaged in the National Strategy for Stimulating the Development of SMEs. Of importance in this respect is the technical assistance that the Agency has received under the PHARE BG 9704/0202 project "Support for the SME Development". However in the medium term the Agency will need an increase of its personnel and financing, particularly in view of the future establishment and functioning of its regional structures in the country.

FINANCIAL NEEDS

The success of the SME incentives in compliance with the best European practices in the future will require the allocation of substantial funds. For the time being the measures initiated in the country are being financed predominantly by donor programmes. There is still a substantial need for SME support schemes especially for start-ups. The successful implementation of such schemes raises the issue of parallel programs for the development of business plans, for marketing research, consultation and information services. At present the state aid for the sector is limited because of the constraints of the currency board and the costs for the implementation of the measures for SME support are covered mainly by foreign sources.

EXPECTED RESULTS

Growth of the SMEs.
Increase of the jobs created by SMEs.

Integration of Bulgarian SMEs within the single EC market.

TOURISM**CURRENT SITUATION**

In 1999 tourism industry showed good potential for development.. The share of the international tourism in GDP in the country was estimated at about 8 – 10%. According to preliminary data the number of foreign tourists having visited Bulgaria was 5.5% more as compared to 1998.

As a result from privatisation and private initiative, new tourist facilities have been upgraded and refurbished; tourism is ranking fourth among the branch industries in which foreign investments were made. The big German tour-operators TUI, Nekerman, ITC have invested in upgrading and modernisation of the tourist infrastructure. International hotel chains have entered the country.

Until the end of 1999 about 60% of the long-term assets were privatised. This relatively low percentage was due to the fact that detached parts of about 80% of the long-term tangible assets in the big resorts have been privatised.

The Act on Tourism and the related implementation regulations, which have been in action for two years now, imply common criteria and requirements for performing tourist activities. The legal regulation framework is directed towards increasing the quality of the tourist services offered and protection of the consumer of these services. The Act settles the institutional framework contributing to the increased participation of the tourist organisations in the process of formation of the policy in the sector both on a national and local level. Currently amendments to the Act on tourism in compliance with the European legislation have being prepared.

The restructuring of the industry has been accomplished and the management has been decentralised. Until the end of 1999, 46 local tourist councils, 7 local associations and 4 regional tourist organisations have been existing. A National Council on Tourism was set up. A National Tourist Information System is under development, which includes 23 information centres; a central database and Web page have been created.

In 1999 a large-scale advertising campaign launching the Bulgarian tourist services was realised on the main markets, based on a developed annual programme, accepted by the National Council on Tourism. The allocated funds amount to BGL 3 200 000 in total, BGL 1 000 000 of which is a state subsidy, BGL 2 200 000 own capital of the Ministry of Trade and Tourism (now Ministry of Economy). The assets have been spent for publishing of advertising materials, presenting Bulgaria as a tourist country, international tourist exchange and exhibitions, work with advertising agencies and PR agencies, broadcasting of advertising movies on TV channels, advertisements in the press, organising of journalist tours, direct advertising, outdoor advertising, promotion of sales, development of information system for the tourism and others and have been distributed on priority foreign markets.

In 1999 Bulgaria concluded contracts for cooperation in the field of tourism with Lebanon, Kazakhstan, Greece, Portugal, Azerbaijan, Armenia and a trilateral contract between Bulgaria, Turkey and Rumania.

Sociological surveys have been carried out for estimation of the quality of the tourist services in the mountains and the sea area.

The management has been improved, the order and the security in the resorts, the control in the tourist areas have been strengthened.

In 1999 a Council for training in tourism was established aiming at uniting the efforts of the educational institutions and tourist organisations and for improving the tourist services through education and training.

National seminars and on-site training have been carried out in the sphere of cultural, ecological and country tourism for the representatives of the tourist industry, the executive authorities, the non-governmental organisations etc. with lecturers from the World Organisation of Tourism, the British Know-How Fund, Israel, Spain, etc.

SHORT-TERM PRIORITIES

Legislative measures in the field of tourism, aiming at completing the process of unification of Bulgarian legislation with the standards of the European Union.

Sustainable development of tourism by upgrading of the tourist output 2000 r.*Marketing and Advertising:*

- marketing surveys, analysis and forecasts in tourism;
- completing the national tourist information system;
- upgrading the national advertising and communication policy in tourism;
- encouraging the activity of the tourist information centres;
- upgrading the coordination with the branch, regional and local tourist organisations for the realisation of a joint marketing and advertising activity.

Human resources development:

- training in the field of the cultural, ecological and country tourism of the representatives of the tourist industry, NGOs, etc.
- joint initiatives on training in tourism with leading countries in the field of tourism.

*Continuing the privatisation process***MEDIUM-TERM PRIORITIES**

In 1999 a National Plan for Economic Development of the Republic of Bulgaria for the period 2000 – 2006 was developed, in which the tourism was regarded as a priority branch industry.

Development of sustainable tourism by upgrading the product of tourism 2000 - 2006 r.

The measures for development are framed in the following main areas: product policy; marketing and markets; training of personnel;

The basic activities are directed towards:

Development of the traditional Bulgarian tourist products: summer – sea, recreation facilities; winter – mountains, as well as the development of new tourist products.

Enlarging the variety of tourist products, upgrading the quality of service, launching of new and untraditional forms of tourism.

Promotion of tourist regions, which have typical resources and various opportunities for development of tourism.

Increasing the income from tourism and return on investment.

*Human resources development:*Development of sustainable tourism by development of tourist infrastructure 2000 - 2006 r.*Attracting investments in the infrastructure of tourism***ADMINISTRATIVE STRUCTURES**

The National Plan for Economic Development of the Republic of Bulgaria for the period 2000-2006 is based on the partnership between the private sector and the State.

FINANCIAL NEEDS

The tasks and activities for development provisioned shall be accomplished on the basis of funds under bilateral and multilateral international contracts, as well as funds under the European programmes PHARE, SAPARD and others.

17. SCIENCE AND RESEARCH**CURRENT SITUATION**

In the period May 1999 to May 2000 Bulgaria undertook a number of measures for adopting of EU *acquis communautaire*.

During this period Bulgaria prepared for participation in the EU Fifth Framework Programme (1998 - 2002) and Fifth Euratom Framework Programme (1998 - 2002). The proposal for Bulgarian participation was supported by the National Council of Science and Technology Policy and by the Council for European Integration. With Council of Ministers Decision No. 37 dated 28 January 1999 the proposed text of the Association Council Decision was approved as the basis for continuation towards formal negotiations procedures. On July 30, 1999 the Association Council EU - Bulgaria Decision No. 4/1999 + ADD1, concerning the terms and conditions for participation of Bulgaria in these programmes, was adopted by letter-exchange. Upon this Decision Bulgaria became officially associated with the Programmes on September 1, 1999. In addition, it was confirmed that 33% of the total Bulgarian contributions to the Programmes' budget for a four years period to be provided by PHARE Programme as follows: 1999 - 30%; 2000 - 34%; 2001 - 34%; 2002 - 34%.

As a first step two specialised funds of the Ministry of Education and Science organised tenders for scientific project preparation for participation in the Fifth Framework Programme. During that period a number of informational meetings on the Fifth Framework Programme and its sub-programmes were organised. Presentations of and consultations on the programmes have been regularly done in major universities and science institutions. The specialised unit FEMIRC regularly provides information for the SMEs. A Specialised unit for financing, co-ordination and control of the National network for educational and scientific information-UNICOM B was created. A concept for developing National Host initiative was launched by UNICOM-B and the Information Technologies Directorate of MES.

Bulgarian representatives at the seven Program Committees on the different activities of the Fifth Framework Program were nominated.

As reciprocal act with Council of Ministers Decision No. 22 dated 20 May, 1999 was approved the text of the Agreement for Opening of National Research and Technology Development programmes (similar to FP5) for participation of EU scientists and research centres.

A number of new laws and amendments of the existing ones aimed at merging the gap between the National sector policy and the policies and practices of the European Union member states were adopted. These include optimisation of the higher education, science research and technology development systems.

Amendments to the Higher Education Act. The aim was to improve the system of accreditation of higher schools by paying special attention to the institutional accreditation as a mean for ensuring the quality of education and science research.

Act on the **Establishment of the National Centre for Agricultural Science.** The aim was implementation of the structural reform in the system of the agricultural science; achieving flexible management and co-ordination; adaptability to the market economy; financial support for research on competition basis; possibility for control by the state bodies and the society.

Act on **Small and Medium-sized Enterprises.** It is aimed at the establishment of appropriate conditions for functioning of SME's as an instrument for transfer of scientific and technological products and development of a modern production environment.

Package of new or amended acts in the field of intellectual property, including: Topology of Integrated Circuits Act; Marks and Geographical Indicators Act; Amendments of the Patent Act ; Copyright and Related Rights Act; Industrial Design Act; Act for Protection of the New Plant Sorts and Animal Breeds. Bulgaria was also invited for membership of the European Patent Organisation as from year 2002.

SHORT-TERM PRIORITIES

DEVELOPMENT AND IMPLEMENTATION OF STATE POLICY**DEVELOPMENT AND IMPLEMENTATION OF THE STATE POLICY THROUGH LEGISLATIVE AND ECONOMICAL REGULATION:**

Bill on Academic Degrees and Titles. The aim of the draft is to decentralise the procedures for conferring the academic degrees and ranks. It introduces State requirements and criteria that allow maintaining and improving the qualification of Bulgarian scientists to carry out scientific research.

Draft Act on Promotion of Scientific Research. (in preparatory phase).

Draft Strategy for Development of High-Tech Activities and Science and Technology Parks in Bulgaria and bill on High-Tech Activities and High-Tech Parks Act. The bill was approved by Council of Ministers Decision No. 770 /08.12.1999/. The drafts aim to maintain and improve the level of scientific and applied scientific research that lead to high technology development. Conditions are provided for the transfer of technology and marketing of scientific products.

IMPROVEMENT OF THE INFORMATION BASE

Up-to-date information provision in the field of Science and Research:

Dissemination of information through the national Centre for Information Provision of Science and Technology Development at the Ministry of Education and Science.

The specialised unit for financing, co-ordination and control of the National Educational and Research Information Network UNICOM-B will continue to provide high quality Internet access; network management and information services to all universities, scientific institutes and research centres in the country. An expansion of the network is foreseen to cover secondary schools till year 2001 as well.

MEDIUM-TERM PRIORITIES.**DEVELOPMENT OF SCIENCE AND TECHNOLOGY POLICY**

Development of the science and technology policy in compliance with the overall policy for economic development, national traditions and achievements, international trends and the priorities of the European Union within the available financial resources.

Development of a National Strategy and Programme for Development of Science and Technology Policy;
Restructuring of the different scientific branches
Formation of science and technology centres and high-tech parks.

ESTABLISHMENT OF MONITORING SYSTEM FOR EVALUATION OF THE EFFECTIVENESS OF INVESTMENT IN APPLIED RESEARCH AND TECHNOLOGY:

Development of instruments for effective assessment of investments.
Creation of national industrial and technology strategies by branches.

ATTRACTION OF FOREIGN INVESTMENTS.

Attraction of foreign investments by opening of Bulgarian scientific programmes to European Union member states.

ENCOURAGEMENT OF RESEARCH THAT SUPPLIES TECHNOLOGIES TO SMALL AND MEDIUM-SIZE ENTERPRISES

Encouragement of research that supplies technologies to small and medium-size enterprises allowing them to manufacture competitive products.

Programme for implementation of the National Strategy for Encouragement of Small and Medium-size Enterprises;
Programme for implementation of the tasks, evolving from the Strategy for High Tech Development and High-Tech Parks.

DEVELOPMENT OF THE INSTITUTIONS CO-ORDINATING AND PARTICIPATING IN INTERNATIONAL PROJECTS

Development and strengthening of the management capacity of the institutions coordinating and participating in international projects;
Training on the principles and practices adopted in the European countries.

IMPROVEMENT OF THE INFORMATION BASIS

Further improvement of the information provision in the area of science and research

REQUIRED RESOURCES

Total resources required:	10.875 MEURO
State Budget	4.575 MEURO
PHARE:	3.6 MEURO
Other:	2.7 MEURO

EXPECTED RESULTS

Bulgarian membership in Fifth Framework program is main priority and element of pre-accession strategy in the area of scientific research. The participation in this program will provide the possibility for acceleration of the integration process and the restructuring of scientific branches and technology development. The conditions of assurance of financial resources will be provided and they will assure EU competitive level for research and effective implementation of modern principals for funding of the research - competitive projects base. Will be provided the possibility for global scientific area development of modern competitive vital national structures; supporting scientific network for access and participation in EU scientific programs.

The participation in FP5 will provide base for preparation and including in FP6.

ADMINISTRATIVE CAPACITY

Ministry of Science and Education and existing specialised directorates, including Science Policy, National Scientific Research, and Applied Research, National Centre for research and development activities.

Bulgarian Academy of Sciences and including existing scientific institutes, Universities and National Centre for Agriculture Sciences.

National network for institutional, program and regional co-ordination and information on 5FP.

Specialised unit for financing, co-ordination and control of the national network for educational and scientific information- UNICOM B.

18. EDUCATION, VOCATIONAL TRAINING AND YOUTH

GENERAL EDUCATION**CURRENT SITUATION**

During the period 01.04.1999 - 01.03.2000 in connection with the secondary general education the following legislative steps have been taken:

Amendments of the National Education Act of July 1999 were made, concerning the duration of study at specialized high schools, vocational high schools and vocational training schools;

A Law on Educational Degrees, General Educational Minimum and Curriculum was passed in July 1999 and Orders by the Minister of Education and Science were issued, regulating the implementation of the Law;

Changes in the system for approval and distribution of free textbooks for the primary schools were effected with a Letter of the Council of Ministers dated May 3, 1999;

A Regulation for implementation of the National Education Act and the Orders of the Minister of Education and Science, maintaining the implementation of the Regulation was approved;

Amendments of the Instruction on the conditions for rising the qualification of pedagogical workers involved in the educational sphere and the terms for acquisition professional and qualification degrees were approved.

Organizational steps, which have been undertaken, establishment/strengthening of administrative structures dealing with implementation of the laws:

Regulation for the organization and activities of Inspectorates of Education at the MES;

The following Regulations have been approved:

- social behaviour correction boarding-schools;
- social and pedagogical boarding-schools;
- orphanages for raising and education of children deprived of parental cares.

Instruction on the conditions and procedures for providing textbooks to children of families at a disadvantage;

"Framework Requirements for the State Educational Requirements to the educational contents" (SER) were approved by the Minister of Education and Science;

National educational strategy on information and communication technologies

SHORT-TERM PRIORITIESBuilding the conditions for securing quality of and access to education

Building the conditions for securing quality of and access to education, for its efficient management and social assistance for the changes by activities related to:

establishment of a system for permanent update of educational content and methods of teaching and learning;

establishment of structures and introduction of a system for analyses and planning in secondary general education;

developing of instruments for decentralization of the national education system.

MEDIUM-TERM PRIORITIESProvision of stability for the undertaken measures to guarantee the quality and accessibility of education

Provision of stability for the undertaken measures to guarantee the quality and accessibility of education, the effectiveness of its management and social support of the changes. Stage-by-stage updating of the innovation process based on the results from the accomplished analyses through:

Updating the State Educational Requirements for educational content and curricula in various subjects;

Development, approbation and introduction of State Educational Requirements for assessment;

Discussion and approval of the draft State Educational Requirements for training children with chronic diseases and/or specific educational needs;

Development, discussion and approval of the State Educational Requirements for teacher's qualification and training;

Organizing and holding campaigns for promotion of new elements resulting from the compliance with the State Educational Requirements;

Training of teachers for implementation the SER for educational content, assessment system and training children with chronic diseases and/or specific educational needs;

Training of teachers and introduction of curricula in:

- civic education;
- foreign language education for everybody, incl. early foreign language and bilingual education;
- mother tongue of children of migrant workers;
- information and communication technologies - stage II - development of requirements of MES to the initial and postgraduate qualification of teachers;
- other general education subjects;

Continuation of work related to the building of instruments for evaluation the priority directions in the National plan for development of education: quality, efficiency and accessibility;

Training of a pilot group principals for acquisition abilities to work in the conditions of decentralization - stage II of the implementation of the Pilot Project.

ADMINISTRATIVE CAPACITY

Pursuing the provisions of the State Administration Acts a new structure of MES will be adopted.

Current capacity of the administrative units, mentioned in the tables:

MES - Central Office - 310

Chief Department "General Education" - 41

Chief Department "Vocational Education" - 22

Chief Department "Head School Inspectorate" - 18

Branch "Secondary education" (include. those enlisted above) - 81

Inspectorates for education at MES - 701

Centres for educational services and qualification

FINANCIAL NEEDS

Short-term and Medium term priorities: total amount of 5,9814 mil. Euro

EXPECTED RESULTS

creation of conditions for implementing an active and responsible national educational policy;
 gradual strengthening the role and independence of the individual educational institutions and structures;
 real assuming of responsibility for the quality of education at regional and school levels;
 real acquisition of key abilities and creation of a system of values in compliance with the principles of civic society for personal, professional and social realization of the young person;
 development of flexible forms of training depending on the personal and social necessities;
 provision of information to the interested groups and to society for the capacity of the system to respond to the educational needs;
 creation of universal basis for reliable assessment of students' achievements and the capacities of the system to maintain a high level of those achievements;
 data collection and analyses in order to forecast and plan the changes within a dynamic changing environment.

VOCATIONAL EDUCATION

CURRENT SITUATION

The Law on Vocational Education and Training was passed (on 30.07.99);

A National Agency of Vocational Education and Training (NAVET) was established; its Chairman was appointed and members of the Board of Directors were nominated;

Bulgarian-Danish agreements at ministerial level were signed for a postgraduate training in Bulgaria in Economics and Marketing and Sport Management.

Vocational Education in Arts

Schools of Arts and Culture at present are 9, in 2 of which fine arts are taught and in 7 - applied arts. Each of the applied arts school has its own specific image reflected in the specific non-recurrent majors. In execution of Letter of the Council of Ministers No. 204 of 11.11.1999 the number of art schools after 1.07.2000 shall be

reduced to 5: The National Gymnasium for Ancient Languages and Cultures, The National Educational Complex of Culture with an Italian Lyceum, the State School of Choreography and the National Gymnasium of Polygraphy and Photography.

The above listed schools are under the auspices of the Ministry of Culture and in terms of finance they are supported by the latter. The National Education Act and the Regulation for implementation of the National Education Act define the principles of functioning of these schools, respectively.

ACCOMPLISHED LEGISLATIVE STEPS/CHANGES IN THE LEGISLATION IN FORCE

Drawing up and publication of Order No. 9 of the Minister of Culture for specification the number of students for the classes and groups at the secondary schools of arts and culture;

Drawing up and publication of Orders Nos 1, 2, 3 and 4 for admission of students to the secondary schools of arts and culture.

Human Resources Development Centre

The Human Resources Development Centre was established by the force of an agreement between the Ministry of Education and Science and the Ministry of Labour and Social Policy under No. 226/28.07.99. The Board of Directors comprises four members - two deputy ministers of each one Ministry - the Ministry of Education and Science and the Ministry of Labour and Social Policy. The HRDC reports to the ministers of MES and MLSP.

The Centre is dealing with the practical guidance of vocational education and training according to the necessities of society, by implementing projects in the field of human resources development. The Centre actively works for attaining European dimensions in the quality of vocational education and training.

The National Coordination Unit under Leonardo ad Vinci programme and the Bulgarian Observatory are formations at the Human Resources Development Centre.

LEONARDO DA VINCI Programme

Last year the unit concentrated their efforts on the implementation of the first phase of Leonardo da Vinci Programme and the training of potential project promoters.

Major activities:

Publications in national and regional newspapers, leaflets and bulletins, interviews for the radio and television broadcasts;

Data base with active addresses of Bulgarian and foreign institutions;

Web-site of the National Coordination Unit (<http://www.leonardo-bg.org>), which within a year has been visited more than 2200 times;

Eighty proposals for projects were approved, 16 of which on a total amount 615 200 Euro;

Bulgarian institutions are participating in 32 projects of other countries which shall be funded with 280 781 Euro;

Organization of and participation in conferences and workshops, include the National Conference for official launching the Programme (31.05.1999).

On April 26 1999 the European Union voted for the continuation of Leonardo da Vinci Programme as Leonardo da Vinci II for a period of 7 years (01.01.2000 - 31.12.2006) and on June 11 1999 the decision was published in the Official Journal of the European Commission. Given the great interest and commitment that the Bulgarian organizations and institutions as promoters and partners in the programme had expressed during the very first year of the Bulgarian participation, we believe that the participation of Bulgaria in the second phase of the Programme shall be of an extreme importance to the process of integration of our country to the European Union.

The activity of the National Coordination Unit has been supported by the Ministry of Education and Science, by the Ministry of Labour and Social Policy and by the National Office of Employment.

Bulgarian Observatory for Vocational Education and Training and Labour Market

Main activities during the reported period:

National report on the system of vocational education and training under an agreement with the European Foundation for Education;

Report with statistical data on the system of vocational education and training and the labour market (in English);

Administering the work of the Council on the reform in educational, research, cultural, health and social spheres;
 Research activities;
 Workshops and conferences;
 Training of civil servants for participation of Bulgaria in the structural funds.

During 1999 the following research activities were carried out:

“Transparency and mutual recognition of qualifications: there was a discussion on the results of that research, with the participation of ministries, syndicates, employers’ institutions, universities, research institutes, PHARE and TEMPUS Programmes;

“Regulated professions in Bulgaria: there was a discussion on the results of that research, with the participation of ministries, syndicates, employers’ institutions, the National Evaluation and Accreditation Agency in higher education, research institutes, PHARE and TEMPUS Programmes universities;

“Survey of Employability Policy in Bulgaria”: the research was carried out jointly with the Institutes of Economics at the Bulgarian Academy of Science. It was brought to a discussion among the interested institutions;

“Drop-out students - issues and reasons”: under the project “School for everybody” under PHARE Programme. The sociological survey was carried out jointly with the Centre for Social Strategies and Initiatives;

“Survey on the research in the field of Vocational Education and Training in Bulgaria”;

“Active measures of employment and human resources development: Training of unemployed people”, with the participation of Albania, Bulgaria, Macedonia, Romania and Slovenia. The research was carried out jointly with the National Office of Employment. It was discussed on a specifically organized to that end regional workshop.

“In-place training and apprenticeship”: the research was presented and discussed on the third meeting of donors in the field of vocational education and training.

SHORT-TERM PRIORITIES

Development of a mobile, adaptable system of vocational education and training

Development of a mobile, adaptable system of vocational education and training, considered to the social and economic necessities and with the market needs with a guaranteed access of all citizens to education and achieving an active partnership by:

Regulation of accreditation and licensing the activities within the system of vocational education and training - definition of evaluation unified criteria and requirements; definition of procedures and certification requirements; building of conditions for VET, which meets the needs of labour market through a new List of professions, conformed with ISCED 97.

Implementation of the VET policy by developing State Educational Requirements for: the educational content by professions, acquisition of qualifications by professions, documents for the national education system;

Implementation of the national policy and strategy for developing the system of career guidance and information. Under way is transformation of the existing Career Information Centres into Centres of Information and Career Orientation;

Improvement of the system of continuous education;

License for institutions, involved in vocational training. Establishment of VE Centres.

Vocational Education in Arts

Optimisation of the system by introducing new curricula and educational content

Optimisation of the system by introducing new curricula and educational content, reconsidering the specialities, with a view to demands of the labour market:

preparation and development of new curricula for the Art Schools;

Establishment of information system for study the labour market in the sphere of arts and culture

LEONARDO DA VINCI Programme

To achieve efficient and full participation in the second phase of “Leonardo da Vinci”

To achieve efficient and full participation in the second phase of “Leonardo da Vinci”. On 10.01.2000 the Council of Ministers of the Republic of Bulgaria took a decision Bulgaria to join “Leonardo do Vinci 2” (Decision of the CM No. 8).

In pursuing that objective the following measures shall be undertaken:

- Signing a contract between Bulgaria and EC for participation in the second phase of "Leonardo da Vinci";
- Signing a contract for operation of the National Coordination Unit (NCU);
- Development of operational plan for the activities of the decentralized procedure of the program;
- Development of a working plan for the activities of NCU;
- Holding a conference for the official launching of the second phase of "Leonardo da Vinci" in Bulgaria.
- Preparation and organizing the participation of the Bulgarian promoters in pilot projects, transnational networks, language competencies and reference materials for participation in the second phase of "Leonardo da Vinci"; evaluation of the pre-proposals;
- Organizing and implementing the mobility activities: for young workers; managers of human resources management and planners of vocational education and apprentices; people involved in the practical aspects of vocational education; people at all levels of their initial vocational training.
- Year-to year activities of NCU.

Bulgarian Observatory for Vocational Education and Training and Labour Market

Draw up of a national report on the VET system in Bulgaria and some information on the VET system in Bulgaria

Planned activities are to be carried out through:

- organization of discussions
- rendering of technical assistance to MES and MLSP

MEDIUM-TERM PRIORITIES

Development of a mobile, adaptable system of vocational education and training

Development of a mobile, adaptable system of vocational education and training, being in conformity with the social-economic requirements and the labour market necessities with a guaranteed access of all citizens to education and establishing an active social partnership by:

- Regulation of accreditation and licensing of activities in the vocational education and training system through SER developed for the evaluation system and for the documents in the VET system;
- Realization of the policy of vocational education and training by development of State Educational Requirements for: training content by professions; acquirement of qualification by professions; documents for the national education system; assessment system; documents for the national education system; teachers' qualification and training; textbooks and supplemental materials; facilities and equipment; safety conditions of education, training and labour; annual support for training of students in the state and municipal schools; standardization and payment of salaries in the national education system.
- Implementation of the national policy and strategy for development of carrier orientation and information system by improvement of the facilities and equipment of the CIPO and establishment of the National Information System for the objectives of professional information;
- Improvement of the system for continuous education by development of the strategy for gradual rising teachers qualification; development of school documentation, maintaining the work of CIPO for new professions and qualifications;
- Joining of Bulgaria to the new EU programmes for VET /PHARE 2000, EUROPASS etc./

Vocational Education in Arts

Development of national strategy for training and placement of specialists in the sphere of arts and culture

- Study of market needs of specialists in the sphere of arts and culture
- Drafting the necessary regulation documents
- Reconsidering the specialists according to the market necessities

LEONARDO Programme

Efficient participation in Leonardo da Vinci 2 Programme

Efficient participation in Leonardo da Vinci Programme 2 through:

- Annual signing of contracts with EC;
- Annual Call for proposals;
- Annual contracts between HRDC - NCU and EC concerning the functions of NCU;
- Annual operational plans for decentralization measures;

Annual working plans for the activities of NCU

Bulgarian observatory for Vocational Education and Training and Labour Market

Preparation of Bulgaria for participation in the structural funds of EU

Preparation of Bulgaria for participation in the structural funds of EU through:

- Administration of the National Council for reforms in education, science, culture and social sphere;
- Annual revisions of the VET system and training under European Foundation of Education contracts;
- Research on the VT and the Labour Market;
- Rendering technical assistance to MES and MLSP.

ADMINISTRATIVE CAPACITY

Existing institutions for Vocational Education and Carrier Orientation:

- Secondary Technical Schools, Vocational Gymnasiums, Secondary Polytechnic Schools, Secondary Vocational schools;
- Pedagogical consultancy rooms and Carrier Orientation and Information Centres.

According to the VET Act and the specified priorities the following structures might be expected:

- National Agency for VET;
- Centres for Vocational Training;
- Centres for Information and Carrier Orientation. Practically these centres will be established on the basis of the existing Carrier Orientation rooms.
- Centres for trainers' training;
- Vocational colleges;
- Vocational Gymnasiums - after the transformation of the Technical Schools and the Secondary Polytechnic Schools
- Vocational schools - after the transformation of the Vocational and technical Schools.

LEONARDO Programme

The administrative capacity of the National Coordination Unit is 5 persons. The total number of people working in the regional units is 5.

Bulgarian Observatory for Vocational Education and Training and Labour Market

The administrative capacity of the Bulgarian Observatory for Vocational Education and Training and for the Labour Market is 2 persons. The BO works in close cooperation with experts from MES, MLSP, the National Employment Office, the National Statistical Institute, the European Foundation for Education, the universities, training centres and independent experts from the country and abroad.

FINANCIAL NEEDS

Short-term and Medium term priorities: total amount of 2,60012 mil. Euro.

LEONARDO DA VINCI PROGRAMME

Bulgarian Observatory for Vocational Education and Training and Labour Market - 21,400 mil. Euro /2000/. For the next period - under the annual agreements.

EXPECTED RESULTS

With the establishment and functioning of NAVET the system for certification of the professional qualification, accreditation of institutions for vocational education will be improved. Thus the necessary preconditions for successful accession of Bulgaria to the European system for mutual recognition of diplomas and professional qualifications will be secured.

A system for Professional Orientation and Information will be created with active involvement of the social partners and local authorities.

LEONARDO DA VINCI Programme

Expected results for 2000 and for the next period:

Meeting the requirements of the second phase of Leonardo da Vinci Programme as a full right member.

Bulgarian Observatory for VET and Labour Market

The expected results for 2000 and for the next period are as stated in the activities in the medium-term priority objectives:

- Draw up of a National Report for the system of VET by an agreement with the European Foundation Education (in Bulgarian and in English);
- Draw up of a report with statistical data for the system of VET and the Labour Market (in English);
- Administering of the work of the Council on the reform in educational, research, cultural, health and social spheres;
- Participation in UNESCO activities as an associated centre of UNEVOC network.

HIGHER EDUCATION

CURRENT SITUATION

The activities in the Higher Education section contribute to the development of quality of education, European dimension of education, assist to the mobility of students and teachers, also by academic recognition of diplomas and terms of studies, help for the exchange of information and experience between educational institutions.

During the period 01.04.1999 - 01.03.2000 the following activities have been undertaken:

The Law for Amendment and Supplement of the Higher Education Act was passed. The most significant changes in it secured an equal access of the Bulgarian citizens to the higher education, rising the quality of education, improvement of the balance between the academic autonomy and the state regulation of higher education, specification of functions of the main units of higher schools, establishment of bodies for local control of higher schools, introduction of a new formula for funding higher education, optimisation of assessment and accreditation procedures in higher schools.

Bulgaria continues its participation in the educational and research programmes of the EU, the Council of Europe, UNESCO (Recommendation of the Council OJL 270/56 of 2.10.98).

During the reported period the work for draw up of state requirements for attaining higher education in major subjects and/or professional branches has continued. Some amendments and supplements to the State Register of major subjects in higher education were made.

The implementation of bilateral and multilateral agreements in the sphere of education and culture had continued.

The procedure for ratification of the Convention for recognition within the European region of qualifications related to higher education is under way (The Lisbon Convention).

TEMPUS PROGRAMME

The Bulgarian universities participate with 59 Joint European Projects in the third phase of TEMPUS Programme - TEMPUS II bis (1998 - 2000). At national level the Programme is administered by the Bulgarian Tempus Office, established in 1994, which enjoys modern equipment and HAs wide managing and technological experience. At the moment the BTO is functioning on the grounds of a contract with EC signed in December 1998, which covered the period 1.01.1999 - 31.12.1999.

Major activities during that period:

Evaluation and selection of 14 new Joint European Projects (JEPs) amongst 73 proposals that participated in the latest selection procedure within Tempus II bis Programme, with a two year period of funding (1.11.1999 - 31.10.2001).

Evaluation of completed Tempus projects (28 JEPs) and proposals before EC and European Foundation for Education, Turin for improvement the implementation of the new projects and of Tempus as a whole. Measures for strengthened the monitoring and dissemination of the results from current and completed Tempus projects.

Training of project co-ordinators and contractors for institutional establishment (January - Sofia and November - Bucharest), observing the new policies of EC for that type of projects. Consulting and technical assistance for all action programmes.

Rising the qualification of the Bulgarian Tempus Office employees by participation in training courses in the sphere of internationalisation of higher education and issues related to its administering (Maastrich, Barcelona and Munich), organized by RAIE and DAAD.

Participation in working meetings organized by the EC and European Foundation for Education, Turin with the directors of the National Tempus Offices, representatives of the National Focal Points in the countries of EU and the Offices in the CIS countries, as well as academic experts.

Keeping close contacts and interactions with all international organizations in the sphere of higher education and vocational education - EAIE, DAAD, OECD, ACA, NUFFIC, EUGEN, etc. Close co-operation with the National agencies for SOCRATES and Leonardo da Vinci programmes, the National Observatory, the Council of Rectors, the British Council, the French Cultural Centre, etc., as well as with all interested ministries.

Dissemination of information and rendering assistance to all Bulgarian universities and institutions wishing to participate in the new European programmes, include. Tempus III (eligible for participation are only pre-accession countries and the so called Tac is countries).

Rendering full assistance and participation in all initiatives of the Ministry of Education and Science, related to higher education, national and regional conferences, workshops, university events, etc. Draw up and publication of the volume Tempus II bis in Bulgaria.

SOCRATES PROGRAMME

Phase of joining

Decision of the Council of Ministers of the Republic of Bulgaria, reflected in Protocol No. 72 of September 15, 1997 for submission an application before the European Commission for accession of Bulgaria to SOCRATES Programme;

Decision of the Council of Ministers of the Republic of Bulgaria, reflected in Protocol No. 5 of February 5 1998 for securing the necessary funds to maintain the Bulgarian participation in 1999 and 2000 in the EU Programme SOCRATES;

Letter No. 12309 of 26 November 1999 by the Minister of Education and Science Vesselin Metodiev to the commissar at the European Commission declaring the Bulgarian readiness to initiate negotiations for participation in the second phase of SOCRATES - SOCRATES 2;

Expected resources for funding the activities under SOCRATES Programmes for the year 2000: 4 077 000 Euro;

On a meeting of SOCRATES committee of the fifteen Member states on February 3 and 4 it is expected a decision to be made for an Invitation to the eleven third countries members of the Programme to initiate negotiations for participation in SOCRATES 2.

Results from the work under the Programme during the period 01.04.1999 - 01.03.2000:

Subprogram ERASMUS - co-operation in higher education

Academic year 1999-2000: Deadline for application: 15.11.1998

- 9 institutional contracts of Bulgarian Universities.
- 42 Universities-partners from EU
- 125 students' mobility
- 73 teachers' mobility
- 29 preparatory visits
- 2 projects by European credit transfer system
- 1 intensive programme

Academic year 2000 - 2001: Deadline for application: 15.11.1999

- 26 application forms submitted by Bulgarian Universities for institutional contracts
- 189 Universities-partners from EU
- 493 students' mobility
- 147 teachers' mobility
- 54 preparatory exams
- 10 projects by European credit transfer system

17 projects for development of curricula
11 intensive programmes.

Subprogram KOMENSKI - secondary education

Activity Transnational European Educational Projects between schools - 28 Bulgarian schools

Under the projects - 32 preparatory visits of Bulgarian participants; 11 participations in working meetings for the approved projects.

Activity Participation of Bulgarian teachers in European communication courses - 40 nominated teachers.

Subprogram LINGUA - language competencies

Under the activity Qualification courses for foreign language teachers, with secured funding - 107 Bulgarian teachers were nominated following a competition by documents.

After the deadline for application - 01.03.2000 about 100 teachers are expected to be nominated.

Subprogram EDUCATION FOR ADULTS

This sub programme is open to Bulgaria with a first deadline for application 01.03.2000.

For the academic year 1999 - 2000 two Bulgarian universities participate as partners in two projects.

For the academic year 2000 - 2001 new 25 projects coordinated by Bulgarian institutions are expected.

SHORT-TERM PRIORITIES

Access to education

improvement of the legislative and financial instruments for equal access;
a new Regulation for the state requirements of students' admission will be developed and introduced.

Quality of education

The State Register of Major Subjects in Higher Education (SRMSHE) will be brought in compliance with the provisions of the International Standard Classification of Education (ISCED).

In the short term a new approach for the development of state standards for acquisition higher education will be developed.

New Regulations for the structure and functioning of the National Evaluation and Accreditation Agency shall be approved; its whole activities will be brought in compliance with the amendments and supplements of the Higher Education Act.

The systems for evaluation the quality of education in every higher school as provided by the Law on Amendments and Supplements of the Higher Education Act shall continue.

TEMPUS Programme

Successful participation of the Bulgarian Higher schools within the framework of TEMPUS II bis programme

Successful participation of the Bulgarian Higher schools within the framework of TEMPUS II bis programme through:

provision of an operative budget to support the Bulgarian Tempus Office;
realization of fortified monitoring on the execution of the current Tempus projects, especially those in direction - Institution Building;
information distribution representing the achieved results;
preparation of the Bulgarian universities to transfer from TEMPUS into the new European programmes and EC initiatives

SOCRATES Programme

Official joining the second phase of SOCRATES 2 Programme

finalization of the discussions for Bulgaria to join in Socrates 2
preparation and signing of Agreement between the NA and EC for administering the Socrates 2 activities
Successful realization of the projects for centralized activities, approved and financed for 2000
Successful realization of decentralized projects.

MEDIUM-TERM PRIORITIESAccess to education

Updating the state requirements for students enrolment;
 Approval by the Council of Ministers of the number of enrolled students; for the states higher schools - approval of the number of enrolment also by major subjects; for the private higher schools - the total number of students; the number of PhD students at the higher schools, BAS, Academy of Agriculture and other scientific organizations;
 Specification of the admission fees and educational fees at the state higher schools;
 Establishment of centres for distant training and life-long education;
 Implementation of the provisions of the Convention for recognition of the qualifications, referring to the higher education, in the European region;
 Approval of the state requirements for recognition of the higher education, acquired in foreign higher schools.

Quality of education

Optimisation of higher schools network and bringing their structures into compliance with the provisions of the Higher Education Act;
 Development of the assessment systems and maintaining the quality of higher education;
 Maintaining the local assessment systems and the quality of higher education;
 Bringing the work of the National Evaluation and Accreditation Agency in compliance with the amendments and supplements of the Higher Education Act and maintaining that level;
 Introducing legislative regulation of a credit transfer system in education and training, include. - recognition the periods of studies. Introducing the European credit transfer system in higher education (ECTS);
 Participation in European educational projects and programmes;
 Participation of Republic Bulgaria in the European networks of centres for mutual recognition of diplomas and professional qualifications;
 Improvement of the administrative and financial management of higher schools.

TEMPUS Programme*Participation of the Bulgarian higher schools in TEMPUS III programme*

Negotiating the means for funding of the Bulgarian participation in TEMPUS III, respectively with the MF or EC;
 Execution of an information campaign among the academic society for preparation of regional projects;

Re-structuring of Bulgarian Tempus Office

Passing resolutions based on the 3 proposed variants for the future functioning of BTO;
 Updating of the statute and the By-laws for the Office activity;
 Assessment of the BTO staff work;
 Transformation of BTO into National Centre for continuous and life-long learning education.

SOCRATES Programme*Effective participation in SOCRATES 2 Programme*

Effective and full participation in SOCRATES 2 Programme through:

Successful participation of the Bulgarian educational establishments and NGOs in the subprogrammes of SOCRATES 2.

Komenski - secondary education

Erasmus - higher education

Lingua - language education

Groundwick - education for adults

Minerva - distant learning and using computer and information technologies in education

Arion - education and exchange of experience between executives

ENIC/NARIC - horizontal informational measures

Organizing of successful annual informational campaigns by the National agency.

Efficient organization of the national agency and efficient administration of the Programme activities.

ADMINISTRATIVE CAPACITY

The administrative capacity for achieving the priority objectives in higher education comprises the following structures:

MES;
Higher schools;
NEAA;
ENIC/NARIC Centre at MES.

TEMPUS Programme

The administrative capacity of the NCU consists of 5 full-time and 3 part-time appointed persons.

SOCRATES Programme

The National Agency for SOCRATES has the following members: a director, three chief experts and one expert, directly in charge for the individual Programmes, one financial expert and one specialist. A computer specialist has been assigned on a part-time contract to maintain and administer the computer network and the connections with EC servers. In this capacity and organizational structure the Agency has worked during the first year of the actual Bulgarian participation in the Programme. With the constant expansion of the scope of work (about 4 times more projects have been submitted during the second year) and the tendency to transfer more activities from the Executive Office to the EC Programme at the National Agency, it is necessary now to optimise the number of experts and financial specialists at the National Agency.

Signing of a contract between the NA and EC for administering of the second phase of SOCRATES 2 Programme is forthcoming. According to the provisions of that contract the NA shall be obliged to secure the necessary resources - personnel with the relevant quality, equipment, regular funding by the state, working structure and organization.

FINANCIAL NEEDS

Short-term and Medium term priorities: total amount of 6,4472 mln. Euro

The needed means are determined in details according to priority objectives and activities in the tables, incl. expenses for materials, salaries, expenditures for consultant services and workshop participations.

TEMPUS Programme

Short-term and Medium term priorities: total amount of 0,897 mil. Euro

SOCRATES Programme

Short-term and Medium term priorities: total amount of 4,786 mil. Euro

EXPECTED RESULTS

Expected results from the implementation of measures for achieving the priority objectives are the following: progressive bringing the Bulgarian legislation in the field of higher education in conformity with the achievements of EU legislation and progressive harmonization of structures. The pursued results are: guaranteed equal access of all Bulgarian citizens to the higher education, internationalisation of content and forms of training, rising the quality and efficiency of higher education, maintaining possibilities for free movement of students and teachers within EU, fostering the work for recognition of diploma, professional qualifications and periods of studies.

TEMPUS Programme

Keeping and further utilization of available experience and qualification of the Bulgarian TEMPUS Office with its restructuring in the light of one of the suggested variants.

SOCRATES Programme

full right participation of all Bulgarian HSs in EU Programme for co-operation in education SOCRATES/ERASMUS;

full right participation of the Bulgarian secondary education system in SOCRATES/KOMENSKI;
 full and efficient participation of the educational collegium from the secondary schools in the programme for co-operation in foreign language education;
 developing European dimensions in the Bulgarian education;
 assisting the free movement of students, lecturers and teachers in pursuing the Programme objectives;
 introducing European Credit Transfer System in HE;
 complete introducing of ICT in the training process at the educational establishments by the activities of SOCRATES/MINERVA;
 European recognition the quality and content of the Bulgarian education.

YOUTH

CURRENT SITUATION

“Youth for Europe” is one of the educational programmes of the European Union, which successfully has operated in Bulgaria for three years now. In 1999 all activities under Youth for Europe Programme have been open to the Bulgarian participation. The national Agency funded 36 projects for 502 822 Leva. The total number of participants in the various programme activities is well above 1200 persons, more than 90% of which are young people between 15 and 25. The average percentage for project funding is 61%. Within the framework of Activity A “Youth change and mobility” 26 international projects have been approved for funding amounting to 335 391 Leva in total, where 905 young people take part. Under Activity B “Training of Employed in Youth Sphere”, two international trainings for beginners have been accomplished in the sphere of international youth exchange, where 12 people took part. During the short study visits organized by the national agencies of Holland, Great Britain, Germany, Belgium, Austria, Sweden and Luxembourg 12 representatives of Bulgarian youth organization were commissioned for participation. A workshop was organized in Bulgaria - “Workshop for establishing contacts”, where representatives from Greece, Italy, Spain and Macedonia took place. Under Activity C “Co-operation between institutions involved in the youth sphere”, 2 multilateral projects were approved for funding, under Activity E “Youth information and research” - 2 projects, under Activity A.II. - “Youth initiatives” and “Voluntary services” - 8 projects in total.

SHORT-TERM PRIORITIES

Participation in the new EC programme “Youth ”

Resolution of the Council of Ministers of the Republic of Bulgaria on the participation of the country in the EC “Youth” programme and the share of Bulgarian contribution;
 Biannual operative plans;
 Signing of financial agreement between the National Agency and the EC for execution of programme activities for 2000/2001;
 Training of a team for coordination of “Youth 2000” programme.

MEDIUM-TERM PRIORITIES

Adequate participation in the EC programme “Youth”

Funding of projects on all programme activities
 Activity 1 - Youth for Europe/Youth exchanges
 Activity 2 - European Volunteers service
 Activity 3 - Youth initiatives/future capital
 Individual initiatives “future capital”: 1. Initiation of professional activity; 2. Single projects; 3. Projects for personal development
 Initiatives of youth groups;
 Benefits from the individual and group initiatives
 Activity 4 - Mutual activities
 Activity 5 - Additional activities: 1. Cooperation and partnership; 2. Training; 3. Youth information; 4. Examinations
 Coordination of activities and administration of projects by the National Agency. Training module for the regional coordinators of the programme.

ADMINISTRATIVE CAPACITY

Two full-time persons are appointed at the National Agency “Youth for Europe”.

FINANCIAL NEEDS

For the time being there is a consent that the budget for 2000 shall amount to 739 000 Euro, 571 000 of which under PHARE Programme and 222 000 from the State Budget. The greater budget for the Programme will enable more people to take part and also will expand the range of activities.

19. TELECOMMUNICATIONS AND INFORMATION TECHNOLOGIES
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TELECOMMUNICATIONS**CURRENT SITUATION**

The implementation of NPAA'99 for the period 01.05.1999 - 30.04.2000 involves mainly preparation of secondary legislation acts and strengthening of the administrative capacity for implementation of the legislation. Part of the drafted acts /listed below by NPAA priorities/ are adopted and in force. The other acts are undergoing the agreement procedure and are included in the short-term priorities of the present programme. The delay is mainly due to the extensive engagements of experts of the State Telecommunications Commission with the privatisation deal of BTC. Two of the measures for 1999 - the Ordinance on interconnection and the Ordinance on applications of ONP to voice telephony and on universal service – will need further studies, so they have been rescheduled for 2002.

Development and improvement of the legal framework, in accordance with European directives

Class license for performance of telecommunications activity: through ship and aircraft radio stations; by radio amateurs; through short - waves radio stations in 27 MHz range
 Ordinance N 3/ 1999 of the President of CPT on granting individual licences for installation and operation of a system of pay-phones for public use
 Amendment of the Order of the President of CPT determining the types of telecommunications activities subject to individual licensing, class licensing and free regime of operation
 Strategy and National Program for the development of the Information Society in the Republic of Bulgaria
 Ordinance N 5/ 2000 on conformity assessment and connection to the public telecommunications network of radio equipment and terminal equipment
 National Frequency Allocation Plan /update 30.12.1999/
 Principles of the National Numbering Plan

Development and strengthening the administrative capacity for implementation of the legal framework

Structural Regulations of Ministry of Transport and Communications have been adopted
 participation of experts of MTC and STC in seminars and training courses on international and national level
 A project for institutional strengthening of the State Telecommunications Commission has been prepared and included in the PHARE 2000 National Programme
 A permanent interdepartmental working group on the Strategy for the development of the Information Society has been established to the Co-ordination Council for Information Society

Priority introduction of pan-European services

A project fiche for National emergency call system based on number 112 has been prepared. The project is on the waiting list of the PHARE 2000 National Programme.

SHORT-TERM PRIORITIESHarmonisation of the sector policy and legislative basis with the EU telecom policy and regulatory framework

Update of the Sector Policy and development of secondary legislation

Strengthening the administrative capacity for implementation of the legal framework

Functional strengthening of the regulatory authority

Introduction of pan-European services

Preparation for introduction of: ERMES, single emergency call system

MEDIUM-TERM PRIORITIES

Harmonisation of the sector policy and legislative basis with the EU telecom policy and regulatory framework;

Analysis of achieved conformity, preparation for full liberalisation

Strengthening the administrative capacity for implementation of the legal framework.

Strengthening the independence of the regulatory authority

Guaranteeing the universal service provision

Development of funding mechanisms

Introduction of pan-European services

Drafting of a plan for the realisation of frequency bands; introduction of the single emergency call system

Improvement of the quality/price ratio of the services supplied.

Implementation of European quality standards

Improvement of the international competitiveness of the telecommunications sector through establishment of competitive prices for the international transit

Completion of the process of tariff re-balancing for the telecommunications services of BTC

EXPECTED RESULTS

The realisation of the priorities will create conditions for:

development of competitive market

availability of the universal telecommunications service and of the universal postal service on the territory of Bulgaria

a wider range of communication and information services for companies and individuals

increase of the international transit traffic through the country

The development of modern telecommunications infrastructure and information environment will have a positive effect on management and economic development in the country.

The modernisation of the national telecommunications network (particularly the full digitalisation and the introduction of wide band technologies for data transmission) and its integration in the European telecommunication network, as well as the expansion and high quality of the array of services delivered, are the basic prerequisites for the development of a unified telecommunications and information environment and for the transition to the Information Society in Bulgaria.

FINANCIAL NEEDS

Short-term

	thousand EURO
State budget:	8.09
Phare program:	0.00
Other sources:	1,840.70
Total:	1,848.79

Medium-term

	thousand EURO
State budget:	22.80
Phare program:	7,627.00
Other sources:	5,640.02
Total:	13,289.82

ADMINISTRATIVE CAPACITY

The Ministry of Transport and Communications develops and pursues the Sector Policy.

The State Telecommunications Commission is a collective body to the Council of Ministries which regulates and controls the telecommunications in a defined by Law way

The National Radio Frequency Spectrum Council /NRFSC/ develops the National Radio Frequency Plan

POSTAL SERVICES**CURRENT SITUATION**

Drafts of Postal Policy document and Postal Services Act have been prepared. The Draft Postal Services Act was approved by the Council of Ministers on 13 April 2000 and was submitted to the Parliament for adoption.

Ordinance for determination on the rules for setting up and applying the prices of the Universal Postal Service delivered by Bulgarian Posts Ltd was adopted. It will be updated after coming into force of the Postal Services Act.

SHORT-TERM PRIORITIESAlignment with the EU common rules for postal market development and improvement of the quality of service

Adoption of Postal Policy document and Postal Services Act

MEDIUM-TERM PRIORITIESImplementation of the EU common rules for postal market development and improvement of the quality of service

Development of secondary legislation and of US funding mechanisms

FINANCIAL NEEDSShort-term

	thousand EURO
State budget:	26.52
Phare program:	0.00
Other sources:	106.30
Total:	132.80

Medium-term

	thousand EURO
State budget:	572.80
Phare program:	3,700.00
Other sources:	2,423.00
Total:	6,695.80

ADMINISTRATIVE CAPACITY

A Postal Policy Department and a Postal Market Regulation Department were established at the Ministry of Transport and Communications with responsibilities provided for in the Draft Postal Services Act.

20. CULTURE AND AUDIOVISUAL POLICY

AUDIOVISUAL POLICY**CURRENT SITUATION**

In the preparation period for the start of the negotiations for the accession to the EU, Bulgaria set harmonization of the national media legislation with European standards as a short-term priority in the National Programme for the Adoption of the Acquis. This engagement involves coordination and harmonization where appropriate of the policy concerning the regulation of transborder emissions, audiovisual technical standards and the encouragement of the audiovisual industry in view of its modernization and strengthening.

During the period after the Analytical examination of the acquis bilateral meeting on Chapter 20 Culture and audiovisual Policy (Brussels, 24 March 1999), the Bulgarian side has undertaken a series of measures, which aim the full alignment of the Radio and Television Law (adopted on 24 November 1998), estimated highly by the EC, with the Television Without Frontiers Directive. The Law regulated the radio and television activity in its totality – from the establishment of a broadcaster to the supervision of its functioning at a national or local level and sets out general rules for the activity of all kinds of broadcasters – public and commercial, irrespective of the method of their program transmission– terrestrial, by cable or by satellite. The following measures have been already fulfilled in order to improve the Law in different steps :

- the Council of Europe Transfrontier Television Convention, ratified on 31 March 1999, has been in force in Bulgaria since 1 July 1999 ;

- the Protocol to the said Convention has been ratified on 12 January 2000 ;

- drafting an Amending Law on Radio and Television aiming at regulating the sphere concerning the way and the conditions of licensing according to art. 116 of the Law on Radio and Television and the setting up of the List of events with major importance for the society. Its execution is still carrying due to the expected leading rules set by the Transfrontier Television Permanent Committee of the Council of Europe according to article 9a of the European Convention of Transfrontier Television, equal to article 3a of Television Without Frontiers Directive ;

- organisation of joint educational forms by the NRTC and the PHARE programme for intellectual property rights against the piracy ;

- strengthening of the National Radio and Television Council, established at the end of 1997, which continued its activity as a regulatory body in the audiovisual sector by setting up a competition procedure in order to create a legal department and a monitoring department. The licensing of the public and commercial broadcasters programs is being carried out for the different methods of transmission (cable, satellite, terrestrial).

As a direct result from the substantial level of alignment of the national broadcasting legislation with the European standards, in September 1999 Bulgaria was officially invited to join the MEDIA II Program of the EU in 2000. On 7 April 2000 an information seminar on the Program has been organized with the participation of some EU administrators from the Program unit. Now, the Association Council decision is expected.

The Bulgarian side is ready to establish MEDIA desk on the basis of the currently existing Information Antenna “Audiovisual Eureka” within the National Film Centre.

In conclusion, the set priorities guarantee for the full alignment of the national broadcasting legislation with the Television Without Frontiers Directive.

SHORT-TERM PRIORITIESFull alignment of the national Radio and Television Law with the Television Without Frontiers Directive

Full alignment of the national Radio and Television Law with the Television Without Frontiers Directive and improvement of its efficiency through:

- Adoption of the Amending Law to the Radio and Television Law and public debates;

- Working out by-laws for further development of electronic media legislation, including the List of events with major importance for the society, in regard to ECTT and RTL implementation;

- Implementation of activities that are dispositively written in the Directive or do not refer to the member-states. The Bulgarian side sets priorities which do not have an obligatory character and which aim further alignment with the European standards, in particular the adults’ control on programs for minors by establishing information infrastructure for the respective monitoring in the audiovisual sphere.

Institutional strengthening of NRTC, including set-up registers of the licensed broadcasters;

Accession of Bulgaria to the EU audiovisual program MEDIA II

Accession of Bulgaria to the EU audiovisual program MEDIA II through :

- Adoption of Association Council decision for accession to the MEDIA II program (in 2000);
- Establishment of a national MEDIA desk on the basis of the currently existing Information antenna "Audiovisual Eureka" within the National Film Centre;
- Information activities for promotion of the MEDIA II program (in 2000);

MEDIUM-TERM PRIORITIES

Maintenance of the full alignment of the Radio and Television Law with the audiovisual acquis

Maintenance of the full alignment of the Radio and Television Law with the dynamic in nature acquis and its implementation through:

- Amendments to the Radio and Television Law;
- Adoption of NRTC acts for audiovisual legislation specification and updating in the spirit of Communiqué COM (1999) 657 adopted at the end of 1999 regarding the audiovisual policy in the digitalisation era in view to:
- Digitalisation and new information technologies for the development and distribution of broadcasting programs;
- Audiovisual convergence, telecommunications and information technologies with a view to EC acts;
- Development of new advertising and teleshopping techniques in the electronic media;
- Support for the national film and television production.

Participation in MEDIA Plus Program

Participation in MEDIA Plus Program (in 2001 – 2005) through :

- Drafting of Association Council decision;
- MEDIA desk institutional strengthening;
- Informational and educational activities for the promotion of MEDIA Plus Program.

FINANCIAL NEEDS

In a short-term aspect financial needs will be covered by funds from the National budget, PHARE and some other resources:

- National contribution for the participation in MEDIA II Program in 2000, according to Council of Ministers' Decision No. 20/23.01.1998;
- Funds for the national MEDIA desk operation;
- Funds for organization and implementation of informational seminar on MEDIA II program promotion;
- Funds for NRTC strengthening.

In a mid-term aspect the financial needs will be covered by funds from the National budget and PHARE, other sources of financing being sought as well:

- For participation of Bulgaria in MEDIA Plus Program in the period 2001 – 2005;
- Funds for the further functioning of the National MEDIA desk;
- Funds for organization and implementation of informational seminars on MEDIA Plus promotion
- Funds for the further strengthening and development of NRTC activities as an official body, applying monitoring for audiovisual programs and complete control for legal compliance.

EXPECTED RESULTS FROM THE PRIORITY AIM IMPLEMENTATION

The implementation of the envisaged measures will lead to the fulfilment of the set aims and to the following impacts in the audiovisual sector, the cultural and the social sphere:

In short-term and mid-term aspect:

- Encouragement of the national audiovisual industry;
- Integration of the Bulgarian producers and audiovisual products into the European audiovisual market;
- creation of new employment opportunities in the audiovisual sector.

ADMINISTRATIVE CAPACITY

There are two regulatory bodies in the audiovisual sector: the State Telecommunication Commission and the National Radio and Television Council.

The State Telecommunication Commission is an administrative body established on the basis of the Law on Telecommunications, which has powers within the sphere of broadcasting technical support and technical licenses for radio and television activity.

The National Radio and Television Council is an independent specialized collegiate body established on the basis of the Radio and Television Law. NRTC supervises the broadcasters activity in terms of RTL implementation; takes decisions on granting, amendments and termination of program licenses for radio and television activity, appoints and dismisses the BNT and BNR general directors and exercise some other powers in its capacity of a regulatory body in the radio and television sphere.

The NRTC develops its activity in dynamic environment with limited financial resources. In view of supporting its activity and improving its efficiency, opportunities for the use of various financial instruments should be sought (PHARE) for establishment of information infrastructure in the audiovisual sector, establishing contacts with similar organizations for exchange of experience and coordination of activities, cooperation with NGOs, organization of seminars on new forms of piracy and RTL infringement, studies on the market development as well as NRTC overall strengthening.

The Information antenna "Audiovisual Eureka" established in January 1998 within the National Film Centre continues its operation with a tendency towards its development into national MEDIA desk.

In view of strengthening the existing structures, opportunities should be sought for efficient financial support of their normal operation, providing with necessary materials and equipment and improving the language and professional training of directly and indirectly employed staff.

CULTURE

CURRENT SITUATION

The European Association Agreement (EAA) for Bulgaria regulates by the texts of article 98 the cultural sector cooperation towards exchange of non-commercial art objects and creators; cooperation in film production and distribution; literary work translation; preservation and restoration of cultural and historical monuments and sites; organization of cultural events of European dimensions. Bulgarian participation in the Community cultural programs is the main instrument for the implementation of the said clauses.

Mandatory harmonization of cultural legislation is not envisaged in the cultural sector. Acquis content comes down to the European Parliament and the Council Decisions concerning the cultural programs. As the validity of Ariane and Kaleidoscope programs expired at the end of 1998 and in 1999 during their one-year prolongation the associated countries did not have an access to them, Bulgaria participated only in Raphael program, supporting actions in the field of cultural heritage with one approved project initiated by a Bulgarian institution.

After receiving the general information on the new framework Culture 2000 program, the Bulgarian side expects from the EC invitation for participation with the aim to prepare the necessary legal base for the accession to the program.

SHORT-TERM PRIORITIES

Preparation for the accession of Bulgaria to Culture 2000 program

Preparation for the accession of Bulgaria to Culture 2000 program through:

- Drafting of Association Council's Decision;
- Establishing of a contact point for the management of the program;
- Organization of information seminars on Culture 2000 program promotion;
- Institutional strengthening of European Integration Department at the Ministry of Culture.

MEDIUM-TERM PRIORITIES

Participation in Culture 2000 program

Participation in Culture 2000 program till 2004 through :

Implementation of the respective forthcoming Association Council Decision;
Contact point and European Integration Department strengthening ;
Further information actions for the program promotion.

Bulgarian participation in the new EU initiatives in the field of culture

Bulgarian participation in the new EU initiatives in the field of culture after 2004 through:

Drafting the respective accession decision;
Specialized information and coordination forms.

Implementation of an adequate policy with regard to European standards of fix transborder book prices in European linguistic zones

Implementation of an adequate policy with regard to European standards of fix transborder book prices in European linguistic zones by :

Examination the EU member-states practice in this sphere;
Administrative measures.

FINANCIAL NEEDS

In short-term aspect for 2000 the financial needs will be covered by funds from the National budget and PHARE.

Funds should be allocated for the following activities as well:

Funds for the establishment of a contact point;
Funds for the organization of information seminars on Culture 2000 program promotion;
Funds for the institutional strengthening of European Integration Department at the Ministry of Culture.

In mid-term aspect for the period 2001 – 2006 the financial needs will be covered by funds from the National budget and PHARE, other sources of financing being sought, as well.

Funds for the national contribution of Bulgaria to Culture 2000 program (for the period 2001 – 2004);
Funds for the organization of information seminars for the further promotion of Culture 2000 program;
Funds for the drafting of an adequate policy complying with European standards of fix transborder book prices in European linguistic zones;
Funds for the further strengthening of the contact point and European Integration Department at the Ministry of Culture.

EXPECTED RESULTS

The implementation of the envisaged measures will lead to fulfilment of the aims set and to the following impacts in the cultural and social sphere:

Integration of Bulgarian creators and cultural products into the European cultural market;
Encouragement of national cultural industries;
Creating new employment opportunities in the cultural sphere.

ADMINISTRATIVE CAPACITY

The administrative capacity for the management of the EU cultural programs comprises the Ministry of Culture and in particular the European Integration Department and the Euro-Bulgarian Cultural Centre.

21. REGIONAL POLICY AND COHESION

CURRENT SITUATION

Organisational measures being implemented, setting up and strengthening of structures to administer the legislation, including these for management of structural funds upon accession. They include mainly legislative measures for implementing policy for integrated regional development (Regional Development Law and the Secondary legislation, provided for in this law) and organizational measures for establishing and strengthening administrative structure for implementation of the legislation (Regional Development Council with the CM, territorial councils for regional development). National plan for economic development and National plan for regional development have been created on the basis of territorial plans for development. The twinning program in the framework of the SSP has been launched. Training of regional administrations from the two pilot regions (north-western and south-central) was continued by working out of regional development plans GTAF Project.

The major measures planned for the implementation of the short-term 1999 priorities are fulfilled.

SHORT-TERM PRIORITIES**LEGISLATIVE HARMONIZATION**

The draft laws for the Black Sea coast area and the development of mountainous areas will be submitted in the CM by June 2000. These two acts will provide for the competencies at the NUTS IV (municipalities) and NUTS III (districts) levels related to managing structural, and social and economic development issues in the above mentioned areas. These acts will complement the existing primary and secondary legislation providing for implementation of effective regional policy. They will create more opportunities for selective introduction of effective measures and more efficient directing of resources (especially in the area of investment) to implementing priorities in the National Plan for Economic Development and the National Plan for Regional Development. Following some changes in the GTAF the recommendation of the European commission delegation the GTAF program was changed, and the working out of the above-mentioned plans was suspended while efforts were concentrated on the development of Phare 2000 project fiches. Further development and perfections of those plans will go on with the SPP technical support (under priority 4).

Legislative and institutional prerequisite were created for:

- Annual update of development plans for the relevant administrative levels

- Further development and perfection of the programming process

- Upgrading of the necessary financing and managerial mechanisms

- The secondary legislation to the Civil Servant Law is in force since March.2000. It regulates the status of the civil servant, the Unified registrar of the administrative positions and the application of the Unified registrar.

HARMONISATION OF LEGISLATION

The draft laws on the development of the mountain regions and law on Black Sea Coast Shall be submitted to the CM June 2000 according to the legislative program of the government. Both draft laws stipulate the competences on regional and district level competences in relation to structural and social and economic development of respective territories. These supplement the available primary and secondary legislation for implementation of effective regional policy and will create more opportunities for selective application of effective development measures and orientation of resources by objectives (especially in the field of investment) following the national plan for economic development national plan for regional development priorities.

Secondary legislation is envisaged to strengthen NUTS II regional institutions.

INSTITUTIONAL STRENGTHENING

Institutional strengthening, interdepartmental coordination and the improvement of administrative capacity on national, regional and local level

Training of local and regional authorities in working out development plans and strategies; realization programs – scheduled for January – May 2000; the training is previewed in Working Plan of the *Regional Development Directorate* and is financed by MRDPW budget.

Training for the Ministry staff, regional and local authorities within SPP;

Ongoing training/consulting of regional and local authorities on elaboration of plans/strategies, project identification and selection within the framework of the 2000 Working Plan of the *Regional Development Directorate* at the MRDPW.

In conformity with Decree of council of Ministers # 220 for establishment of regional development directorate the necessary administration on regional level for planning (NUTS II) and NUTS III are being created.

EC consultant in the framework of the GTAF Project is preparing elaboration of ToR for Bulgaria-Greece and Bulgaria-Romania cross-border regions concerning strategic development plans. Expected result - in April. Expected tendering in July.

UP-DATING OF PLANS

Up-dating of district plans for development (NUTS III) will be finalised by 30 June 2000

Up-dating of national plan for regional development 2000 – to be submitted to the CM by December 1, 2000

Up-dating of national plan for economic development – following the recommendations of the EC experts, the current stage of the updating will be closed up by June 2000. The updating is performed with cooperation of experts under the SPP “Twinning” and the “Technical Assistance” Projects. The report on the up-dating is in the agenda of the meeting of the SPP Joint Monitoring Committee of 19 June 2000.

Improvement of the elaborated regional plans under the GTAF Project for the two pilot regions (North-western and South-central) the process shall go on with SPP technical assistance.

Promotion of cross border cooperation through development of plans for strategic development of the regions (in the framework of NUTS II)

Improvement of the elaborated Phare 2000 project Fiches – “Social and Economic Cohesion” for the pilot regions for planning – in the GTAF Project Framework) The Process was finalized by April 2000.

ELABORATION OF REGIONAL PLANS

Elaboration of regional development plans, region for planning level (NUTS II) are subject of the SPP Projects Technical assistance

The elaboration of development plans of the rest of the development regions is included in SPP Projects Technical assistance

PREPARATION FOR PARTICIPATION IN THE EU PRE-ACCESSION PLANS AND PROGRAMMES,

Preparation for participation in the EU pre-accession plans and Programmes, through strengthening of the existing administrative structures and creation of new ones on district level and region for planning

CREATION OF DATABASE SYSTEM FOR REGIONAL MONITORING

Preparation for creation of database system for regional monitoring

MEDIUM-TERM PRIORITIES

IMPROVEMENT OF REGIONAL POLICY INSTRUMENTS

Improvement of the legislative base of the management structure and the financial and economic instruments for pursuing of regional development planning for approximation with EU.

INTEGRATED REGIONAL DEVELOPMENT

Pursuing of policy for integrated regional development by implementation and periodical updating of the development plans.

CROSS-BORDER COOPERATION

Promotion of cross-border cooperation

IMPROVING OF REGIONAL MONITORING

ADMINISTRATIVE CAPACITY

On the national level existing structures of line ministries have been significantly changed with legislative acts of the Council of Ministers (CM) in line with recommendations on the part of the European Commission (EC), the priorities in Accession Partnership and Bulgaria's commitments as regards institution building for the adoption of the Acquis, Structural Funds mechanisms and project management.

At this point in time the efficiently operating structures established under the Regional Development Act are the Regional Development Council at the CM, the District Development Councils, Supreme Expert Council for Territorial and Urban Planning, Construction, Architecture and Regional Policy at the Ministry of Regional Development and Public Works (MRDPW). Some members of *Working Group 21* at the Coordination Council for Preparation of the Republic of Bulgaria for EU Accession have been changed and others recruited.

A new Directorate "Regional Coordination" was set up in the structure of CM.

In accordance with the Council of Ministers' Decree No. 220/December 1999 promulgated in the State Gazette MRDPW was set up with 71 staff. Its main functions are to coordinate the implementation of the, issue 105, the *Regional Development and Administrative and Territorial Structure* General Directorate at the NPED and the PHARE programming and project implementation process under the Social and Economic Cohesion component.

Following the Council of Ministers' Decree No. 3/20.01.2000 on coordination of Bulgaria's preparation for EU accession and conducting the negotiations for accession (Art. 6, items 1, 2, 3) the obligation of the central coordination unit with the MRDPW are envisaged in view of the SPP activities and the preparation of funding application projects for financing by the EU funds. The above decree provides for constant accountancy and reporting to the relevant authorities to the CM about the implementation of the programmes and projects about tendering, etc. The MRDPW organizes the elaboration the National Plan for economic development supported the Central Coordination Unit.

Following the above-mentioned Decree, the six decentralised regional structures of the MRDPW at the NUTS II (Planning Region) level in line with Eurostat requirements are being set up. Two of these structures are operational for some time and are to be strengthened; another two are being established in the target regions benefiting from the Phare programme; the remaining two will be established by the end of May.

The planning region units will play a key role in the programming and project implementation exercise under the Social and Economic Cohesion component of the pre-accession instruments. It is expected to use the acquired experience to build the required administrative capacity and Structural Funds management structures to be used after accession.

On district level /NUTS III/ is strengthened the administrative capacity too.

Applying the programming principles of integrated regional development policy, partnership and subsidiarity; preparation for regional development programmes implementation

Directorate "European Integration Projects" with the MRDPW in cooperation with consultants on individual projects and experts from Regional Development Directorate set up Committee for Current Monitoring of project results in the end of 1999.

of programming for implementation of the integrating development, policy, application of the partnership and subsidiarity principle; preparation for application of the regional development programmes.

Working Group 21 "Regional Policy and Coordination of Structural Instruments" headed by the Ministry of Regional Development and Public Works. The list of members is updated to correspond to the new phase of regional development policy activities and enlarged with representatives of trade unions, scientific institutions, and NGOs; . The Council of Ministers' Decree No. 3/20.01.2000 determines the scope of activities of the working group at the Coordination Council for Accession Preparation;

Participation in working groups at the Ministry of Labour and Social Policy, Ministry of Education and Science, Ministry of Agriculture and Forestry, Ministry of Economy;

Elaboration of PHARE 2000 project fiches for social and economic cohesion in collaboration with experts from the line ministries,. The MRDPW is the Implementing Agency.

Monthly working meeting of the consultants on the SPP projects with the Bulgarian experts responsible for monitoring and control of project progress of SPP sub-projects and Phare CBC projects. Implementing of SPP sub-projects and Phare CBC projects.

FINANCIAL NEEDS

National resources for financial needs – the State Budget, the Municipality Funds and private sources, EU pre-accession funds.

Following the national plan for economic development – Priority 5 “Regional development”:

Total for Year 2000 – 174,69 Mil EURO (National financing – 130,69 Mil EURO, pre-accession funds – 44 Mil EURO)

Total for Year 2000 – 2006 – 1694,49 Mil EURO (National financing – 1199,64 Mil EURO, pre-accession funds – 494,85 Mil EURO)

22. ENVIRONMENT

Environmental legislation is aimed at protection of quality of the environment in ecologically clean regions of the country and improvement of the environmental status in polluted and damaged regions. Environmental legislation provides for specific regulatory, administrative and investment measures depending on its sectors' scope – water, air, and waste. Furthermore, there are a significant number of horizontal measures, concerning the environmental management issues of crucial importance for the achievement of one of the most important aims of the modern environmental management in Europe - simultaneous integrated prevention and control on environmental pollution in all components.

The invitation for opening the negotiations for membership in the EC logically follows the considerable amount of work that has been done for the last two years in terms of harmonization of the national environmental legislation with that of the European Union. Eight laws were adopted in the environmental sector, as well as most of the by-laws that accompany them. Thus harmonization with the European directives in the fields of air quality protection, waste management and horizontal legislation is almost completed and much is also being done in the areas of water use and management of chemical substances. We have also planned and started work on transposition of the "hardest" directives requiring complex permit, risk assessment and risk management. It is planned that most of the harmonization of the national environmental legislation with that of the European Union will be completed by middle of next year.

Bulgaria has a framework Act on Environmental Protection, regulating the public right for access to information on the environmental status. The EIA procedure is harmonized, as well as its scope and the pro-active public participation in the procedure.

Introduction of basic requirements for protection of the quality of environment and its components through:

- **Adopted and enforced framework laws:** Ambient Clean Air Act, Law on amendment and supplement to the Ambient Clean Air Act; Act on Limitation of the Dangerous Impact of Waste on the Environment; Water Act; Protected Areas Act, Law on amendment and supplement to the amendment and supplement to the Protected Areas Act; Nature Protection Act; Act on Protection from the Harmful Impact of Chemical Substances, Preparations and Products; Medical Plants Act.
- **Elaboration of new laws:** Draft Biodiversity Act; Draft Noise Control Act; Draft Act on GMOs; New Act on Environmental Protection.

Along with the adoption of the new legislation, building the foundation for its practical implementation is being considered. Therefore a basic priority in the environmental policy of Bulgaria is the development of detailed implementation programmes concerning the newly adopted legislation and the elaboration of enforcement instruments. To meet this goal, 5 national sector programmes have been developed and are already being implemented, i.e.:

National Waste Management Programme;

National Programme for priority construction of Urban Waste Water Treatment Plants (UWWTP) for the settlements in the Republic of Bulgaria with more than 10 000 equivalent inhabitants;

National Biological Diversity Conservation Strategy;

National Programme for Phasing out the Production and Use of Leaded Petrol;

National Programme for Phasing out the Use of Ozone Depleting Substances.

Several new national strategies and programmes are being developed, most important among which are:

National Environmental Strategy;

Programme for implementation and enforcement of the European environmental legislation;

Water Basins Management Plans;

Plans for management of the protected areas;

National Action Plan for limitation of greenhouse gases;

National Strategy on chlorine-fluorine-carbon;

Municipalities' programmes for long-term air quality protection;

National Programme for public awareness and involvement in resolving environmental problems.

In the process of preparing and financing the above-mentioned programmes, *the subject of environmental protection has become an integrated part of our economic reconstruction and privatisation*. Environmental audits, including creating financial incentives for carrying out activities that meet environmental requirements, as well as plans for self-monitoring and recovery programmes for old environmental damage, is integrated into the privatisation process for national enterprises. These audit requirements are now a regular part of privatisation contracts and provide a real possibility for taking into account the environmental requirements in the process of the structural reform.

Bulgaria is following a streamlined policy based on the *"polluter pays" principle*. The adopted legislation provide for full coverage of the expenses for water supply and waste water treatment, as well as for urban waste treatment, through taxes paid by the beneficiaries of these services.

During the period until March, 2000, a number of steps have been undertaken in Bulgaria in order to develop an adequate legislative system, which meets the requirements of the European environmental legislation.

The following specific measures were undertaken within each of the sectors during the discussed period:

HORIZONTAL LEGISLATION

CURRENT STATUS

Harmonization of legislation

Published in the State Gazette

Amendment to Regulation No1/1997 on environmental impact assessment of projects, sites and activities, which are not subject to mandatory EIA.

International agreements signed

Convention on Transborder Environmental Impact Assessment

SHORT-TERM PRIORITIES

Harmonization of legislation

Regulation on collecting environmental information and providing public access to this information. For the purpose of harmonization of the Bulgarian legislation with the requirements of Directive 90/313/EC on public access to environmental information, development of regulations within the framework of the Project for provision of public access to environmental information, approved for financing from the PHARE Programme, is under way.

Drafting a new Act on Environmental Protection.

Preparation and adoption of a Regulation on the order on registration of independent experts on EIA

Adoption of a National Programme for public awareness and raising the public consciousness in the field of Environment

Building and strengthening of administrative structures

MoEW started the elaboration of a directive-specific National Programme for Implementation and Enforcement of the European Environmental Legislation. Working groups are established.

Preparatory work for development of geographic database for the needs of environmental monitoring

Preparatory work for development of eco-cadastre

MEDIUM-TERM PRIORITIES

Harmonization of legislation

Supplement to the Regulation on Environment Impact Assessment or adoption of a Regulation on Environment Impact Assessment in accordance with the new Act on Environmental Protection

Building and strengthening of administrative structures

Expansion of the Information system and National Database for environmental monitoring

Creation and development of geographic database for the needs of environmental monitoring

Realization of the implementing measure for the Regulation on the collection of environmental information and the order for access of the public to such information according the Action Plan for Implementation for the period 2000-2002

Realization of the measures for 2000-2002 included in the National Programme for public awareness and raising the public consciousness in the field of Environment

Creating and development of public information centres in the RIEW

INDUSTRIAL POLLUTION AND RISK MANAGEMENT

CURRENT STATUS

Harmonization of legislation

Published in the State Gazette

Regulation on the conditions and the order for determining the responsibility of the State for ecological damages caused by past activities or lack of activities, at privatisation – published in the State Gazette No 97/9.11.1999.

Act on Protection from the Harmful Impact of Chemical Substances, Preparations and Products – published in the State Gazette No 10/4.02.2000. The Act gives the legal base for transposition of the requirements of Directive 96/82/EC.

Building and strengthening of administrative structures

Transposition and implementation of the IPPC Directive is designated as a national priority. A joint project with the Danish Agency for Environmental Protection in preparing the transposition of this Directive successfully ended in March 2000.

Within the framework of the above-mentioned project two pilot complex permits for Sevko Leather Company and Republika Power Plant were issued.

A pilot project of the World Bank for issuing pilot complex permits has been launched last year for 2 sites and the aim of the project is for the next 3 years complex permits to be issued for most of the biggest Bulgarian enterprises from the chemical and metallurgical industries.

With the help of the TAIEX Office a seminar-training on the problems arising from the implementation of Directive 96/61/EC was held in Sofia in November 1999.

Two *installations for de-sulphurisation* are being built in TEPS "Maritza-Iztok 3." The Programme PHARE and the European Bank finance the project for Reconstruction and Development.

15 RIEW started an inventarisation of the enterprises and sites, which are in the scope of Directive 96/61/EC.

In connection with Directive SEVESO 96/82/EC a *project "Institutional building in accordance with Directive SEVESO-IP"* has been developed and approved for financing by PHARE – twinning'99. It is expected the project to start in the second half of the year.

SHORT-TERM PRIORITIES

Harmonization of legislation

Preparation of a new Act on Environment protection including clauses on issuing of complex permissions in order to provide complex prevention and control on pollution – Directive 96/61/EC

Building and strengthening of administrative structures

Preparation of an inventory and of a list of the enterprises in the country, covered by the requirements of Directive 96/61/EC, according Annex 1

MEDIUM-TERM PRIORITIES

Harmonization of legislation

Drafting and adoption of a Regulation on issuing of complex permissions in order to provide complex prevention and control on pollution – Directive 96/61/EC:

Drafting and adoption of the regulations on issuing of complex permissions in order to provide complex prevention and control of the pollution – Directive 96/61/EC

Drafting and adoption of a Regulation on provisions and requirements for registration of environment management and Eco-audit systems – Regulation 1836/93

Drafting and adoption of a Regulation on introduction of the requirements for awarding of eco-labelling for certain product groups

Drafting and adoption of Regulations on the specific requirements for all existing groups of products

Drafting and Adoption of a Regulation on the control of major accidents involving dangerous chemical substances

Building and strengthening of administrative structures

Issuing the pilot integrated permits for the several biggest industrial plants
 Training of the staff of MIW and RIEW on issuing of complex permissions; follow-up control and inspections
 Acquainting of industrial enterprises in the scope of the Directive with the requirements for its implementation
 Establishment and development of BAT Database
 Preparation and issuing of Guidelines of IPPC Directive enforcement for RIEW and affected enterprises
 Preparation and issuing of Guidelines for application of BAT in several industrial sectors
 Maintenance of BAT database and ensure the access of interested parties to it
 Training of RIEW staff on issuing of complex permissions and follow-up control
 Establishment of conditions for the implementation of the Regulation on provisions and requirements for registration of environment management and eco-audit systems, including authorization of a competent body and a registration system for the sites, complying with its requirements
 Development of a procedures for accreditation of verifiers of the sites, complying with the requirements of the above mentioned Regulation
 Enforcement of administrative capacity for implementation of the requirements of Regulation on the control of major accidents involving dangerous chemical substances – education of specialists on preparation of accident plans

AIR QUALITY**CURRENT STATUS**Harmonization of legislationPublished in the State Gazette

Law on amendment and supplement to the Ambient Clean Air Act – published in the State Gazette No 27/31.03.2000.

Regulation No 16 on limiting the volatile organic compounds emissions resulting from the storage of petrol and its distribution from terminals to service stations – published in the State Gazette No 75/24.08.1999. The date foreseen for entry into force of the Regulation is July 31, 2000. It approximates Directive 94/63/EC.

Regulation No 17 on content limit values of lead, sulphur and other harmful substances in the fuels – published in the State Gazette No 97/9.11.1999. It harmonizes the Bulgarian legislation with the requirements of Directives 85/210/EEC, 93/12/EEC and 98/70/EC.

Regulation No 32 on regular roadworthiness testing of the motor vehicles – it approximates Directive 96/62/EC.

International agreements signed:

The new Protocol on Reduction of Acidification, Eutrofication and Tropospheric Ozone to the Convention on Long-Range Transborder Air Pollution was signed.

Building and strengthening of administrative structures

In connection with the implementation of Directives 88/609/EEC, a *methodology for balanced assessment of the emissions in the ambient air* has been elaborated and approved by the Minister of environment and water. It is analogous to the CORINAIR methodology.

An investment project for building up 4 *installations for de-sulphurisation in Power plant "Maritza-Iztok 3"* was presented for financing under ISPA'99.

The development of a National Programme for limiting the sulphur dioxide and nitrogen dioxide emissions from large combustion plants started within the framework of Sub-project 6 under Twinning Project BG9807.

The development of a *plan for the implementation of Directive 94/63/EC* started within the framework of Sub-project 6 under Twinning Project BG9807.

Within the framework of the above-mentioned Sub-project *two pilot plans for solvents management* will be developed. The purpose of these pilot plans will be the possibilities for implementation of Directive 99/13/EC to be identified.

A programme for air quality management in Pernik municipality and guidelines for preparation of such programmes for municipalities identified as non-attainment areas will be developed within the framework

of a project with Germany under Twinning Project BG 99 EN 02 "Support the management of the air quality at local level".

SHORT-TERM PRIORITIES

Harmonization of legislation

Regulating by means of an Ordinance of rules on control of fuel quality at the pump as defined by Directives 93/12/EC и 98/70/EC

MEDIUM-TERM PRIORITIES

Harmonization of legislation

Instruction to the municipal authorities and RIEWs on the preparation of long-term programs for air quality improvement

instruction to the municipal authorities and RIEWs on the preparation of operation action plans in the event of increased concentrations of harmful substances in ambient air, pursuant to Art. 7(3) of Directive 96/62/EC

Law on Amendment and Supplement to the Clean Air Act for the purpose of implementation of more efficient tools for control in implementation of by-laws on air quality

Adoption of Regulations on restriction of VOC emissions from the industry (in accordance with Directive 99/13/EC for restriction of organic contaminant emissions from specific production activities, including implementation of most advanced technologies available)

National Programme on restriction of sulphur and nitrogen oxides emissions from operating large incineration installations (provides for the implementation of Directive 88/609/EEC to operating installations)

Amendment to Regulations N2 on concentrations of harmful substances and waste gases emissions to the air from stationary sources, for the purpose of regulation of requirements of the following Protocols to the Cross-border Long Distance Air Pollution Convention (ratified by the R. Bulgaria in August 1998) - Protocol on restriction of heavy metal emissions and their cross-border flows and Protocol on restriction of stable organic contaminants emission and their cross-border flows

Regulations on requirements to out-of-road vehicles (in compliance with Directive 97/68 EC requirements)

Regulations on regular technical inspection of forestry and agricultural equipment (in compliance with Directive 97/68 EC requirements)

Building and strengthening of administrative structures

Twinning project on Air Quality management at local level, together with UBA

Joint project on air quality management and evaluation in Bulgarian and Romanian cities on the lower stream of Danube river under the cross-border Phare 99 Programme

Recruitment of additional personnel at regional and local level (30 persons)

Development of methods for determination and control of target rates for admissible VOC emissions from petrol storage and loading installations (provides for practical implementation of Directive 94/63/EC on restriction of VOC emissions in storage and transportation of petrol)

Research on specifying rates of VOC emissions from industry at national scale

Realization of the projects on building of FGD Systems for the large combustion plants in Bulgaria

WASTE MANAGEMENT

CURRENT STATUS

Harmonization of legislation

Published in the State Gazette

Amendments to Regulation No5/1998 on permits for import, export and transit transportation of waste – published in the State Gazette No 62/9.07.1999.

Building and strengthening of administrative structures

Instructions for issuing permits for carrying out waste management activities and for building of waste disposal facilities have been adopted.

Software for data collection and exchange within the Register of issued permits has been developed and installed.

A seminar-training of inspectors from the RIEW on issuing of waste management permits and on implementation of the software provided for the register of issued permits was carried out.

The successful implementation of the National waste management programme continues.

SHORT-TERM PRIORITIES

Harmonization of legislation

Draft *Regulation on batteries and accumulators containing dangerous substances* in accordance to Directive 91/157/EEC – the draft was approved by the Higher Ecological council to the MEW and will be approved by the Ministerial Collegium. The National Environmental Protection Fund finances the draft elaboration.

Draft *Regulation on the way of collection, storage and treatment of waste oils* in accordance with Directives 75/439/EEC and 87/101/EEC – the draft will be approved by the Ministerial Collegium. The National Environmental Protection Fund finances the draft elaboration.

Draft *Regulation on the way of collection and treatment of non-operational vehicles* – the elaboration of the draft began within the framework of Sub-project 8 under Twinning Project BG9807.

Draft *Regulation on the way of collection and treatment of non-operational household appliances* – the elaboration of the draft began within the framework of Sub-project 8 under Twinning Project BG9807.

Drafting and adoption of a Regulation on the disposal of used luminescent lamps

Drafting and adoption of a Regulation on treatment of the sludge and introduction of the requirements of Directive 86/278/EEC

Building and strengthening of administrative structures

Preparation for introduction of separate collection of paper waste in state institutions is under way

Inventory of the existing waste disposal installations on the territory of enterprises

Study for selection of site for a National Centre for hazardous wastes treatment, preliminary design, EIA, development a proposal for financing under ISPA and preparation of tender documents

Study for selection of site for an installation for disposal of household waste from Sofia municipality, preliminary design, EIA, development a proposal for financing under ISPA and preparation of tender documents.

Development of implementation programs on the EU Directives in waste management sector

Design and preparation of the construction works of incinerator for infectious and pathological wastes from the hospitals on the territory of Sofia

Development of a training program relating to the carrying out the National Waste Activity Management Program

Training of waste management experts in RIEW and municipalities

Publication of specialized information materials on wastes

MEDIUM-TERM PRIORITIES

Harmonization of legislation

Draft *Regulation on reducing quantity of packaging waste in the waste flow* in accordance with Directive 94/62/EC – the draft will be elaborated within the framework of a project with Germany under Twinning Project BG 99 EN 01 “Transposition of waste management legislation”.

Draft *Regulation on the way of elimination of polychlorinated biphenyls (PCBs) and polychlorinated terphenyls (PCTs)* in accordance with Directive 96/59/EC – the draft will be elaborated within the framework of a project with Germany under Twinning Project BG 99 EN 01 “Transposition of waste management legislation”.

Drafting and adoption of a Regulation on the wastes from the titanium dioxide and introduction of the requirements of Directives 78/176/EEC 82/883/EEC и 92/112/EEC

Amendments to the Reduction of the Harmful Impact of Waste upon Environment Act

Building and strengthening of administrative structures

Improvement of the system for collection and recycling/ disposal

Improvement of the organization for the collection and transportation of waste, including up-dating of specialized vessels and the equipment for collection and transport

Preparation of the technical requirements, identical to CEN for sampling, determination of the characteristics of the wastes; determination of the harmful substances content in the wastes, etc.

Study for introduction of a landfill ban for waste suitable for recycling

Improvement of the system for collection, storage and transportation of used batteries

Improvement and expansion of the system for separate collection of hospital waste

Realization of a national project for the reduction of the number and the danger from the depots and the old contamination by wastes

Specifying the requirements for cleaning of objects, contaminated by wastes

Development of a national register of the depots and the old contamination

Examination of the depots and the old contamination from the national register and their ranking by level of danger

Elimination of old contamination on the priority objects, outside the sites of the enterprises, including also not used or not fit for use plant protection preparations

Elimination of old contamination, caused in the past, in the privatisation of industrial plants

Conservation and reclamation of closed tailing ponds from the processing of non ferrous ores

Drawing up and adoption of plans for the transformation of the existing waste landfills in compliance with the requirements of Regulation 13/1998 on the requirements for establishing and operation of waste depots

Build-up a National Laboratory System for Wastes

Step-up the capacity options and equipment of the Central Laboratory at EEA and NCFEMH

Accreditation of the regional laboratories for dangerous wastes

Development and introduction of software products providing for the operation of the Information system for wastes in MEW

Appointment of additional staff in MEW, RIEW, EEA for the period 2000-2001

Publication of specialized information materials for wastes

Realization of a project for active participation of the public in the fulfilment of the municipal programme for waste management

Establishment of an information centre for the public on waste issue

Establishment or reconstruction of 37 regional waste landfills in accordance with the National Programme for Waste Management

Study for the establishment of regional depots for of household wastes after 2002, accounting for the existing and in the process of construction regional depots till 2002

Establishment of a National centre for treatment of hazardous wastes, including incinerator, centre for physical chemical treatment and waste depot.

Establishment of 4 landfills for hazardous wastes

Establishment of incinerator for infectious and pathologic wastes from the hospitals on the territory of Sofia

Study and establishment of installations for incineration of hospital wastes (Haskovo, Vratza, Varna)

Establishment of a centre for treatment of old cars

Development and implementation of a project for sludge treatment by waste water treatment plant- Sofia and waste water treatment plant –Plovdiv

Establishment of installation for composting of household wastes

Establishment of installation for incineration of household wastes - first stage

Establishment of installation for treatment of used luminescence lamps

Establishment of installation for recycling of PET packing

Introduction of additional capacities for treatment of old car tires

Reconstruction and updating of an installation for lead-accumulators recycling

WATER QUALITY

CURRENT STATUS

Harmonization of legislation

Published in the State Gazette

Water Act – published in the State Gazette No 67/27.07, in force since 28.01.2000. The Water Act is in accordance with the Water Framework Directive COM(97)49 FINAL.

Building and strengthening of administrative structures

A serial of working meetings on the implementation of the new water legislation was carried out - *training of specialists* from the MEW, RIEW, local authorities, and branch organizations on implementation of the new adopted legislation..

Ministerial Order for assignment of Regional Inspectorates for Environment and Water (RIEW), which will do the duties of basin management bodies (directorates) has been issued.

SHORT-TERM PRIORITIES

Harmonization of legislation

With the purpose of entry into force in time and of effective implementation of the legal requirements, a timetable for preparation of *14 Regulations under the Water Act* has been drawn up. Working groups for the preparation of the 14 regulations have been established. According to the timetable the following regulations should be adopted by July 1, 2000:

Draft *Regulation on research, use and protection of ground water* - in accordance with Directives 80/68/EC and 74/464/EEC.

Draft Regulation on the quality of water intended for human consumption and household purposes – in accordance with Directive 98/83/EC.

Draft Regulation on the quality requirements to surface water intended for human consumption and household purposes - in accordance with Directive 75/440/EEC.

Draft Regulation on protection of water from pollution with nitrates from agricultural origin – in accordance with Directive 91/676/EC.

Draft *Regulation on the sanitary protection zones* – in accordance with Directives 98/83/EC, 91/676/EEC and 79/869/EEC.

Draft *Regulation on the quality of bathing waters* – in accordance with Directive 76/160/EEC.

Draft *Regulation on the quality of fish and shellfish waters* – in accordance with Directives 78/659/EEC and 79/923/EEC.

Draft *Regulation on the categorization of the waters* – in accordance with Draft Framework directive COM97(49) and Directives 76/464/EEC and its daughter Directives and 91/271/EEC.

Draft *Regulation on the quality of the coastal waters* – in accordance with Directives 79/923/EEC and 91/271/EEC.

Draft Regulation on the way and order of industrial waste waters discharges in the urban sewerage systems – in accordance with Directives 96/61/EC, 91/271/EEC and 76/464/EEC.

Draft Regulation on the emission norms for admissible content of harmful and dangerous substances in waste waters discharged in water objects – in accordance with Draft Framework directive COM97(49) and Directives 76/464/EEC and its daughter Directives and 91/271/EEC.

Draft Regulation on issuing permissions for waste water discharges in water objects and determination of individual emission limitations in the point sources of pollution – in accordance with Directives 91/271/EEC and 80/68/EEC.

Draft Regulation on the establishment of networks and on the activities of the national system for water monitoring.

Draft Regulation on the waste water discharges - – in accordance with Draft Framework directive COM97(49) and Directives 76/464/EEC and 96/61/EEC. The elaboration of the draft began within the framework of Sub-project 5 under Twinning Project BG9807.

Draft Decree on setting up a tariff of taxes on water use – the draft was approved by the Higher Ecological council to the MEW and will be approved by the Ministerial Collegium. The National Environmental Protection Fund finances the draft elaboration.

Building and strengthening of administrative structures

A project “*Institutional strengthening of basin management*” under Twinning Project BG 99 EN should start in the second half of the year.

A National Programme for Building, Enlargement and Reconstruction of Urban Areas Sewerage Systems is being elaborated.

The successful implementation of the National Programme for priority construction of Urban Waste Water Treatment Plants (UWWTP) for the settlements in the Republic of Bulgaria with more than 10 000 equivalent inhabitants continues.

National and local programmes, as well as *action plans* for implementation of the newly adopted legislation are being developed.

Drawing up of general schemes for use of water in the basin management areas has been assigned after a competition.

Information campaign on implementation and enforcement of the new legislation is going on.

Databases and information systems are being set up.

Studies on the possibilities for updating the water monitoring system are being carried out.

MEDIUM-TERM PRIORITIES

Harmonization of legislation

National programme on protection of Black Sea from pollution
National programme for cooperation for the protection and sustainable use of Danube River
Rules of procedure, structure, organization of operations and staff of Basin Council
Rules, organisation of operation and staff of the basin directorates

Building and strengthening of administrative structures

Implementation of the National programme for priority construction of urban waste water treatment plants in the Republic of Bulgaria

CHEMICALS AND GMOS

CURRENT STATUS

Harmonization of legislation

Published in the State Gazette

Act on Protection from the Harmful Impact of Chemical Substances, Preparations and Products – published in the State Gazette No 10/4.02.2000. The Law is in compliance with Directives 67/548/EEC, 88/379/EEC, 76/769/EEC and 93/67/EEC and their amendments. The Act will come into force from 5.02.2002.

Decree of the Council of Ministers (DCM) No 254 on management and control of the ozone-depleting substances – published in the State Gazette No 3/11.01.2000.

Regulation on management and control of the ozone-depleting substances – published in the State Gazette No 3/11.01.2000.

International agreements signed:

Law on ratification of the Montreal Amendment to the Montreal Protocol from 1987 on the Ozone-Depleting Substances.

Building and strengthening of administrative structures

With the help of the TAIEX Office and the Bulgarian branch chamber of chemical industry a seminar on the transposition and implementation of the chemicals legislation was held in December 1999 in Sofia.

SHORT-TERM PRIORITIES

Building and strengthening of administrative structures

An order of the Minister of Environment and Water for the working groups which will be responsible for the drafting of the 6 regulations under the Act on Protection from the Harmful Impact of Chemical Substances, Preparations and Products is prepared. The working groups will consist of representatives of Ministry of economy, Ministry of health, Ministry of defence, Ministry of agriculture and forests, Ministry of finance and Bulgarian branch chamber of chemical industry.

A two-year project initiating early phase-out of methyl-bromide in CET countries started in March 2000. The project is financed from the GEF Fund and is implemented by UNEP-Paris.

Preparation for the establishment of a notification body at the MEW for notification of new chemical substances and of activities related to the management of chemical substances and preparations.

MEDIUM-TERM PRIORITIES

Harmonization of legislation

Drafting and adoption of Regulations on the risk assessment from new chemical substances and preparations

Draft Act on GMOs – the Act will introduce into the Bulgarian legislation the requirements of Directives 90/219/EEC and 90/220/EEC

Drafting and adoption of a Regulation on the restrictions on placing on the market, usage and application of certain dangerous chemical substances and preparations

Drafting and adoption of a Regulation on the prevention and limitation of the pollution of environment caused by asbestos to replace the acting Regulation 12 on the sanitary rules for import, production and use of asbestos containing materials and products

Development and adoption of Regulation on the protection of animals, used for experimental and other scientific purposes

Building and strengthening of administrative structures

Establishment of a notification body at the MEW for notification of new chemical substances and activities related to the management of chemical substances and preparations

Establishment of Counsel on the control of activities, connecting with genetically modified organisms

Establishment of control arrangements for monitoring the placing on the market, usage and application of certain dangerous chemical substances and preparations

Setting up forums with representatives of the chemical industry for exchange of information on new and existing chemical substances

Continuation of the accreditation of laboratories carrying out checks and tests of chemical substances

Training of MEW staff, directly involved in the process of notification of new chemical substances and activities, related to the management of chemical substances and preparations

Training of the staff of other departments, involved in the process of notification of new chemical substances and activities, related to the management of chemical substances and preparations

Establishment of a system for registration of activities related to the management of chemical substances and preparations

Establishment of a system for notification of new chemical substances

Research of laboratories, using animals for experiments

Appointment of additional personnel in the notification body at MEW

Implementation of the approved by RIEW municipal and company programmers waste management pursuant to the National Waste Management Programme

NATURE PROTECTION

CURRENT STATUS

Harmonization of legislation

Published in the State Gazette

Law on amendment and supplement to the amendment and supplement to the Protected Areas Act – published in the State Gazette No 28/4.04.2000. The borders of the parks of national importance – exclusive state property – are set with the amendments to the Protected Areas Act.

Medical Plants Act - published in the State Gazette No 29/7.04.2000

Regulation on developing plans for management of protected areas – published in the State Gazette No 13/15.02.2000. The Regulation provides for the practical implementation of art. 6, p. 1 of Directive 92/43/EEC.

Submitted to the National Parliament for adoption

Draft Hunting Act – in accordance with the requirements of Directives 92/43/EEC and 79/409/EEC concerning the control system, introduction of hunting periods and norms, banned hunting devices and methods, etc.

Building and strengthening of administrative structures

After a careful study 4 Bulgarian bird species were proposed to be listed in the Annexes of Directive 79/409/EEC.

The institutional strengthening of the Directorates of the 3 national parks is continuing. 120 additional persons are appointed to the Directorates.

A serial of working meetings with employees of the MEW on management of the protected areas was carried out.

Seminars and trainings of the customs officers on the implementation of the CITES Convention were carried out

SHORT-TERM PRIORITIES

Harmonization of legislation

Draft *Biodiversity Act* – the Act will introduce into the Bulgarian legislation the missing requirement of Directives 92/43/EEC and 79/409/EEC and will create a legal base for building of the necessary administrative structure for the implementation of Regulation EC/338/97.

Drafting and adoption of a National action plan for the protection of the biological diversity

Drafting and adoption of a Regulation for the Implementation of CITES Convention

Building and strengthening of administrative structures

Plans for management of protected areas for 2 national parks, 1 nature park, 4 reserves and 6 nature landmarks (wetlands and sand dunes) are in the process of elaboration. The elaboration of such plans for additional 6 protected areas is assigned. Most of these protected areas are sites under the CORINE Programme and will be discussed for the Bulgarian participation in the European Ecological Network.

A pilot project for setting up a data base compatible with the Emerald Programme for designation of 7 special protected areas was elaborated under a contract with the Council of Europe.

Implementation of priority actions from the plans for management of protected territories, including wet areas

Drawing up a Public Relations Programme

Development of a cadastre of the protected territories

Training of staff on protected territories management – 120

Carrying out first session of training of custom officers from border custom offices responsible for the control on the import and export of protected species of wild flora and fauna

MEDIUM-TERM PRIORITIES

Harmonization of legislation

Drafting and adoption of regulations to the Biodiversity Act

Drafting and adoption of regulation to the Medical Plants Act

Drafting and adoption of regulations to the Hunting Act

Building and strengthening of administrative structures

Stock-taking of the habitats in Bulgaria under Directive 92/43/EEC

Extension of the net of the protected territories by including of habitats under Directive 92/43/EEC

Drawing up and adoption of plans for management of protected areas

Implementation of the plans for management of protected areas

Development of a Cadastre of the protected areas

Institutional strengthening of the management of the protected areas with additional staff – 90 persons

Introduction of procedures and documents for trade with species of wild flora and fauna

Carrying out second session of training of custom officers from border custom offices related to the control on the import and export of protected species of wild flora and fauna

Establishment of Rescue Centres for accommodating confiscated wide alive animals

Equipment for border custom offices with tools for identification

NOISE

CURRENT STATUS

Harmonization of legislation

The Bulgarian legislation operates a well-grounded regulatory framework on noise control. Because of the different requirements, economy mechanisms and regulators under which it has been developed, the framework is due to be updated and rendered in compliance with the European legislation.

SHORT-TERM PRIORITIESHarmonization of legislation

Development of joint programme for the implementation of Directives 84/532 and the seven daughter Directives– 84/533, 84/535, 84/536, 84/537, 84/538, 86/662, 84/534)
Drafting of Act on Noise Control (COM(1998)46
Drafting of Regulations to the Act on Noise Control 86/594EEC)
Introduction of standards (86/594/EEC)

MEDIUM-TERM PRIORITIESHarmonization of legislation

Adoption of Act on Noise Control
Adoption of Regulations to the Act on Noise Control
Introduction of standards

HORIZONTAL MEASURES ON ENHANCEMENT OF THE ADMINISTRATIVE CAPACITY AT CENTRAL AND REGIONAL LEVEL

Decree of the Council of Ministers for the main responsibilities and priorities of the MEW has been adopted.
Rules for the organization and activity of the Regional Inspectorates of Environment and Water have been adopted and published in the State Gazette.
The National Centre for Environment and Sustainable Development has been reorganized as Executive Environment Agency (Decree of the Council of Ministers No 214.)
Trainings, seminars and working meetings on the problems related to the approximation of the EU legislation were held as a practical measure for the implementation of the new legislation.
A review on the administrative capacity of the MEW on the implementation of the requirements of the EU legislation was prepared in September 1999.

NUCLEAR SAFETY AND CIVIL PROTECTION**CURRENT STATUS**Safe Management of Spent Nuclear Fuel and Radioactive Waste

The Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management was signed on 22nd September 1998. The draft of the act on ratification of the Convention was approved by the Government on 30th April 2000 and was proposed to the National Assembly.
The National Strategy on Safe Management of Spent Nuclear Fuel and Radioactive Waste was approved by the Council of Ministers in 1999. The strategy is planned to be revised in compliance with the agreement between the Republic of Bulgaria and the EC that was reached on 29th November 1999.
In this relation the Regulation on the taxation, order of collection, spending and control of the financial resources of the Radioactive Waste Safety and Storage Fund and the Decommissioning of Nuclear Facilities Fund are being updated. The objective is to perform a detailed analysis of the financial mechanism in force and of the necessity of revision of the financial resources required for the different activities.
The definition of safety criteria on spent nuclear fuel and radioactive waste storage facilities is envisaged by the elaboration of a new CUAEPP Regulation on the Safety of Spent Nuclear Fuel and Radioactive Waste Storage Facilities (April 2000).

Establishment of Criteria on Radiation Control over Liquidation of the Uranium Mining Industry Consequences

The Regulation No. 1 on Radiation Protection and Safety Standards in Case of Liquidation of the Consequences of the Uranium Mining Industry in the Republic of Bulgaria was put into force on 15th November 1999.

Protection of Environment and Public Health from the Detrimental Impact of Ionising Radiation

The updating and enforcement of the basic safety standards in compliance with the Directive 96/29/EURATOM is performed by taking into consideration the standards on operational control and the

revision of the B category personnel, therefore the deadline of this measure is prolonged – September 2000.

The possibility of joining the Act on Safety of Nuclear Energy Utilisation with the envisaged Act on Radiation Protection of the Population is under discussion at present. The development of the Act is foreseen as a medium-term (31st January 2001).

Enhancement of the Notification Procedure Concerning Nuclear Safety and Radiation Protection Related Events and Emergencies

A draft Act on Crisis Management was developed at the end of 1999. It was approved by the Government and submitted to the National Assembly.

SHORT-TERM PRIORITIES

Safe Management of Spent Nuclear Fuel and Radioactive Waste

The Joint Convention is planned to be ratified in the short-term (2000). In this relation the national measures on fulfilment of the conditions and obligations following this Convention are to be revised.

One of the short-term priority measures in this field is the revision and updating of the requirements on safe collection, treatment, storage, and disposal of radioactive waste. This is planned to be accomplished by amendment and supplement of the CUAEPP Regulation No. 7.

The establishment of requirements on environmental impact assessment of nuclear facilities under decommissioning is considered as an essential aspect in a short-term. This is going to be achieved by amendment and supplement of the Environmental Protection Act that is in force at present and aims at compliance with the Directive 97/11.

Establishment of Criteria on Radiation Control over Liquidation of the Uranium Mining Industry Consequences

The Instruction on the implementation of the Regulation No. 1 on Radiation Protection and Safety Standards in Case of Liquidation of the Consequences of the Uranium Mining Industry in the Republic of Bulgaria is being developed.

Protection of Environment and Public Health from the Detrimental Impact of Ionising Radiation

A short-term priority (2000) in this field is the updating and compliance of the Basic Safety Standards (BSS-92) with the Directive 96/29/EURATOM.

Enhancement of the Notification Procedure Concerning Nuclear Safety and Radiation Protection Related Events and Emergencies

The approval of the Act is a short-term measure (2000). It is foreseen that the new Act will establish a new State Agency on Crisis Management and will improve the organisation of the response, regulation and implementation of protective measures for the population and environment in case of crises, accidents and calamities.

The Regulation on Planning and Preparedness for Action in Case of Radiation Accident is planned to be supplemented by establishing the order of information of the public in case of a radiation accident, according to the Council Directive 89/618/Euratom and Council Decision 87/600/Euratom.

MEDIUM-TERM PRIORITIES

Protection of Environment and Public Health from the Detrimental Impact of Ionising Radiation

In this relation the updating of the standards on maximum permitted radioactive contamination of foodstuffs and feeding stuffs in case of a nuclear accident or radiation accident is planned as a medium-term measure. Establishment of conditions, requirements and order of import and export of foodstuffs and feeding stuffs in case of a nuclear or radiation accident is envisaged as well.

Elaboration and subsequent enforcement of updated rules on safe handling of sources of ionising radiation is envisaged also. At the same time the definition of maximum permitted content of radio nuclides in metal and non-metal materials (including construction materials) is foreseen.

Enhancement of the Notification Procedure Concerning Nuclear Safety and Radiation Protection Related Events and Emergencies

Updating of the criteria and order of notification of the regulatory body on operational deviations, events and accidental states related to the nuclear safety and radiation protection is planned in a medium-term.

The updating of the criteria and order of exchange of information between the competent authorities and ministries is envisaged as well.

Prevention and Mitigation of the Exposure and Radioactive Contamination During Transport of Radioactive Materials by Establishing New Requirements and Procedure on Transport Surveillance and Control

Special attention is paid to the necessity of specification and improvement of the organisation and order of transborder radiation control. This issue will be a subject of the new Regulation on Transborder Radiation Control.

The revision and updating of the criteria, conditions, requirements and order of safe transport of radioactive materials and waste is planned in a medium term (2002), and aims at compliance with the Council Directive 92/3/Euratom and Council Regulation (Euratom) No. 1493/93, as well as with the international recommendations in this field.

23. CONSUMER PROTECTION**CURRENT SITUATION**

The Law on Consumer Protection and Trade Rules (SG 30/02.04.1999) entered into force as of July 3, 1999. It forms the legislative basis of the consumer protection in Bulgaria by transposing the main elements of the following Directives:

- Directive 98/6 EC on consumer protection in the indication of the prices of products offered to consumers;
- Directive 84/450 on misleading advertising;
- Directive 93/13 on unfair terms in consumer contracts;
- Directive 92/59/EEC on general product safety;
- Directive 85/374 on liability for defective products;
- Directive 85/577/EEC to protect the consumer in respect of contracts negotiated away from business premises

The Law on Consumer Protection and Trade Rules introduces partially into Bulgarian legislation some of the essential provisions of Directive 97/7 on the protection of consumers in respect of distance contracts.

The following implementing regulations of the Law on Consumer Protection and Trade Rules have been enacted in 1999:

- Regulation №3 of the Ministry of Trade and Tourism on Consumer protection in price indication of products and services, promulgated in State Gazette, issue 56 of 1999, entered into force as of July 3, 1999 (this regulation introduces into Bulgarian legislation requirements of Directive 98/6 on price indication of products);
- Regulation of the Council of Ministers on requirements for labelling of non food products, promulgated in State Gazette, issue 60 of 1999, which entered into force as of November 3, 1999;
- Regulation №4 on the withdrawal from the market of dangerous products and their destruction, promulgated in State Gazette, issue 60, which entered into force as of July 3, 1999;
- Regulation on the work of Conciliation Commissions, promulgated in State Gazette issue 56 of 1999, in force as of July 3, 1999;
- Regulation on the work of the National Council for consumer protection, promulgated in State Gazette, issue 56 of 1999, in force as of July 3, 1999;
- Regulation on the work of the consultative council to the minister of Trade and Tourism, promulgated in State Gazette, issue 56 of 1999, in force as of July 3, 1999.

A framework Law on foods has been adopted (SG 90/15/10/1999). It entered into force as of the date of its promulgation in the State Gazette.

SHORT-TERM PRIORITIES**EFFECTIVE ENFORCEMENT OF THE CONSUMER PROTECTION LEGISLATION AND CARRYING OUT OF CONSUMER PROTECTION POLICY**

In the context of this priority the following will be implemented:

- Training of civil servants of the ministry of Economy to enable them to carry out an efficient consumer protection policy;
- Creation of conditions for the effective functioning of the National Council for Consumer Protection to the minister of Economy;
- Training of officers working in controlling bodies, including those working in consumer protection units with local authorities. Organisation of seminars and workshops on surveillance and control on marketing practices;
- Setting up of Conciliation Commissions within regional units of the Commission on Trade and Consumer Protection and training of their staff;
- Training of magistrates (judiciary) on issues related to the enforcement of the consumer protection legislation;
- Supporting the activity of non-governmental organisations for consumer protection;
- Setting up of a structure of Citizens Advice Bureaus on the territory of the country.

PROTECTION OF CONSUMERS' HEALTH AND SAFETY

In the context of this priority the following will be implemented:

Elaboration of a mechanism for coordination of the activity of different controlling bodies, including controlling bodies within local authorities, having competence on safety of products placed on the market;
Setting up of a functioning system for exchange of information on dangerous products placed on the market;

Drafting and adoption of an instruction for the enforcement of Regulation № 4, dated of 1999 for the withdrawal from the market of dangerous products and their destruction;

Drafting and adoption of a Regulation which shall transpose into Bulgarian legislation requirements laid down in Directive 87/ 357

PROTECTION OF THE ECONOMIC INTERESTS OF CONSUMERS

In the context of this priority the following will be implemented:

Transposition of article 5 of the 1980 Rome Convention on the law applicable to contractual obligations, namely consumer contracts into the Law on Consumer Protection and Trade Rules through making an amendment of the Law on Obligations and Contracts;

Elaboration of a draft law on Tourism which shall transpose into Bulgarian legislation requirements laid down in Directive 90/314/EC on package travel;

Elaboration of a mechanism for handling consumer complaints;

Intermediary activity for the settlement of consumer disputes;

Organisation of information campaigns for consumers to familiarize them with consumer protection legislation and with their rights

MEDIUM-TERM PRIORITIES

STRENGTHENING OF THE INSTITUTIONAL STRUCTURE FOR CONSUMER PROTECTION

In the context of this priority the following will be implemented:

Strengthening of the administrative body which shall carry out the consumer protection policy and shall coordinate activities in the field of consumer protection undertaken by the other administrative authorities;

Training of officers of the Commission on Trade and Consumer Protection for the adequate enforcement of the Law on Tourism which shall regulate package travel contracts;

Setting up of Citizens Advice Bureaus on the territory of the country.

PROTECTION OF THE ECONOMIC INTERESTS OF CONSUMERS

In the context of this priority the following legal and regulatory acts will be adopted:

Amendment to the Law on Consumer Protection and Trade Rules to transpose Directive 97/55 on comparative advertising and Directive 97/7 on distance selling;

Adoption of a new law on Tourism to transpose Directive 90/314 on package travel;

Adoption of a law on consumer credits, to transpose Directive 87/102/EEC on consumer credit;

Amending the existing legislation to transpose Directive 94/47 on the protection of purchasers in respect of certain aspects of contracts relating to the purchase of the right to use immovable properties on a timeshare basis.

Amending the existing legislation to transpose Directive 99/44 on certain aspects of the sale of consumer goods and associated guarantees.

PROTECTION OF THE COLLECTIVE INTERESTS OF CONSUMERS

Amending the existing legislation to transpose Article 2 of Directive 98/27 on injunctions for the protection of consumers' interests.

ADMINISTRATIVE CAPACITY

The Law on Consumer Protection and Trade Rules sets out the framework for the establishment of the institutional structure for consumer protection in Bulgaria. This law designates the authorities competent to enforce the consumer protection legislation in Bulgaria.

The Law on Consumer Protection and Trade Rules provides assigns functions related to consumer protection to the following administrative and consultative bodies:

Ministry of Economy – elaborates and carries out the consumer protection policy and drafts consumer protection legislation;

Commission on Trade and Consumer Protection at the ministry of Economy –enforces the consumer protection legislation;

National Council for Consumer Protection – a consultative body to the minister of Economy, which shall provide assistance to the latter for carrying out of consumer protection policy. It shall consult the Minister of Economy on issues, related to the carrying out of such a policy; it shall submit proposals through the minister of Economy for the elaboration of legal regulations for consumer protection; it shall carry out programmes for consumer protection and shall encourage the conclusion of agreements between consumer associations and professional organisations of traders;

Conciliation commissions set up with regional units of the Commission on Trade and Consumer Protection. They provide assistance for the out of court settlement of consumer disputes and for the protection of consumers' rights and interests.

Consumer protection units with local authorities. The law on Consumer Protection and Trade Rules provides for the possibility to grant competence in the activity of control to local authorities, mainly in the field of product safety of products placed on the market.

By a Decree of the Council of Ministers №138, dated of June 29, 1999 the National Commission on Trade within the Ministry of Trade and Tourism was transformed into Commission on Trade and Consumer Protection. In pursuance of article 51 of the Law on administration a regulation on the structure of the Commission on Trade and Consumer Protection and its administration was adopted by a Decree of the Council of Ministers N 161 of August 5, 1999, which establishes the administrative structure of the Commission on Trade and Consumer Protection. At present 188 people within 9 regional and 28 district offices work in the Commission on Trade and Consumer Protection.

The Commission on Trade and Consumer Protection and consumer protection units with local authorities are responsible for the enforcement of the consumer protection legislation.

The Commission on Trade and Consumer Protection shall set up a functioning system for exchange of information on dangerous products placed on the market on the territory of the country.

Training of officers working in controlling bodies, including the officers working in consumer protection units with local authorities shall be done with regard to the following:

training on specific issues related to consumer law and the protection of consumers such as product safety – risk assessment, product liability, misleading advertising, unfair contract terms, etc;

specific training on the procedure to be followed in carrying out of the activity of control;

training of members of Conciliation commissions set up for the out of court settlement of consumer disputes. (seminars and workshops to be organized by the Commission on Trade and Consumer Protection and by the Bulgarian National Consumer Association);

improvement of language and computer skills of officers working in administrative bodies for consumer protection.

FINANCIAL NEEDS

FOR SHORT-TERM PRIORITIES

State Budget	176.400EUROS
PHARE	2.300 EUROS
Others	31.000 EUROS
Total:	209.550 EUROS

FOR MEDIUM-TERM PRIORITIES

State budget	47.500 EUROS
PHARE	10.000 EUROS
Total:	57.500 EUROS

EXPECTED RESULTS

Building up of consumer confidence in the market of products and services and achieving a high level of consumer protection, including protection of consumer's health and safety. Promotion of an active behaviour

pattern of consumers encouraging them to rely on more efficient legal remedies for the protection of their rights, in compliance with provisions contained in Bulgarian legislation.

Strengthening of the institutional structure for consumer protection, which is a pre requisite for the efficient enforcement of the consumer protection legislation.

Strengthening of consumer movement in Bulgaria through the provision of financial assistance and support to the activity of nongovernmental organisations for the protection of consumers.

24. JUSTICE AND HOME AFFAIRS**ASYLUM****CURRENT SITUATION**

The Refugees Act adopted by the National Assembly on 27 May 1999 entered into force on 1 August 1999. The Refugees Act regulates the strict observation of the basic international instruments ratified in 1993 by the Republic of Bulgaria – the UN Geneva Convention Relating to the Status of Refugees (1951) and the New York Protocol (1967), the European Convention for the Protection of Human Rights and Fundamental Freedoms (1950). It is in full conformity with the EU *acquis* on asylum. A list of safe third countries has been drawn up.

A National Action Plan regarding future measures on asylum policy has been drawn up and approved. It seeks to improve the legislative basis on asylum and refugees, build an infrastructure for acceptance of refugees and their adaptation and integration in Bulgarian society. The procedure for granting temporary protection has also been regulated.

More specifically, the National Action Plan lays down the following objectives:

To strengthen the administrative capacity of structures that implement the *acquis* and establish two transit centres at the busiest border checkpoints: Sofia Airport and Kapitan Andreevo.

To provide in association with the Police Academy specialized training for the Border Police in summary offence dealing.

To contrive a special edition entitled *Legal Instruments on Asylum and Refugees*.

On 1 October 1999 the National Border Police Service (NBPS) gave away on a temporary basis premises in the vicinity of Kapitan Andreevo Border Checkpoint for the implementation of summary proceedings under Article 49 of the Refugees Act.

Social adaptation and integration of refugees has been secured by vocational and language programs. Special centres work with women and children as well as with individuals seeking asylum. Policy unification programs regarding refugee flows and migration have also been developed in view of enhancing bilateral and multilateral cooperation with relevant European refugee agencies.

PRIORITIES

Further development of migration policy and asylum seeking procedures in accordance with the Schengen *acquis* is of priority importance.

The country's Medium term priorities in the field of asylum include administrative strengthening and building of transit centres. Their implementation will ensure efficient application of the Refugees Act. The interdepartmental group recently established by the Agency for Refugees starts work in early March 2000. A project for transit centres at Sofia Airport and Kapitan Andreevo border checkpoints is being developed with the assistance of European Commission experts.

ADMINISTRATIVE CAPACITY

The Agency for Refugees has been established by under the Refugees Act as a government agency fulfilling the executive policy of the Republic of Bulgaria on the application of the 1951 Geneva Convention Relating to the Status of Refugees and the 1967 New York Protocol.

By virtue of the Refugees Act the Agency shall be comprised of a central office and transit, registration, acceptance and integration centres.

The administrative structure of the Agency is in a process of alignment to the Refugees Act and the Administration Act. To this end, the Council of Ministers will adopt the Agency's Rules of Association, which will regulate its structure, capacities, functions and number of officers.

Presently, the Central Office is organized in departments and employs 96 people. After its new structure has been adopted, the Central Office personnel will be organized in 6 directorates.

So far only one territorial branch of the Agency has been opened – the Registration and Acceptance Centre in the village of Banya, Nova Zagora District. The Agency is ready to open a Refugee Registration Centre and an Integration Centre in Sofia.

The officers of the Agency are trained by UNHCR and IOM and under bilateral cooperation programs with similar European agencies via exchange of expertise, on-spot education, seminars and other joint forums.

FINANCIAL NEEDS

The Agency for Refugees is a state-funded legal entity. The UNHCR Branch Office in Sofia supports its activity. On the basis of an annually renewed cooperation agreement the UNHCR Branch Office funds projects and programs for refugee sustenance.

The building of the two transit centres will be funded on a joint basis by the Phare Program and a loan from the Council of Europe Social Development Bank.

MIGRATION AND BORDER CONTROL

STRENGTHENING OF BORDER CONTROL AND COUNTERING ILLEGAL MIGRATION

Current situation

In 1999 the process of harmonization of the domestic legislation with that of the EU countries and the Schengen Agreement in the field of enhancing border control and countering illegal migration continued.

A number of new laws and by-laws that form the legal framework of the activities of the competent state authorities in the field of migration and border control have been adopted.

New legislation

The Bulgarian Identity Documents Act entered into force on 1 April 1999. The new Identity Documents are elaborated in conformity with the European Union standards and they possess all levels of protection against forgery.

The amendments to the Bulgarian Identity Documents Act stipulate that the replacement of the documents be completed by 31 December 2000.

The issuance of Bulgarian Identity Documents is regulated in details by the Rules for Issuance of Bulgarian Identity Documents adopted in March 1999.

The Bulgarian Citizenship Act adopted in 1998 regulates the terms and conditions of granting, restoring and renouncing Bulgarian citizenship. It is to be amended in the immediate future in order to be brought in line with the Council of Europe Convention for Citizenship (1997) signed by the Republic of Bulgaria on 15 January 1998. The draft was submitted to the Council of Ministers in March 2000.

The National Assembly has adopted the Civil Registration Act, which entered into force on 31 July 1999. The Act stipulates the terms and conditions of civil registration of physical persons in the Republic of Bulgaria – all Bulgarian citizens, foreign nationals with permanent residence permits and stateless persons who have settled into the country on a long-term basis and have been granted a refugee status.

The Amending Act on the Ministry of the Interior Act (promulgated on 7 April 2000, SG No. 29), stipulates that the Ministry of the Interior shall guard and control state borders (not “guard and protect” as it was provided by the existing Ministry of the Interior Act, Art. 7, Par. 7), which is in conformity with the European standards in this area.

By-laws

The NBPS has updated its Conception and Development Plan in view of the adoption and implementation of European standards and practices.

Regional border units are carrying out accelerated personnel recruitment and technical renovation. The final demilitarisation (replacement of military conscripts with full-time police staff) is to be completed in 2002.

The Republic of Bulgaria and the International Organization for Migration signed a Cooperation Agreement on 12 November in Budapest (Hungary).

Apart from the measures taken in view of legislative harmonization, the country makes other practical steps towards further border control compliance with European requirements. The International Departures Terminal at Sofia Airport is under reconstruction. It will be provided with additional check-in desks, will have its conveyor belts installed directly in front of the passenger flow and will be furnished with a monitoring room allowing visual control and observation of the terminals and the areas around them as a step towards establishing an overall monitoring and security control system.

Sofia Airport will have a new passenger terminal and new runway network system constructed according to the Schengen requirements of passenger flow distribution, provision of separate corridors for EU and Schengen nationals, strict security measures, two- and three-stage checkups, in compliance with the EU external border standards.

Short-term priorities

The short-term priorities of the NBPS arise from the strategic goal to tackle effectively illegal migration and transborder crime, and to provide effective border control and management in compliance with the European external border requirements and standards.

The Rules for Implementation of the Foreign Nationals Act has been submitted for consideration to the Council of Ministers. It provides detailed regulation of the control over foreigners staying in Bulgaria on no legal grounds or on legal grounds that are no longer valid.

It is anticipated that Art. 112 of the Protection at Unemployment and Encouragement of Employment Act will be amended in 2000 in respect of penalties imposed on illegally working foreigners. It has been proposed that the fine for such persons should amount to the one provided by Art. 48 of the Foreign Nationals Act.

Paragraph 11(a) of the Final Provisions of the Protection at Unemployment and Encouragement of Employment Act provides for amendments to Articles 24 and 25 of the Foreign Nationals Act concerning foreign nationals' family members staying and working in the Republic of Bulgaria.

Medium term priorities

Complete acquisition of Schengen standards of border control and management, and attainment of border governance that complies to the EU external border requirements

The main Medium term priorities include complete acquisition of Schengen standards of border control and management, and attainment of border governance that complies with the EU external border requirements. Those are to be accomplished with the aid of the following measures:

- Finishing of the reconstruction at Sofia Airport and establishing strict border control compliant with EU external border standards.

- Further updating and harmonization of the legislative and institutional framework that provides basis for border control authorities development.

- Reorganization of the Border Police so that it turns into a modern professional European-style police service. To that end, it is of priority importance that the replacement of conscript military personnel with full-time police officers be completed by 2002.

- Developing an integrated operational strategy for the border sector of Lyubimetz (at the Turkish border), which will acquaint the Bulgarian Border Police with operational standards and practices based on the best border control practices of the European Union.

- Creating a Border Police Training Centre in the town of Pazardjik; elaborating a training strategy as well as specific training programs for the border control staff.

- Furnishing with modern equipment that will create the necessary conditions for acquisition of the new border control and management strategies.

- Facilitating border crossing between Bulgaria and Romania by harmonizing the procedures, improving the information exchange between the relevant authorities of the two countries and developing the infrastructure.

Administrative capacity

In order to achieve successful application and further harmonization of border control legislation the NBPS has been working on an appropriate administrative potential of managing structures and professionally competent police utilizing the necessary modern technology devices within the financial capacity of the Service.

The NBPS is structured under the provisions of the Ministry of the Interior Act and the Rules of its implementation. It consists of a central unit – the Border Police Directorate, and 13 regional border sections that include 28 border checkpoints.

The Service is headed by a Director, deputy directors and heads of regional border sectors. It employs 3900 professional police (commissioned and non-commissioned officers) and 670 public administration.

The protection of the green (land) and the blue (sea and Danubian) borders is reinforced by additional 5000 conscript soldiers. According to the Program Plan, by 2002 the Service will be completely restructured to employ police staff only replacing the conscript military with professional police. The first act of transformation

was ordained by Government Decree in June 1999 resulting in the appointment of 600 commissioned and non-commissioned officers in the place of 1000 military. The second stage of that process is planned for 2000 and another 2000 military will be replaced by 1300 police officers.

Control at the border checkpoints is carried out only by professional officers of the NBPS.

Border Police officers are able to improve their professional skills through a number of qualification, retraining and language courses. The Border Police Training Centre that will be built in the town of Pazarjik will further contribute to the enhancement of the administrative capacity of the Service. Its training program will emphasize particularly on management of human resources.

Financial needs

The National Border Police Service is a structural element of the Interior Ministry system. It is entirely supported by the state budget.

The resources necessary for accomplishment of the above mentioned short-term and Medium term priorities will be provided through joint funding, including both the state budget and financial assistance from the Phare Program and other donors.

The effective implementation of the modernization and technical renovation program will be additionally supported by bilateral cooperation as a collateral fund raising opportunity.

MEASURES TO HARMONIZE THE VISA AND MIGRATION POLICY

Current situation

Council of Ministers Decree No. 35 of 25 February 1999 has initiated a reform concerning the visa regime of the Republic of Bulgaria. The said decree revokes Council of Ministers Decision No. 265 for the introduction of a visa-free regime for foreign nationals when visiting the Republic of Bulgaria.

Pursuant to the above Council of Ministers Decree, Bulgaria has rescinded its bilateral visa-free regime agreements with the following countries (effective as of 1 January 1999): the Republic of Armenia, the Azerbaijan Republic, the Republic of Belarus, the Republic of Kazakhstan, the Republic of Kyrgyzstan, Moldova, the Republic of Tajikistan and Turkmenistan as well as the agreements with the Republic of Cuba and Bosnia and Herzegovina (effective as of 1 September 2000).

The Regulation on the Terms and Conditions of Visa Issuance by the Diplomatic Missions and Consular Departments of the Republic of Bulgaria (SG,² No. 20/05.03.1999) has created legal environment for harmonization of the visa regime in the Republic of Bulgaria with the standards set by the Schengen Agreement.

The said Regulation has initiated procedures for concluding readmission agreements with those countries that are not listed in its relevant section, but are on the EU negative list. The Regulation has introduced full registration of all entries and exits of people through all border checkpoints. Special software has been developed for the permission-granting regime when issuing entry visas to citizens of 62 risk countries.

The Visa Centre established at the Ministry of Foreign Affairs, which issues visa permissions, has electronic connection to the Bulgarian diplomatic missions abroad and to all border checkpoints. Very soon, an interdepartmental information exchange system controlling the entry of foreign nationals in Bulgaria will be developed. The system will align the national standards to those of the Schengen Agreement member states. It will be set up in close cooperation with experts from the member states. Results are to be expected in a short-range perspective – by the end of 2000. In view of the institutional guarantee for a positive effect, the introduction of standards will be promoted by the adoption of secondary legislation establishing an additional statutory basis in the field of extradition as well as of by-laws regulating the status of consular officials.

The Republic of Bulgaria has concluded readmission agreements with all EU Member States with the exception of Ireland and the UK. At present, a readmission agreement with Great Britain is under negotiation. Bulgaria has concluded readmission agreements with the following candidate countries: The Czech Republic, Poland, Hungary, Slovakia, and Slovenia.

Short-term priorities

² The Official State Gazette of the Republic of Bulgaria.

Agreements on readmission and transit transportation at expulsion of illegally staying nationals with the countries retaining their visa-free regimes

Bulgaria has started negotiations for agreements on readmission and transit transportation at expulsion of illegally staying nationals with the countries retaining their visa-free regimes. The negotiations are based on the framework matrix approved with Council of Ministers Decision of 24 February 1997. Consultations with the Republic of Croatia, Latvia, Romania, Georgia and Tunisia are at an advanced stage. The Ministry of Foreign Affairs continues to exercise persistent efforts for concluding a readmission agreement with the Russian Federation on the basis of the project proposed by Bulgaria. Forthcoming is the signature of a similar agreement with the Ukraine.

CUSTOMS COOPERATION

Current situation

The issues relating to improving customs cooperation and exerting more efficient customs control are significant components of the *Acquis Communautaire* in the field of Justice and Home Affairs.

One of the principal tasks of the Bulgarian Customs Administration (BCA) in the process of European Union enlargement is the control over EU external borders through efficient control mechanisms for society protection (combating smuggling and drug trafficking, illegal trading in arms and nuclear materials and other forms of illegal traffic).

With the amendments to the Criminal Procedure Code the BCA has been entitled to investigation of crimes related to customs and currency regime in the country, including investigation of drug trafficking offences committed by Bulgarian nationals.

On 1 January 2000 a new Currency Act as well as the Rules for its Application entered into force. This Act has introduced new currency customs declarations and commodity customs declarations.

Mutual assistance between the administrative institutions on customs-related issues is executed following the provisions of Protocol 6 to the European Agreement of Association between the European Communities and their Member States and the Republic of Bulgaria.

The signature of the Agreement on Customs Cooperation between the Government of the Republic of Bulgaria and the Government of the Republic of France is forthcoming in 2000.

The goals laid down in the United Nations Drug Control Program /UNDCP/ and the PHARE Program for enhancing the capacity of law enforcement bodies to combat drugs in Southeast Europe have been brought to successful implementation.

The draft Regulation for undertaking border measures for intellectual property rights protection is in conformity with Regulation 94/3295/EEC on measures forbidding the free circulation, export and re-export of falsified and piratical goods or their seizure. This draft Regulation reflects the obligations of the Republic of Bulgaria arising from the ratification of the TRIPS Agreement.

The BCA participates actively in the BALKAN-INFO and CARGO-INFO international customs information systems for drug trafficking via the so-called "Balkan route". It has been accepted with full unanimity as an observer to the MAR-INFO (for drug trafficking in large sea vessels and containers) and to YACHT-INFO (for drug trafficking in small sea vessels and yachts). Bulgaria is the first East European country to be authorized to receive operational information about sea vessels suspected of drug trafficking. Undoubtedly, this indicates recognition of the role played by the Customs Administration in the fight against drugs.

During last year the Bulgarian Customs Administration was actively involved in the LEO operation on illegal trafficking in drugs with the participation of 26 European countries.

Priorities

Comprehensive review of the current legislation

It is of priority importance in the customs area that Bulgarian customs-related legislation be further harmonized with the *acquis*. That process will be supported by a comprehensive review of the current legislation focused on identifying its shortcomings and making the necessary amendments.

Fighting customs corruption

The efforts are particularly focused on fighting customs corruption and taking concrete measures with that reference. They will include an analysis of the current situation involving development of an Anti-Corruption

Strategy that should tackle the illegal actions of BCA officers. Moreover, Bulgarian laws and by-laws will be adapted in the context of anti-corruption measures alongside the elaboration of a Code of Ethics and Customs Officers' Status.

Introduction of an automated processing system

The Customs Administration is to be completely computerized introducing an automated processing system for declarations and providing appropriate interfaces and additional software.

Administrative capacity and financial resources

The customs administration is a centralized system subordinated to the Ministry of Finance comprising the following departments: General Customs Administration, Regional Customs Administrations (5), Customs Offices (17) and their Customs Bureaus and Checkpoints. The total number of customs staff is 3792.

Customs officers are trained at the Resource Training Centre, which is an independent structural unit of the General Customs Administration.

The adoption of customs instructions as well as the development and implementation of a Code of Ethics and Customs Officers' Status will support the improvement of BCA's administrative capacity.

All financial resources necessary for implementation of the measures intended to reach the above priorities will be secured from the state budget and through Phare and other donor programs funding.

ORGANIZED CRIME, FRAUD AND CORRUPTION

CURRENT SITUATION

The National Strategy against Crime adopted by the Council of Ministers in 1998 laid down the basis for development of a comprehensive base of legal regulations on the problems of shadow economy and money laundering updating the standards of criminal and administrative liability. The aim is to identify clear-cut economic and financial mechanisms for neutralization of the attempts of organized criminal structures to influence different spheres of national economy and become legitimised through the privatisation process.

The following measures for legal regulation development have been undertaken in order to implement the basic tasks arising from the National Strategy against Crime:

Acting under the Measures against Money Laundering Act (Art. 10, Par. 2), the Minister of Finance endorsed a Regulation on the structure and activity of the Bureau of Financial Intelligence on 24 January 2000 (SG, No. 9/2000).

The Council of Ministers has adopted in principle the Draft Amending Act on the Measures against Money Laundering Act. It envisages extension of the powers of the Bureau of Financial Intelligence, as well as its setting apart as an independent agency entrusted with the gathering and analysing of information on suspicious transactions and reporting them to the law enforcement authorities.

Three Memoranda of Understanding and Exchange of Information in the field of countering money laundering have been signed with Belgium, the Czech Republic and Latvia. Signature of similar Memoranda with France, Italy and Romania is in the process of preparation.

Several options have been prepared for a draft law imposing limitations on the disposition of illegally obtained property prior to the completion of the prosecution as well as its forfeiture for the benefit of the state for social purposes.

The various forms of misappropriation in the organization of games of chance is regulated by the Gaming Act (SG, No. 51/99, effective as of 7 June 1999), which stipulates the terms and conditions of organizing and participating in games of chance as well as the control measures on such an activity.

Acting under Art. 19, Par. 2 of the Act, the Council of Ministers has adopted a Regulation (SG, No. 921/99) defining the content of written applications for gaming organization permits (licenses) and their enclosures relating to manufacture, as well as applications for a permission to manufacture, import and distribute gambling devices.

The Amending Act on the Insurance Act (1996) was adopted in October 1999. Chapter 5 of this Act includes new provisions relating to insurance via brokerage and agency.

On the grounds of the Act, the Council of Ministers has adopted a Regulation on insurance brokers and insurance agents (SG, No. 111/21.12.99) that initiates a license regime.

SHORT-TERM PRIORITIESDraft Act amending the Penal Code

In February 2000 the Council of Ministers approved and submitted to the National Assembly a Draft Act amending the Penal Code, which criminalize the following offences:

- some forms of budgetary misappropriations;
- bribe offers and demands to local and foreign public officials as well as the requirement and agreement to take a bribe. Besides, the above mentioned Draft Act abolishes the limited punishment for active bribery of foreign public officials only as far as foreign trade activities are concerned. It also envisages stricter penalties for all forms of bribery.

Bulgarian legislature is preparing a new Penal Code, which should be completed by July 2000, providing a new approach to the criminalisation of all forms of serious criminal offences: organized crime, money laundering and bribery, which is in full compliance with the requirements contained in the international legal instruments of the Council of Europe, OECD, the European Union and UN.

Ratification of the Council of Europe Civil Anti-Corruption Convention

In March 2000 the Government submitted to the National Assembly a proposal for ratification of the Council of Europe Civil Anti-Corruption Convention signed on 4 November 1999. The main purpose of the Convention is the obligation of the signatories to introduce in their legislation efficient remedies for individuals and legal persons who have suffered damages from corruption.

Draft Amending Act on the Administrative Offences and Punishments

In April 2000 the Government approved and submitted to the National Assembly The Draft Amending Act on the Administrative Offences and Punishments, which will impose criminal administrative liability on legal entities for the offence of corruption committed by their executives and executive bodies.

Draft Act against Financial Crime and a Draft Act on the Public Register of High Government Officials' Property and Incomes

A Draft Act against Financial Crime and a Draft Act on the Public Register of High Government Officials' Property and Incomes are under preparation.

ADMINISTRATIVE CAPACITY AND FINANCIAL NEEDS

The National Service for Combating Organized Crime (NSCOC) is a specialized police unit for detection and neutralization of both domestic and transnational criminal activity. NSCOC consists of a Directorate and 28 regional units. It is headed by a Director, appointed by the President of the Republic of Bulgaria and two Deputy Directors. The total staff of the NSCOC Directorate is 369 officers, and the regional units are manned with 6 to 30 officers depending on the specific situation in the region.

The Security and Public Order Act, whose adoption is expected in a short-term perspective, will bring restructuring to the police services, including NSCOC. NSCOC's structure will be optimised, and its activity will be reduced to three main areas: fight against drugs and drug networks; fight against domestic and transnational criminal activity and corruption; money laundering by criminal groups and associations.

All NSCOC officers have higher education, more than half of them have graduated from the Police Academy. Currently, the Police Academy is running a retraining program. The short-term priorities have laid the implementation of an intensive training program supported by expert assistance from the EU member states.

On the initiative of the Chief Prosecutor aimed at developing and enhancing the coordination, interaction and information exchange between the competent authorities in the fight against organized crime and in compliance with the capacities of the competent authorities, interdepartmental target groups have been established for the purpose of speeding up investigations concerning cases of particular importance.

Priority goals will be financially secured from the state budget. Personnel's training is funded both by the budget and through bilateral cooperation projects.

Ministry of Finance's Bureau for Financial Investigation is to be reorganized into an independent agency administratively subordinated to the Minister of Finance. The Bureau's personnel will increase to 40. It is necessary to adjust the work organization according to the Measures against Money Laundering Act.

The Bureau's available resources for further institution building, training and technical equipment are quite insufficient. This leads to the necessity to seek additional funds other than those allotted in the state budget and the Phare Program.

POLICE COOPERATION

CURRENT SITUATION

In implementation of the National Strategy against Crime of 1998 the Ministry of the Interior has sustained its bilateral and multilateral cooperation with Germany, Italy, Greece, Sweden, Hungary, Canada and other countries. Joint action with Interpol and special police services from the CEE, Balkan and CIS countries has expanded.

An Agreement between the Government of the Republic of Bulgaria and the Government of the Federal Republic of Germany on secret information protection was signed on 29 October 1999. This year the countries will sign an Agreement on Assistance provided by the German Federal Ministry of Home Affairs in the field of combating transborder crime and illegal migration.

The contractual law basis of police cooperation with the associated CE countries has expanded. On 17 March 1999 the governments of the Republic of Bulgaria and the Czech Republic signed an Agreement on cooperation in combating organized crime, illicit trafficking in drugs and psychotropic substances, terrorism as well as other kinds of dangerous criminal activities.

An intergovernmental Agreement on police Cooperation with the Republic of Slovakia was concluded on 4 November 1999.

The European program for police training in the countries of Central and East Europe (Enfopol 188) has contributed to the establishment of useful contacts and exchange of expertise with the police services of both member states of the European Union and associated countries thereto. The program will continue until the end of this year.

SHORT-TERM PRIORITIES

Institutionalised cooperation with Europol

It is expected that the negotiations for institutionalised cooperation with Europol will start this year. Meanwhile, the Ministry of the Interior continues working on the future establishment of a national Europol liaison unit.

Protocol to Art. 1 of the Agreement on Police Cooperation

The Protocol to Art. 1 of the Agreement on Police Cooperation concluded between the Government of the Republic of Bulgaria and the Government of the Kingdom of Belgium, whose draft was endorsed by the Council of Ministers on 25 March 1999, will be signed in 2000.

Minority policing

The Police Assistance Program supported by the British Know How Fund will be extended towards the establishment of nation-wide models based on the existing pilots implemented in the field of minority policing.

MEDIUM-TERM PRIORITIES

Further harmonization of domestic legislation to the *acquis* Schengen and Europol

Effective police cooperation depends to a considerable extent on the further harmonization of domestic legislation to the *acquis* (Schengen and Europol). A practical step towards the enlargement of that cooperation will be the establishment of a national information system compliant with the standards and principles of the Schengen information system, and the development of basic rules for information system usage consistent with the European requirements.

National information system of stolen motor vehicles

A national information system of stolen motor vehicles, compliant with European standards and requirements will be established on a mid-term basis. Its effectiveness will be guaranteed by an enhanced capacity for automated forensic analysis and further development of forensic analytical techniques.

Integration with the Schengen information system

The successful adoption of that system will create the basis for future integration with the Schengen information system and help to intensify police cooperation with EU member states.

ADMINISTRATIVE CAPACITY AND FINANCIAL NEEDS

The Interior Ministry's International Cooperation Directorate and the specialized units for police cooperation and international exchange carry out police cooperation.

The full-time training course and the shorter forms of initial training and retraining of Interior Ministry officers contain extended police cooperation modules.

The improvement of the qualification of officers working in this area requires seeking further training and expert assistance from EU member states. Special emphasis is laid on joint elaboration with EU experts of training programs concerning personal data protection for officers working with information systems.

DRUGS

CURRENT SITUATION

The National Assembly has adopted the Amending Act on the Penal Code (SG, No. 21/17.03.2000), which harmonizes Bulgarian criminal legislation with the UN Convention against the Illegal Traffic in Narcotic Drugs and Psychotropic Substances.

The amendments to the Penal Code guarantee for the effective enforcement of the Drug and Precursor Control Act that came into force on 3 October 1999.

Ordinance No. 03-113/1999 issued by the Deputy Minister of Justice has set up an intergovernmental expert team to draft the by-laws.

To date, the following drafts have been prepared:

Regulation on the terms and conditions of seizing, storing, destroying and scientific research of drugs and drug plants, and taking samples from them.

Regulation on the operation of specialized drug testing laboratories.

Precursor Control Regulation.

National Drug Council Statutes.

Those have been submitted to the Council of Ministers for consideration.

Forthcoming is issuance of a Decree regulating the conditions for growing, seed producing, importing and exporting under-0.2 weight per cent tetrahydrocannabinol-containing plants and seeds of the hemp family (cannabis), and for importing and exporting opium poppy seeds. The draft has been coordinated with the relevant ministries and agencies and expects its endorsement by the Minister of Agriculture and Forests.

A comprehensive program for prevention of any attempts to use the country as a transit point of international trafficking in drugs and their raw materials is being developed. The Ministry of the Interior has prepared a draft program for prevention of any attempts to use the country as a transit point of international trafficking in drugs and their precursors and grow drug plants.

SHORT-TERM PRIORITIES

Fight drugs and drug-related crimes

Short-term priorities are dictated by the strategic goal to fight in an effective way drugs and drug-related crimes and by the immediate task to prevent any attempts at using the country as a transit point of international trafficking in drugs.

Comprehensive system of by-laws

A comprehensive system of by-laws related to the Act on Narcotic Drugs and Precursors Control is expected by the end of 2000. The Protocol of the National Drug Council meeting of 15 April 1999 determines the structures/institutions responsible for the creation of the relevant delegated legislation.

Enhancing the cooperation capacity of law enforcement agencies of Southeast European countries

The UNDCP-PHARE Program aimed at enhancing the cooperation capacity of law enforcement agencies of Southeast European countries in the field of combating the drug problem continues further on. The capacity for tackling the drug traffic in motor vehicles via international airports and Black Sea ports as well as the possibilities of transborder controlled deliveries will be increased in a short-term perspective.

MEDIUM-TERM PRIORITIES

Strengthening of the capacities of the Bulgarian institutions

Further strengthening of the capacities of the Bulgarian institutions involved in combating drugs and improvement of interdepartmental cooperation are crucial for an increased effectiveness in this area.

Comprehensive National Drug Strategy

To this end, a comprehensive National Drug Strategy as well as additional programs and action plans aimed at drug supply and demand reduction in compliance with European standards and practices will be developed.

ADMINISTRATIVE CAPACITY AND FINANCIAL NEEDS

The main law enforcement agencies involved in anti-drug activities are the NSCOC (Ministry of the Interior) and the General Customs Administration (Ministry of Finance).

A National Operational and Information Centre that will coordinate drug-related crime information received by the public order and national security services have been created as a unit of the National Service for Combating Organized Crime. It has capacity for tactical analysis of intelligence to be used for prosecution on both national and international scales.

There is ongoing institution building of Regional Police Services' specialized prevention and crime disclosure units dealing with illegal possession and supply of drugs.

The Council of Ministers' National Drug Council (NDC) is an advisory body chaired by the Minister of Health. It is deputy-chaired by the Chief Secretary of the Interior Ministry and the Deputy Minister of Justice. The role and powers of the Council are considerably expanded by the Act on Narcotic Drugs and Precursors Control (1999). The Council is assisted by a Secretariat whose members represent all departments working on drug problems. The administrative capacity of the Secretariat and its financial security need improvement if it is to operate normally and perform its tasks.

In compliance with the Act on Narcotic Drugs and Precursors Control, Municipal Drug Councils will be established in order to conduct NDC's policy on a local basis.

Bulgarian law enforcement agencies' operational, information and analytical capacity will be enhanced by the creation of an interagency drug intelligence unit, which should lead to enlarged interaction among them.

Provision of training for officers working in the field of drugs and study visits to EU Member States will further develop the acquisition of European standards and practices in this area.

The above short-term and Medium term priorities will be financially secured both from the state budget and through the Phare Program and other international donors utilizing the possibilities of providing funds via bilateral cooperation.

JUDICIAL COOPERATION

CURRENT SITUATION

The Republic of Bulgaria signed the Criminal Convention against Corruption on 27 January 1999.

On 27 January 1999 the Republic of Bulgaria ratified the Statute of the Hague Conference on Private International Law (SG, No. 10/05.02.1999), which will enable the country to take an active part in the

elaboration of new conventions on private international law and supplementary protocols to the adopted conventions.

Bulgaria has joined three Hague conventions in the field of civil law by adopting three ratification acts (on 08.09.1999):

Convention on the service abroad of judicial and extra-judicial documents in civil and commercial matters (1965).

Convention on the taking of evidence abroad in civil and commercial matters (1970).

Convention on the international access to justice (1980).

SHORT-TERM PRIORITIES

Hague Convention abolishing the Requirement of Legalization for Foreign Public Documents

The preparations to join the Hague Convention abolishing the Requirement of Legalization for Foreign Public Documents (1961) and the Hague Convention on Protection of Children and Cooperation in Respect of Intercountry Adoption (1993) have been completed. It is expected that Bulgaria will ratify them until the end of 2000.

Rome Convention on the law applicable to contractual obligations

In order to facilitate maximum integration with the requirements of the Rome Convention on the law applicable to contractual obligations (1980), the Bulgarian legislature will prepare by the end of 2000 an Amending Act on the Obligations and Contracts Act.

Extradition and legal assistance agreements

It is expected that Bulgaria will sign an extradition agreement with India by the end of 2000 as well as an agreement on judicial assistance in civil matters with FYROM.

MEDIUM-TERM PRIORITIES

Judicial reform

The judicial reform and the establishment of a better operating judiciary are key elements in Bulgaria's EU accession strategy. This has led to continuous strengthening of the judiciary, including in the field of judicial cooperation.

Lugano Convention

There are ongoing preparations for accession to the Lugano Convention on jurisdiction and enforcement of judgments. To this end, an Amending Act on the Civil Procedure Code will be elaborated by the end of 2001.

ADMINISTRATIVE CAPACITY

The structures preparing the changes in our domestic legislation and the alignment to the international conventions are subordinated to the Ministry of Justice: the Legislation Council Directorate and the International Legal Cooperation and International Legal Assistance Directorate. The implementation of short-term and Medium term priorities does not require creation of new structures.

The basic authority to apply the above conventions is the court.

In view of enhancing the effectiveness of law enforcement operation, special attention is paid to the measures for judicial and administrative training, particularly their knowledge of European Law and EC Judicial Practice. The Magistrate Training Centre founded in 1999 plays an important role in this respect.

FINANCIAL NEEDS

Since the Ministry of Justice is funded mainly from the state budget, extra funding within the framework of the Phare Program or other sources (bilateral projects) is inevitable in view of the functions of the Ministry in the judicial reform as well as its leading role in the adoption and application of new legislation in the field of judicial cooperation.

It is necessary to provide additional funds for further institution building of the Ministry of Justice and improving the capacity of the judicial system with the aim to enhance its ability to adopt and apply the achievements of the *acquis*. The judicial cooperation will pay special attention to the practical implementation of the international conventions.

HUMAN RIGHTS MATTERS

CURRENT SITUATION

On 2 June 1998 the Republic of Bulgaria signed the European Council Convention No. 108/1981 for the protection of individuals with regard to automatic processing of personal data. By virtue of Art. 4, Par. 2 of the Convention the country is preparing measures for the execution of the Convention at the moment of its entry into force. In view of introducing Directive 95/46/EEC for protection of individuals in respect of the processing of personal data and the free transfer of such data, a team of experts has elaborated a legislative alignment conception regarding the necessary measures for execution of the Convention and introduction of the Directive.

The amendments to the Criminal Procedure Code have been effective since 1 January 2000. They have carried out one of the most substantial reforms in the criminal procedure. The National Police Service and the rest of the Interior Ministry policing services have been entrusted with direct involvement in the pre-trial phase of the criminal proceedings by investigating criminal offences and preparing documents that can be used as evidence in court.

The changes in the Criminal Procedure Code have occurred as a result of the need to cut down the period of pre-trial proceedings and achieve higher efficiency of crime investigation. The amended Criminal Procedure Code guarantees for protection of civil rights in compliance with the European Convention for the Protection of Human Rights and Fundamental Freedoms such as the right of freedom and safety, the right of fair justice and the right of respect to one's privacy and family. It has brought into accord the domestic legislation and the requirements of the Convention as well as adjusted the practice of Interior Ministry authorities involved in criminal procedure to the principles of the Convention and the European judicial practice.

Investigation authorities fulfil their duties under prosecutorial control and supervision. The court performs preliminary and subsequent control of the investigation authorities, including procedural duress measures.

The country has ratified the second optional protocol to the International Treaty on Civil and Political Rights aiming to abolish the capital punishment, and Protocol No. 6 to the Convention for the Protection of Human Rights and Fundamental Freedoms.

The Amending Act on the Ministry of the Interior Act (SG No. 29/07.04.2000) creates new institutes that align the domestic legislation to the *acquis* and which emphasize on the basic principals adopted with UN Resolution No. 43/173 for protection of all individuals subject to any form of detention or imprisonment, and in view of the application of compulsory police measures – “use of physical force and means of support” and “use of arms”. The further updating of legal regulations will place special emphasis on the above issues, according to the international legal instruments and our domestic legislation.

SHORT-TERM PRIORITIES

Personal Data Protection Act

An intergovernmental expert group at the Council of Ministers is working on a draft Personal Data Protection Act. According to the legislative schedule of the Government, the draft will be put forward to the National Assembly during its current session (until 31 July 2000).

Protection of Children's Rights

In view of the binding provisions of the UN Convention for the Protection of Children's Rights (1989) ratified by the Republic of Bulgaria in 1991, a draft Child Protection Act has been submitted to the National Assembly and is being considered by the Committee on Human Rights, Ecclesiastical Matters, Claims and Petitions of the Citizens. It is to be passed in 2000. Compliant to the same Convention as well as to the UN Minimum Standard Rules for Youth Justice adopted in conformity with UN General Assembly Resolution 40/33 of 1985, the Ministry of Justice has elaborated a draft Act on the Prevention of Offences by Infants and Minors. The draft has received principal approval by the Council of Ministers. Its adoption will abolish the currently operational Act against the Antisocial Behaviour of Infants and Minors and, in accordance with the UN

Minimum Standard Rules, will create alternative measures for social and disciplinary impact without resorting to the initialisation of court proceedings.

Penalty Execution Act

In observation of its commitments resulting from the European Convention for the Protection of Human Rights and Fundamental Freedoms, Bulgaria is about to adopt a new Penalty Execution Act. It is compliant with the European Prison Rules and the UN Minimum Prison Standards.

Law on female and male equality

In observation of its commitments resulting from Art. 14 of the European Convention for the Protection of Human Rights and Fundamental Freedoms, in 2000 Bulgaria will adopt a law on female and male equality, as well.

ADMINISTRATIVE CAPACITY

The precise application of the legal provisions resulting from the amendments made to the Criminal Procedure Code, which entitle the National Police Service and other Interior Ministry policing agencies to direct participation in the pre-trial stage of the criminal proceedings, has led to large-scale organizational and preparatory activity. The majority of the police staff who will deal with summary offences has been trained on a timely basis. At the same time, the internal legal regulations have been conditioned to provide the required conditions for police-led criminal proceedings.

Police training in human rights is regarded with special attention. In this respect, the Ministry of the Interior starts a joint police-training project with the Assistance Centre for Victims of Torture (ACET). It is planned that the police will take part in a practice-oriented project supported by the World Organization against Torture.

The study of the brochure entitled *Policing and Human Rights – European Introduction* published by the Council of Europe has been compulsory for police personnel since the beginning of 2000.

The draft Child Protection Act provides for the establishments of government bodies that will conduct the government child protection policy such as the Government Child Protection Agency and its National Child Protection Council. On a local level, the draft envisages Municipal Social Support Services with Child Protection Departments securing the effective implementation of the law.

The preparation of the Personal Data Protection Act is dominated by the institutionalisation of an independent nation-wide authority monitoring personal data protection.

Bulgaria will adopt a new Penalty Execution Act whose provisions will settle the status of penitentiary officers and prison administration.

The draft Act on the Prevention of Offences by Infants and Minors envisages the creation of bodies implementing the national crime prevention strategy within the limits of this Act as follows: National Council on the Prevention of Offences and Crimes by Infants and Minors and municipal commissions on the prevention of offences committed by infants and minors. In addition, instructional centres and consultation commissions for infants and minors will be created, too.

EXPERT ASSISTANCE

CURRENT SITUATION

The Ministry of Justice has provided under the PHARE Alignment of Legislation Program expertise in the field of asylum, fight against corruption, and extradition relating to the jurisdiction and enforcement of judgments in civil and commercial matters (Lugano Convention of 1988), protection of personal data and free transfer of such data, child protection, prevention of and counteraction to offences committed by infants and minors.

The Ministry of Justice has produced two issues of the Legal Eurointegration 2000 Bulletin on refugees, which contain a bilingual publication of the acts passed by the EU, the Council of Europe and the UN in the field of asylum accompanied by a commentary on the Refugees Act. The next booklet, which will publish the Schengen Acquis, is under preparation.

MEDIUM-TERM PRIORITIESEnhancing the administrative capacity of MoJ

The initialisation of a project entitled Institution building of the Ministry of Justice and of the independent judicial authorities in view of enhancing their capacity for adoption and implementation of EU acquis in the field of Justice and Home Affairs is scheduled for the first quarter of 2000. The main objective of the Project is to establish a two-year twinning to assist the Ministry of Justice in its efforts to improve the operation of the judicial system. Greek and German experts will support the Project.

The year 2000 is the starting point for a two-year project under the TEMPUS Program called *Improvement of Bulgarian institutional structures and administrative capacity from the viewpoint of European integration*. The main objective of the Project is to enhance the administrative and judicial capacity of Bulgarian institutions and bring it in conformity with the European standards in view of the future accession of Bulgaria to the EU.

25. CUSTOMS UNION**CURRENT SITUATION**

The main priority of the Bulgarian Customs Administration (BCA) is to prepare Bulgaria for joining the Customs Union of the EU – one of the key elements of the Common Trade Policy. The strategic goal of the BCA is to provide for effective implementation of the harmonised legislation through restructuring and modernisation of the administrative structures.

HARMONISATION OF THE LEGISLATION

The Customs Act (CA) and the Implementing Regulation of the Customs Act (IRCA) entered into force on 01.01.1999. They are harmonised with the Community Customs Code and its Implementing Regulation. CA and IRCA function smoothly – no significant implementation problems have been identified and no objections or complaints from Bulgarian or foreign operators have been registered.

INTRODUCTION OF THE COMBINED CUSTOMS NOMENCLATURE

In accordance with Article 94 of the Association Agreement, Bulgaria has introduced the structure of the EU Combined Customs Nomenclature and annually reflects its changes.

INTRODUCTION OF THE SINGLE ADMINISTRATIVE DOCUMENT

The Bulgarian Single Administrative Document (customs declaration) conforms to the requirements of the SAD Convention and of Regulation 87/0267/EEC.

CONNECTING THE TRANSIT SYSTEMS OF THE COMMUNITY AND BULGARIA

In October 1995 Bulgaria officially applied for accession to the Common Transit Convention. Currently Bulgaria is in the second of the three phases of accession to this Convention.

Rules for national transit are included in the CA and IRCA. They are in conformity with the Community Customs Code, its Implementing Regulation, and with the International Convention on the Simplification and Harmonisation of Customs Procedures. Decision 87/0415/EEC is to a high extent transposed by including most of the Convention regulations in CA and IRCA.

IMPLEMENTATION OF THE EUROPE AGREEMENT

The Republic of Bulgaria reduces customs duties on imports from the EU on agricultural, processed agricultural and industrial goods according to its commitments under the Europe Agreement.

The mutual assistance between the administrative authorities of the European Community and Bulgaria is carried out in accordance with the provisions of the Europe Agreement.

FURTHER IMPROVEMENT OF THE ACCESS TO THE EU MARKET, THROUGH THE APPLICATION OF THE PAN-EUROPEAN CUMULATION OF RULES OF ORIGIN OF COMMODITIES

Bulgaria participates in the system of pan-European cumulation of origin in the framework of the following preferential agreements:

- the Europe Agreement
- the free trade agreement with the EFTA countries
- CEFTA
- the free trade agreement with Turkey.

As of 01.01.1999 and 01.01.2000 respectively, the changes in Protocol 4 to the EA and the identical protocols to the other preferential agreements regarding the origin of goods have been introduced in the national legislation.

CO-OPERATION WITH EUROPEAN INSTITUTIONS AND MEMBER-STATES POLICE AUTHORITIES IN THE AREA OF COMBATING THE ILLEGAL TRAFFIC, THE PRODUCTION AND TRADE IN NARCOTIC SUBSTANCES AND PRE-CURSORS

The general Customs Directorate took part in the elaboration of the Drugs and Precursors Control Act (in force since October 3rd, 1999). The Act is in line with the three UN Conventions on control of drugs and precursors. The adoption of implementing regulations is pending.

Bulgaria expects to accede to the Convention on mutual administrative assistance for the prevention, investigation and repression of customs offences until the end of 2001.

TRAINING OF PERSONNEL

The BCA implements its Strategy for Qualification and Re-qualification of Customs Officers. Short and long-term training programmes have been elaborated using EU expertise, and instructors have been trained. The BCA training facilities – the Specialised Training Centre of the General Customs Directorate and the regional training centres in Plovdiv and Rousse are fully operational.

In the end of 1998 a programme for training customs inspectors on the newly adopted rules and procedures commenced. Instructions, guidelines and manuals were distributed to the administration and the public to promote the new legislation.

SHORT TERM PRIORITIES

HARMONISATION OF THE LEGISLATION TO REFLECT CHANGES OF THE ACQUIS

An Amendment to the CA is drafted to reflect changes in the EU legislation and the restructuring of the BCA.

A Decree on Precursors Control and a Decree on Border Measures for Intellectual Property Rights Protection, fully aligned with the relevant EC legislation, will be adopted in 2000. Preparation and adoption of third level legislation, providing detailed rules for the application of the CA and the IRCA, is under way.

In 2000 a Draft Law on the Customs Tariff and a Draft Law on Museums, Art Galleries, Protection and Distribution of Cultural Goods will be prepared.

COMPUTERISATION OF THE CUSTOMS ADMINISTRATION

The setting up of the software core of the Bulgarian Integrated Customs Information System (BICIS), along with the necessary hardware and communications facilities is in its final phase. Till the end of 2000 BICIS will cover customs offices that manage 90% of the document flow.

A project for setting up the Integrated Customs Tariff (TARIC) will be developed.

RISK ANALYSIS

A strategy for optimisation of the border operations will be completed.

Delivery of specialised equipment for modern control techniques is expected.

The application of selectivity and risk analysis methods will be further extended.

FACILITATION OF BORDER CROSSING

The BCA participates in the "Facilitation of trade and transport in South-Eastern Europe" project. The Bulgarian contribution to this project is estimated to US\$ 23.0 M. The goals of the project are to:

Reduce the costs of transit and trade

Reduce smuggling and corruption at the border crossings

Consolidate the regional co-operation

Provide for growth of the regional trade.

INCREASE IN THE REVENUE COLLECTION

The EU systems and practices for fight against smuggling will be introduced through amendments to the existing third level legislation on customs debt and customs duties.

The construction the Central Chemical Laboratory in Sofia and of the Regional Chemical Laboratory in Rousse will continue. The construction of the Regional Chemical Laboratory in Plovdiv will begin.

FIGHT AGAINST CORRUPTION

Measures for internal control improvement are carried out. In that context the "Fight against the corruption" project is carried out in cooperation with the French Customs Administration in the framework of the twinning process will continue.

PREPARATION FOR ACCESSION TO THE CONVENTION ON A COMMON TRANSIT PROCEDURE (CTC)

In the framework of the accession process to the CTC, Bulgaria will continue its participation in Phase II of the "North-South Transit" project".

PREPARATION FOR ACCESSION TO THE CONVENTION ON THE SIMPLIFICATION OF FORMALITIES IN TRADE IN GOODS (SAD CONVENTION)

In the framework of the accession process to the SAD Convention, Bulgaria will continue its participation in Phase II of the "North-South Transit" project.

MEDIUM TERM PRIORITIES

HARMONISATION OF THE LEGISLATION IN ACCORDANCE WITH THE *ACQUIS* CHANGES

BCA will keep track of the changes in the EU legislation, related to the Customs Union and will reflect them in the CA and IRCA.

Further harmonisation of the legislation and the practices is envisaged in the areas of:

- rules of origin, applied by the EC on a bilateral basis,
- General system of preferences,
- control of goods with potential dual use,
- protection of rare plant, animal species, and environment by customs instruments, etc.

RESTRUCTURING IN ACCORDANCE WITH THE CUSTOMS ACT

Decrees and instructions will be adopted. They shall relate to the:

- internal organisation of BCA,
- obligations of BCA,
- job descriptions,
- links between the units,
- legal status of the customs authorities,
- system for staff assessment,
- system for planning of staff deployment

COMPUTERISATION OF THE CUSTOMS ADMINISTRATION

Until the end of 2002 BICIS will operate in full functional and territorial coverage. The setting up of the Integrated Customs Tariff, including national measures on the agricultural, trade and customs policy, will continue on the basis of the principles of EC TARIC.

FACILITATION OF BORDER CROSSING

Reorganisation of the border crossing points on the borders with Romania and Greece and connecting the customs databases of Bulgaria and Romania as well as Bulgaria and Greece is foreseen to facilitate border crossing. Financial assistance from the PHARE Programme is deemed necessary to complete these projects.

INCREASE IN THE REVENUE COLLECTION

Legislation, related to customs debt accounting of economic operators, means of payment and facilitation of customs duty payments will be adopted.

Until the end of 2005 the Central chemical laboratory – Sofia, the Regional chemical laboratories in Rouse, Plovdiv and Varna and the Mobile customs laboratory in Bourgas will be completed and fully operational.

ACCESSION TO THE CONVENTION ON A COMMON TRANSIT PROCEDURE (CTC)

Phase III of the "North-South Transit" project" is expected to end in medium term and Bulgaria will join the CTC.

ACCESSION TO THE CONVENTION ON THE SIMPLIFICATION OF FORMALITIES IN TRADE IN GOODS (SAD CONVENTION)

Phase III of the "North-South Transit" project" is expected to end in medium term and Bulgaria will join the SAD Convention.

ACCESSION OF BULGARIA TO THE CONVENTION ON MUTUAL ADMINISTRATIVE ASSISTANCE FOR THE PREVENTION, INVESTIGATION AND REPRESSION OF CUSTOMS OFFENCES (NAIROBI CONVENTION)

The accession of Bulgaria to the Nairobi Convention is expected until the end of 2001.

FINANCIAL NEEDS

The State budget funding, allocated to the customs administration for the year 2000, is BGL 23 403 000. Some extra BGL 8 000 000 will be granted to the "Trade and transport facilitation in South-Eastern Europe" project. The financial resources from the PHARE Programme, provided for the fulfilment of the short and medium term priorities are estimated to approximately EUR 41 000 000. EUR 14 100 000 is provided from other sources.

ADMINISTRATIVE CAPACITY

The BCA consists of the General Customs Directorate, 5 Regional Customs Directorates, 17 Customs Houses and 98 customs offices and bureaux. The total number of employees in the BCA as of 20.04.2000 is 3789, 270 of them work at the General Customs Directorate.

The draft amendments to the Customs Act will modify the structure of BCA to increase its administrative and operational capacity.

Bulgaria applies the Pre-Accession Strategy of the Customs Administrations of the Associated Countries, adopted in 1997 in Reykjavik. The Government approved the "Declaration for confirmation of the Strategy for preparation of the customs and tax administration of Republic of Bulgaria for accession to the European Union", proposed by the European Commission.

The customs administration adopted a Business Strategy, approved by the Minister of Finance on 20.09.1999.

Plans for removal of the gaps, identified by a gap analysis in eight areas of the customs activities, were developed on the base of blueprints, elaborated by the European Commission.

In the framework of the national PHARE Programme an "Institution building" project is being fulfilled. Its subprojects are "Harmonisation of the Bulgarian customs legislation", "Reinforcement of the border control", and "Technical assistance and operational budget".

On February 10, 1999, started the first phase of the regional project "Joint UNDCP – PHARE Programme for Strengthening Drug Law Enforcement Capacities in South-Eastern Europe".

The project "Equipment and training for combat against drug trafficking" is proposed for financing through the national PHARE Programme.

26. EXTERNAL RELATIONS (FOREIGN ECONOMIC POLICY)**CURRENT SITUATION**

In meeting its commitments under the Europe Agreement, the Republic of Bulgaria is following the liberalisation schemes by gradually reducing and dismantling customs duties imposed on industrial goods. According to the liberalisation schemes, the import duties on industrial goods originating in EC which fall into the third liberalisation scheme were reduced to 30 percent of the basic duty in the year 2000. With regard to agricultural goods, the agreement reached and recorded in the Protocol adjusting trade aspects of the Europe Agreement is applied.

Currently Bulgaria is negotiating with the EU a long-term agreement in the wine and spirit sector which covers both trade concessions and mutual recognition and protection of names, as well as further concessions in trade in agricultural products. The Agreement on liberalisation of trade between the Republic of Bulgaria and the European Union in the "Fisheries" sector agreed upon in 1998 was approved by the Council of Ministers of the EU on 17 December 1999. The official signing of the Agreement is forthcoming in a form of a Protocol to be attached to the Europe Agreement. The trade with the EFTA Member countries is effected under terms and conditions parallel to those stipulated in the Europe Agreement.

With Decision of the Council of Ministers of the Republic of Bulgaria No 103/29.02.2000 Bulgaria has unilaterally abolished the import duties imposed on some industrial products originating in the EU and EFTA Member States, as from 1.01.2000.

The Council of Ministers of the Republic of Bulgaria adopted the amendments of the Protocols concerning the definition of the term "originating products" and the methods for administrative co-operation to Bulgaria's preferential trade agreements – Protocol 4 to the EA, Protocol B to the FTA with EFTA, the Additional Protocol No 8 to the CEFTA, and to Protocol B to the FTA with Turkey. Those amendments are applied as from 1.01.2000.

In its preparations for membership of the European Union, Bulgaria pursues a policy improving access to European markets by establishing free trade areas with the states associated to the EU. Apart from its accession to CEFTA and signing the FTA with Turkey, both in effect since 1.01.1999, a FTA with Macedonia was signed on 13 October 1999 and is applied as from 01.01.2000.

Bulgaria is also in a process of negotiating FTA's with Lithuania, Latvia, Estonia, Israel and Morocco.

In the field of export insurance and export credits currently a Draft Amendment of Export Insurance Law is under discussion envisaging more flexibility in the scope of risks included and covered with the State support (e.g. including manufacturing and force majeure risks), acceptance of the definition for "marketable" risks as well as assuring of reinsurance ability and capacity, with a view to achieving a full compatibility with the EU acquis.

Bulgaria gradually aligns its standards and technical regulations with those of the EU, in order to extend its access to EU markets, by way of harmonizing its technical legislation in this area through adopting the Law on Technical Requirements to Products, the Law on National Standardization and Decision No 727 of the Council of Ministers (see Chapter 1 – Free Movement of Goods), aiming at preparing itself to join the EU mutual recognition agreements.

The trade policy implemented by the government helps attain maximum liberalization of the trade regime (see Liberalization of prices and trade in the "Economic Criteria" Section).

Bulgaria has fully adopted the EU Combined Nomenclature as its own Customs Tariff nomenclature. In accordance with the Schedule of Concessions and Commitments of the Republic of Bulgaria annexed to the GATT 1994 within WTO, annually Bulgaria records reductions of customs duties and opening of tariff quotas. According to the 2000 Customs Tariff, the average customs duties rate in MFN-treatment is 13.76 percent. For agricultural and industrial goods the rates are 24 percent and 10.99 percent respectively.

Following Bulgaria's accession to the World Trade Organization, the country has adopted and included in its legislation the EU basic regulations which stipulate the terms and procedures for introducing anti-dumping, countervailing and safeguard measures.

Bulgaria's commitments as a WTO-member are similar to its future commitments of a EU Member State. In addition to the WTO compulsory agreements, Bulgaria has joined all other multilateral non-compulsory agreements, with the exception of the Government Procurement Agreement.

The draft-offer for Bulgaria's accession to the GPA within the framework of the WTO drawn up in 1998 was updated twice in order to be aligned with the Public Procurement Law adopted in June 1999 and with the

restructuring of State Authorities. The threshold values stipulated in the draft-offer were elaborated taking into consideration the necessity of achieving compliance with the ones contained in the EU annexes to the GPA, and the scope of individual annexes to the draft-offer approximates the scope of EU annexes. The discussion of the draft-offer between the competent authorities in Bulgaria, preceding its approval by the Council of Ministers and presentation to the WTO was started.

With regard to the Agreement on Information Technology Products within the WTO Bulgaria is currently applying the reductions of the import duties on information technologies products on an autonomous basis and is preparing itself to join the Agreement formally.

Bulgaria has concluded bilateral agreements with a number of Mediterranean and Latin American, as well as ACP, Asian, NIS and Western Balkan countries.

Bearing in mind the necessity of bringing its bilateral agreements with third countries into compliance with Article 307 of the Amsterdam Treaty a full review of the contractual legal basis of Bulgaria was effected and a schedule of their bringing into compliance with the EU legislation is underway.

Bulgaria disposes of the necessary administrative capacity and infrastructure in place for implementing export control on the dual-use goods, their list being in full compatibility with the relevant EU list.

SHORT-TERM PRIORITIES

CONCLUSION OF FTA'S WITH LITHUANIA, LATVIA, ESTONIA AND ISRAEL.

FINALIZING THE NEGOTIATIONS WITH THE EU CONCERNING WINES, SPIRITS AND AGRICULTURAL PRODUCTS.

PREPARATION FOR PARTICIPATION IN THE NEW ROUND OF MULTILATERAL TRADE NEGOTIATIONS IN THE FRAMEWORK OF THE WTO.

CLOSE CO-ORDINATION WITH THE EU OF THE POSITIONS IN THE COURSE OF THE NEW ROUND OF WTO NEGOTIATIONS

PRESENTATION OF BULGARIA'S OFFER FOR ACCESSION TO THE GPA WITHIN THE WTO.

PREPARATION FOR BULGARIA'S ACCESSION TO THE INFORMATION TECHNOLOGIES AGREEMENT WITHIN THE WTO.

FORMULATION OF PRINCIPLES OF GRANTING CUSTOMS PREFERENCES UNDER THE GENERALISED SYSTEM OF PREFERENCES IN COMPLIANCE WITH THE PRINCIPLES APPLIED BY THE EU

INTRODUCTION OF RELEVANT AMENDMENTS OF THE LIST OF DUAL USE GOODS.

ADOPTION OF AMENDMENTS OF THE EXPORT INSURANCE LAW WITH A VIEW OF FURTHER APPROXIMATION WITH THE ACQUIS IN THE FIELD OF EXPORT INSURANCE AND EXPORT CREDITS

ADOPTION OF A SCHEDULE FOR ELIMINATION OF THE INCONSISTENCIES WITH THE ACQUIS OF THE BILATERAL AGREEMENTS CONCLUDED BY BULGARIA.

MEDIUM-TERM PRIORITIES

CO-ORDINATION WITH THE EU OF POSITIONS ON THE MULTILATERAL TRADE NEGOTIATIONS ON FURTHER LIBERALISATION IN THE FRAMEWORK OF THE WTO.

GRANTING CUSTOMS PREFERENCES UNDER THE GSP IN ACCORDANCE WITH THE PRINCIPLES IMPLEMENTED BY THE EU.

CONCLUSION OF THE FTA WITH MOROCCO.

ACHIEVEMENT OF FULL COMPLIANCE WITH THE ACQUIS OF THE BULGARIAN LEGISLATION IN THE FIELD OF EXPORT INSURANCE AND EXPORT CREDITS.

ADOPTION OF THE RELEVANT MEASURES FOR FULFILLMENT OF THE SCHEDULE FOR ELIMINATION OF THE INCONSISTENCIES WITH THE ACQUIS OF THE BILATERAL AGREEMENTS CONCLUDED BY BULGARIA.

FINANCIAL NEEDS

With respect to preparations for participation in the multilateral trade negotiations for further liberalisation of trade in goods and services within the framework of the WTO, Bulgaria will need 40 000 Euros under the PHARE Program for consultations and technical assistance from the EU.

With respect to the implementation of all other measures, listed in the Table attached hereto, Bulgaria will rely on the funds budgeted for by the relevant institutions, which are to implement the measures.

Taking into consideration the large volume of Regulations and multilateral and bilateral Agreements included in Chapter External Relations, a considerable funding for the translation into Bulgarian amounting to a minimum of 200 000 Euros should be envisaged.

ADMINISTRATIVE CAPACITY

The priorities in the sector External Relations are within the framework of the competence of the Ministry of Economy, which disposes of the necessary administrative capacity for implementing of the *acquis communautaire* in this sector, acting in co-operation with the Ministry of Foreign Affairs. There exists the possibility for further strengthening of the institutional capacity when necessary.

27. COMMON FOREIGN AND SECURITY POLICY**CURRENT SITUATION**

The Republic of Bulgaria shares the common values, principles and objectives of the European Union in the field of the Common Foreign and Security Policy (CFSP), as provided for in the TEU and other instruments constituting *acquis communautaire* under this Chapter. Bulgaria's foreign and security policy is based on the same principles and objectives as those of the CFSP. In its position paper submitted at the accession negotiations on this Chapter, the Republic of Bulgaria declared that it is prepared, able to participate fully and is actively aligning with the Common Foreign and Security Policy of the European Union.

Accelerated integration into the European Union and membership in NATO and WEU are top Bulgarian foreign policy priorities, broadly supported by a wide political consensus and the society at large.

Bulgaria supports the process of strengthening the Common European Security and Defence Policy (CESDP) within the CFSP, as well as the development of EU capacity for autonomous actions in crisis management, based on reliable military forces. Bulgaria is ready to participate and to contribute to the realization of the CESDP goals.

The foreign policy of the Republic of Bulgaria in South Eastern Europe (SEE) is an indivisible part of its European orientation. Bulgaria's regional policy of Bulgaria aims at strengthening mutual confidence, security and stability; promoting European standards in interstate relations and developing all forms of regional cooperation and assisting the general process of SEE's integration into the European and Euro-Atlantic structures.

Bulgaria's efforts and initiatives are focused on working out of a common position of the countries on the Kosovo crisis and assisting the international community for finding a political solution to the problem. Bulgaria has participated in the activities of the international community towards settlement of the Kosovo crisis, by supporting NATO's military operation on the territory of the FRY, and by supporting and participating in the international civil and military administration set up by the respective UNSC resolution. Bulgaria participates with 48 police observers in the international police force of the UN civil administration.

The deployment of a Bulgarian unit within the Dutch contingent in Kosovo on February 9, 2000 marked the beginning of Bulgaria's direct participation in KFOR.

The Bulgarian Government contributed to relief efforts in dealing with the humanitarian catastrophe caused by the outflow of refugees from Kosovo to the neighbouring countries. Bulgaria has provided assistance to FYR Macedonia by fully financing to the refugee camp in Radusha.

Bulgaria is an active participant from the very start in the implementation of the Stability Pact for South East Europe, which is a key instrument in the efforts towards lasting stabilization of the region. In line with the main goals of the Pact and its importance for the reintegration of the region into Europe Bulgaria has drawn-up 17 priority projects. The projects are aimed at strengthening the democratic institutions, recovery and economic progress, improvement of the infrastructure and communications between the countries in the region, and between the SEE and the rest of Europe. 13 of these projects were endorsed with 3 of them short-listed as quick start projects.

Work on one of these projects - the regional section of the Pan-European transport corridor N 4, connecting Central Europe with Bulgaria and the Republic of Macedonia and a bridge over the Danube at Vidin-Calafat – has already started.

SHORT-TERM PRIORITIES**STABILIZATION OF THE REGION**

In terms of regional policy Bulgaria will concentrate its efforts on the stabilization of the region, and will further support and contribute to the successful implementation of the projects under the Stability Pact for SEE.

MEDIUM-TERM PRIORITIES

REVIEWING BILATERAL POLITICAL AGREEMENTS BETWEEN BULGARIA AND THIRD PARTIES

Reviewing bilateral political agreements between Bulgaria and third parties in the context of their compatibility with the country's commitments resulting from EU-membership; negotiating new agreements should they be necessary;

PREPARATION FOR FULL PARTICIPATION IN CFSP

Closely following the development of CFSP and CESDP with a view to be prepared full participation at the time of accession to the EU.

ADMINISTRATIVE CAPACITY

The structures required for Bulgaria's participation in the formulation and implementation of the acquis in the field of CFSP are in place, including the posts of Political Director and of European Correspondent.

Bulgaria has the necessary administrative capacity and organisational experience for monitoring and enforcing negative measures imposed.

Bulgaria is in a position to apply effectively the acquis in the field of diplomatic and consular protection.

Bulgaria has undertaken all necessary technical preparations for the installation of the U3Mail/ACN communication system and has started successfully utilizing it. Participation in the Cortesy System will not pose any problem.

28. FINANCIAL CONTROL**EXTERNAL FINANCIAL CONTROL****CURRENT SITUATION**

The National Audit Office Act and the Regulation on its implementation regulate the activity of the National Audit Office.

National Audit Office Strategic Development Plan

The implementation of the adopted Strategic Development plan of the National Audit Office for the period 1999 – 2002 continues. Two new departments: “European Integration and Funds from the European Union and other international organizations” and “Organization, development and analysis of the control activity” have been set up.

National Audit Office Methodology Program

A program has been elaborated for setting the audit methodology of the National Audit Office in compliance with the INTOSAI auditing standards and the European implementing guidelines. The structure and content of the NAO Auditor’s Manual have been adopted.

Setting up of a NAO Personnel Training Unit and NAO Training Centres

Personnel training unit has been established and the NAO Training centre bases in Sofia and Lovech have been set up. Plan for personnel training has been adopted. The training programs are oriented towards teaching of methods of public funds auditing and foreign language training. Together with SIGMA experts, seminars on project management, development of auditing standards and methods, budget implementation audit, audit of the EU funds and self assessment of the NAO have been carried out.

Updated NAO IT Strategy

The NAO IT strategy has been updated. A draft for establishing a NAO communication network has been adopted and its connection to the Public Administration informational network is forthcoming.

SHORT-TERM PRIORITIESDevelopment of a draft on a new NAO Act

Development of a draft on a new National Audit Office Act, included for discussion in the legislative government program for April 2000. The Act shall be complemented with internal regulations, standards, manuals and codes.

The draft defines more strictly the powers and scope of the NAO audit activity and its relations with the Parliament and State Financial Control bodies; the types of audit, carried out by the National Audit Office; the implementation of the audit standards and procedures, corresponding to the international requirements in the field of external audit of public and EU funds and the auditor’s statute.

Updated program on the NAO audit methodology in compliance with the INTOSAI auditing standards

An updated program for setting up the NAO audit methodology in compliance with the INTOSAI auditing standards and the European implementing guidelines is to be adopted. The program envisages:

Elaboration of NAO Auditor’s Manual; auditing standards corresponding to the INTOSAI auditing standards; standards for audit of the EU funds granted to Bulgaria; code of ethics and NAO auditors’ conduct code; implementation of the Auditor’s manual in pilot projects on financial audit and performance audit as well as in the NAO regional offices; elaboration of Administration Manual.

Development and improvement of the NAO organizational structure and the personnel professional qualification system (audit methodology, audit quality, language training).

IT development for securing the NAO audit activity; supply of equipment, financed by PHARE, meant for the NAO Training Centres in Sofia and Lovech as well as for the library.

MEDIUM-TERM PRIORITIES

Development and improvement of the whole legal framework of audit

Development and improvement of the audit legal framework in its entirety and of its harmonization with the *acquis communautaire*; development and adoption of secondary legislation for the NAO activity in compliance with the new National Audit Office Act.

Development and improvement of the audit activity

Development and improvement of the audit activity through implementation of auditing standards and procedures in compliance with the international requirements and the good European practices; priority implementation of public funds' financial audit; performance audit; audit of the funds, granted by the European union, including participation in joint and parallel audits with the European Court of Auditors and the SAIs of the EU Member States.

Development of the audit management structure and organization

Development of the audit management structure and organization; enhancement of the professional competence and responsibility at the different NAO levels; personnel training aimed at achieving high quality audit in compliance with the international standards.

Setting up and development of information technologies on the National Audit Office effective audit insurance

Setting up and development of information technologies aimed at achieving effective audit insurance of the National Audit Office; implementation and utilization of specialized audit programs and acquiring computerized audit techniques.

ADMINISTRATIVE CAPACITY

In execution of the NAO Strategic Development Plan, the organizational structure of both the main administration and the regional offices, the implementation of modern management methods, policies and procedures and the effective utilization of resources are being improved. The newly established units have been strengthened in terms of organization and personnel and their functional characteristics have been further developed. The adoption of the functional characteristics of the NAO administrative units and updated job descriptions of the staff are imminent.

A draft program on human resources development has been developed. A new unit for management of the auditors' and personnel training process has been set up. A plan on the staff's professional and foreign language training has been adopted.

INTERNAL FINANCIAL CONTROL

CURRENT SITUATION

The 1996 Law on the State Financial Control and its Implementing Regulation of 1997 are the legislative base of the Public Internal Financial Control in Bulgaria (PIFC). Under the present legislation the **State Financial Control** in the Ministry of Finance exercises the public internal financial control function. SFC is a legal entity. It consists of Headquarters and 28 territorial offices in the respective regional centres of the country.

Ministries and government agencies can also exercise financial control on their own authority but the Minister of Finance remains responsible for the public internal control function. At present, this is only done by a) ex post controls and b) by providing guidance on methodology on the Internal Audit Units (IAUs), which are presently administratively subject to the relevant line minister.

The SFC Headquarters also provides guidance on methodology to the Regional SFC Offices. The SFC is responsible for 1) planning, 2) auditing, 3) analysing of its findings and 4) reporting to the Ministry of Finance.

The main characteristics of the SFC as provided for by the present Law on SFC are as follows:

The SFC determines independently which organisations are to be audited and includes them in an annual audit plan.

Each audit examines in advance the highest risk areas in the organisations and the audit focuses mainly on them.

Ex post audits cover all government enterprises and organisations at least once every three years.

The auditing includes:

Ex post documentary and on-the-spot audits;

Legality and performance audits on revenue and expenditure and the reliability of financial statements;

Formal Audit and Substance Audit;

Financial audits covering financial and economic activities of the legal entities having state or municipal property regardless of size and whose obligations are being guaranteed with state or municipal property.

Ad hoc audits to defend social interests: these audits are performed by an order of the Minister of Finance, issued upon suggestion of the Prosecutor General.

The audit reports should have legal consequences and contain recommendations to remedy violations, impose patrimonial responsibility through court proceedings, impose disciplinary penalties, fines (under judicial control), etc.

The auditors, while performing their duties are subject only to the law. Their appointment is usually on a permanent contract under the Labour Code.

Policy Paper on the Public Internal Financial Control outlining the new model of the PIFC following the introduction of the ex-ante financial control

As a result of the coordinated efforts of the SFC with the relevant DGs of the EU Commission, the IMF, the EC Delegation, SIGMA and the Phare experts a **Policy Paper** on the Public Internal Financial Control in Republic of Bulgaria was drafted. The Minister of Finance endorsed the document on February 18, 2000. The Policy Paper outlines the new model of the PIFC according to the EU requirements.

The short and medium term priorities in the NPAA reflect the commitment of the Bulgarian side as agreed in the Policy paper.

Draft on the new Public Internal Financial Control Law

During 1999 only a change in the SFC Act was anticipated. In the process of adopting the *acquis communautaire* and the harmonization with the EC requirements an idea for a new Act was reached. The Policy Paper thus formed the basis for the already drafted and submitted for discussions new Law on The Public Internal Financial Control.

SHORT-TERM PRIORITIES

Preparation for the introduction of the ex-ante internal financial control

Preparation for implementing the ex ante control over the units responsible for the State budget and Republican budget expenditure and units responsible for EU funds expenditure.

The new SFC Act shall be discussed by the Council of Ministers in the legislative program for May, 2000

Since January 1st, 2000, Bulgaria is a beneficiary of a financial package from EU, which amounts up to 150 M EURO annually. The financial package includes the National Phare Program resources and the pre-accession funds for Bulgaria. In order to apply the principles of sound financial management to these funds as agreed with EU, the following measures shall be taken:

Introduction of effective ex-ante internal financial control in accordance with the European Union standards;

- Minimum control measures on the activities of the paying agencies, which will manage the funds from the pre-accession facilities.

According to the new Law on PIFC, it is expected that SFC acquire a status of an Agency. Within this structure a unit dealing with European affairs will be established.

The described control measures are pursuant to EU regulations 729/70 and 1663/95, and include the certification of the Paying agency expenditure;

The European *acquis* requires guarantees for the reimbursement of misused funds, which require introduction of proper control mechanism.

The European *acquis* requires the introduction of the principle of functional independence of the internal financial control.

The EC legislation requires a permanent exchange of information on the issues presented above, as well as the possibility for access of its comptrollers to the documentation of the paying agencies. Until accession this requirement is met by the Administrative Cooperation Agreement concluded between SFC and DG "Audit" in October 1999, which provides for joint audits on Phare and pre-accession funds according to an annual audit plan.

MEDIUM-TERM PRIORITIES

Continuation of the work over the short-term priorities

Tertiary legislation for implementing the model of ex ante control system

Drafting of tertiary legislation and elaboration of methodology and procedures on the implementation of the new public internal financial control model.

Training of personnel

Enhancement of the administrative capacity by means of personnel training programs;

Structures for implementing the ex ante control system

Setting up of structures for the public internal financial control model implementation.

ADMINISTRATIVE CAPACITY

At present the **State Financial Control** in the Ministry of Finance exercises the public internal financial control function. SFC is a legal entity with own budget. It consists of Headquarters and 28 territorial offices in the respective regional centres of the country.

As an administrative and human resources capacity the SFC has at its disposal 1405 people in the system, out of which 1200 are auditors, engaged in direct audit activity. A continuous and consistent training of the personnel is foreseen under a Training program expected to be financed under Phare 2000.

29. FINANCIAL AND BUDGETARY PROVISIONS**CURRENT SITUATION****CREATING CONDITIONS FOR THE IMPLEMENTATION OF A TREASURY SYSTEM**

Since 1999 the Bulgarian government successfully implements the budgetary reform. The main objectives of the reform are:

- improving the management of budgetary resources
- strengthening general budgetary discipline
- enhancing transparency in planning, execution, accounting and reporting of the government budget.

REVIEW AND AMENDMENT OF LEGISLATION FOR THE PURPOSE OF IMPLEMENTING A TREASURY SYSTEM

The Organic State Budget Act defines rules on the budget, expenditure and financing.

In 1999 the legislative base was amended*** to implement a treasury system.

The initial measures targeted at the improvement of the treasury system are defined in the State Budget Act 2000 - §18 and §20 of the Transitional and Final Provisions thereof.

Creation of a Unified Accounting Framework for the Budgetary Sector

The Ministry of Finance prepared a draft unified chart of accounts in cooperation with:

- IMF and OECD SIGMA expertise
- the Audit Office and the Bulgarian National Bank
- an interministerial working group

The chart will be finalized at the end of 2000.

Implementation of an Electronic Payment System in the Budgetary Sector

A working group set up at the Ministry of Finance to deal with issues related to improving the payment system in the budgetary sector, has prepared a report with proposals in this area. The group consists of representatives of different ministries, the Audit Office and the Bulgarian National Bank.

The consolidation of budgetary funds will continue in 2000 by means of the single account system. In 1999 the cash execution of both central government budget and first-level government spending agencies' budgets was carried out by means of that system. Paragraph 18 of the Transitional and Final Provisions of the Annual Budget Act 2000 lays down the provisions for the introduction of the Treasury Single Account with the BNB for other spending units and accounts as well. At this stage, the budgetary and extra-budgetary funds and accounts of municipalities and certain explicitly designated by international donors extra-budgetary funds and accounts will be left outside the single account system. All budgetary, extra-budgetary, suspense and deposit accounts in BGN and in foreign currency held with the BNB are subject to gradual integration in the single account system, as a prerequisite for the full implementation of the efficient cash management principle. In this way over 80% of the cash resources will be incorporated into the system. The latter will ensure timely information in the process of the daily consolidation of government resources through the Treasury single account with the BNB, thus allowing for their efficient management.

A National Fund, (a central treasury entity with the Ministry of Finance) has been established to manage EU assistance. EU funds are transferred to the National Fund accounts in the respective servicing bank where there is a separate account for each financial memorandum, and a separate sub-account for each project. The accounts management and the transfer of funds to the implementing agencies with the respective ministries fully comply with the rules of the single account system applied to budgetary resources. The funds in these accounts are handled by way of the double signatures principle.

Selection and Procurement of Software for the Budgetary Sector

The Ministry of Finance has prepared the necessary documentation for the public procurement procedure with the aim of setting up a financial management information system for the budgetary sector.

The public procurement procedure for the financial management information system implementation within the budgetary sector – phase 1, was announced with an Order of the Minister of Finance on November 1st, 1999.

Training of Specialists from the Budgetary Sector

In 1999 the Ministry of Finance organized seminars and workshops for specialists coming from first-level spending units in order to acquaint them with the new principles of budgetary resources treasury management.

Streamlining the Budgetary Structure

The tendency of reducing the number of extra-budgetary funds and accounts has been preserved in 2000. Their number was reduced from 28 in 1999 to 20 in 2000. The government extra-budgetary funds and accounts are included in the consolidated fiscal programme.

New structural changes have taken place in the budgetary sector, with considerable reduction in the number of second-level spending units, and this process will continue.

SHORT-TERM PRIORITIES

REVIEW AND AMENDMENT OF LEGISLATION IN RELATION TO THE REFORM IN THE MANAGEMENT OF GOVERNMENT FINANCE

Review and Amendment of Legislation in the Budgetary Sector

In the context of the preparation of the State Budget Act 2001 a review of the budgetary legislation in force is envisaged. In addition, proposals for amendments to existing legal acts are considered with a view to their approximation with European regulations.

Translation of EU Budgetary Process Regulations

The main EU regulations related to the budgetary process are planned for translation.

PREPARATION FOR IMPLEMENTING AN IMPROVED TREASURY SYSTEM

The Bulgarian government started preparation for the implementation of an improved Treasury system aimed at increasing the efficiency of budgetary cash management and strengthening the control on its spending. The system is aligned with the recommendations for action contained in the Annex to the Accession Partnership – Bulgaria with a view to introducing an improved internal financial management and control, as well as with view to aligning accounting procedures with EU criteria.

A new State Financial Control Act is currently under way. In addition, amendments to the National Audit Office Act are being considered. This will help improve control in the budgetary sector in conformity with European standards.

CREATION OF A NEW ACCOUNTING FRAMEWORK OF THE BUDGETARY SECTOR

Finalizing the Draft Unified Chart of Accounts for the Budgetary Sector

An important element of the new system of budgetary resources management is the creation of a new accounting framework of the budgetary sector. It will form the basis for the implementation of an integrated financial management information system, which will allow the production of timely and reliable reports on the budgetary execution.

There is still work to be done as far as the budgetary classification and the budgetary chart of accounts are concerned. A unified accounting procedure for all budgetary organizations will be conceived in compliance with national and international standards. This will allow for government revenues and expenditures to be accounted both on accrual and on cash basis.

The Ministry of Finance assisted by IMF and OECD SIGMA consultants is developing a unified chart of accounts for the budgetary sector in compliance with national and international standards.

Preparation of Draft Rules on Implementing the New Budgetary Chart of Accounts

The Draft Rules on Implementing the New Budgetary Chart of Accounts are being developed by experts of the Ministry of Finance, assisted by OECD SIGMA consultants. Assistance under the SIGMA program is also

expected in the process of training specialists in the practical implementation of the budgetary chart of accounts.

IMPROVEMENT OF THE PAYMENT SYSTEM IN THE BUDGETARY SECTOR

Integration of Second-level Spending Units in the Single Account System with the BNB

The task of improving the payment system in the budgetary sector is on track the objective being to ensure faster payments in the budgetary sector and to enhance control thereon. The scope of the single account with the BNB will be expanded to incorporate second-level spending units.

IMPLEMENTING A FINANCIAL MANAGEMENT INFORMATION SYSTEM /FMIS/ IN THE BUDGETARY SECTOR - PHASE 1

The introduction of a new Financial Management Information System will play a major role in 2000 in carrying out the budgetary reform. The system allows for integration and high-level of computerization of all accounting transactions. It will facilitate cash flow analyses and projections.

Finalization of the Public Procurement Procedure for Setting up a Financial Management Information System in the Budgetary Sector - Phase 1

The public procurement procedure on the installation of the Financial Management Information System /FMIS/ in the budgetary sector - phase 1, started on 24 January 2000.

The supplier of the software has already been selected. He is just about to sign a contract.

Adaptation of the Application Software to the Bulgarian Requirements

During Phase 1 the standard software will be adapted to the Bulgarian requirements for implementation of the budgetary execution in the first-level spending units. This will be done by means of the following budgetary execution modules: general ledger, accounts payable and accounts receivable, budgetary management and control, payments, and liquidity management.

Implementation of Phase 1 of FMIS in the First-level Spending Units

The standard software will be installed in the first-level spending units during phase 1.

STAFF TRAINING IN RELATION TO THE PROCEDURES FOR IMPROVEMENT OF THE PAYMENT SYSTEM, THE NEW CHART OF ACCOUNTS AND THE INSTALLED MODULES OF THE FMIS

With view to the implementation of FMIS – phase 1, the introduction of the new chart of accounts and the procedures for improving the payment system in the budgetary sector, there is a need for staff training within the relevant ministries and agencies.

MEDIUM-TERM PRIORITIES

UPDATING LEGISLATION IN RELATION TO THE REFORM IN MANAGING GOVERNMENT FINANCE

Review and Amendment of Legislation in the Budgetary Sector

Regular review of the budgetary legislation in force is envisaged. Proposals for its amendment in line with the *Acquis* will be submitted for discussion.

Translation of EU Budgetary Process Regulations

The main EU regulations related to the budgetary process are planned for translation.

EXPANDING THE SCOPE OF THE TREASURY SYSTEM

In a medium-term perspective, up until 2006, the implementation of the main Treasury functions for all budgetary and extra-budgetary accounts and funds will be the major government priority.

INTRODUCING THE NEW BUDGETARY CHART OF ACCOUNTS ON AN ACCRUAL BASIS

The introduction of the new budgetary chart of accounts on an accrual basis is expected to be carried out as from the beginning of 2001.

IMPROVEMENT OF THE PAYMENT SYSTEM IN THE BUDGETARY SECTORIntegration of all Budgetary Organizations (Excluding Municipalities) in the Single Account System

All budgetary organizations (excluding municipalities) are to be integrated in the single account of government funds. With this aim:

- the electronic communications will be upgraded
- an integrated computerized management system will be introduced
- staff training will be provided

COMPLETION OF PHASE 1 OF FMIS AND PREPARATION AND IMPLEMENTATION OF PHASE 2 OF FMIS FOR THE BUDGETARY SECTORCompletion of Phase 1 of FMIS

Phase 1 of the implementation of FMIS will wind up in the first half of 2001 with its implementation in some second-level spending units.

Preparation and Execution of the Public Procurement Procedure for FMIS – Phase 2

A public procurement procedure for the second phase of the FMIS installation will be carried out.

The second phase will include modules on budgetary planning and preparation, as well as additional Treasury modules: procurement, revenue management, internal control, asset accounting and expenditure accounting.

Implementation of FMIS – Phase 2

In phase 2 additional FMIS modules will be introduced in the first level spending units.

The FMIS modules (phase 1 and phase 2) will be implemented in all second-level spending units.

STAFF TRAINING IN THE USE OF INSTALLED FMIS MODULES

Continuous staff training will be provided in relation to the implementation of new FMIS modules and the forthcoming amendments to the legislation.

RATIONALIZING BUDGETARY STRUCTURES AND INCREASING THE EFFICIENCY OF MANAGING THE GOVERNMENT FINANCIAL RESOURCES

In the budgetary area, the streamlining and rationalization of the budgetary structures and the improvement of the organization and efficiency of managing the financial resources of the government will continue. A broadly-balanced budget and an adequate balance of the fiscal reserve account will be maintained in line with the provisions of the currency board arrangement and the EU countries' fiscal policy of low-level budget deficit and debt reduction.

Changing the Schedule for Budgetary Preparation

The budgetary procedure is intended to begin earlier with a view to expanding the timeframe given for deliberations on the draft Annual State Budget Act in the National Assembly.

Restricting the Fragmentation of the Budgetary Process and Improving the Coordination within the Ministry of Finance and between the Latter and Other Ministries

OPTIMISING NON-INTEREST BUDGETARY EXPENDITURES

Development of a System of Integrated Indicators for Assessing the Efficiency of Government Expenditure Allocation

In order to optimise the government non-interest expenditure, a system of integrated indicators for assessing the efficiency of allocating government expenditure will begin to be developed.

ADMINISTRATIVE CAPACITY

A structural reorganization was carried out in the Ministry of Finance, effective as from 1 January 2000. The new organizational structure is consistent with the medium-term strategy developed with EU PHARE support. The necessary administrative structures needed for the implementation of the *acquis* have already been put in place and it is not necessary to establish new ones.

In order to define more accurately the responsibilities and functions of the different units within the Ministry of Finance, the requirements for staff qualification improvement will be taken into consideration. A cooperation program between the Bulgarian and Swedish governments, financed by EU PHARE, is expected to start in the autumn of 2000.

The international organizations such as the International Monetary Fund, the European Union (PHARE), OECD (SIGMA), will continue to provide assistance to the Ministry of Finance in the improvement of the system of budget planning, execution, accounting, reporting and management.

FINANCIAL NEEDS

Financial resources amounting to EUR 3 055 200 have been appropriated in the State Budget Act 2000 for the fulfilment of the short-term priorities under Chapter 29, *Financial and Budgetary Provisions*, of the National Program for the Adoption of the *Acquis*.

According to preliminary estimates the fulfilment of the medium-term priorities under Chapter 29, *Financial and Budgetary Provisions*, will need resources amounting to EUR 6 093 900.

EXPECTED RESULTS

Increased effectiveness, efficiency and economy of the management of budgetary resources and the budgetary process;

Enhanced financial discipline and control within the budgetary sector;

Provision of timely, accurate and reliable information on the performance of the budgetary parameters;

Transparency of the budgetary process.