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Bulgaria: Selected Issues and Statistical Appendix

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BULGARIA

Selected Issues and Statistical Appendix

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Approved by the European I Department

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This Selected Issues Paper provides background information to the staff report on the 2002 Article IV consultation discussions with Bulgaria (EBS/02/121). The paper includes four studies covering key policy issues. The paper also includes a statistical appendix providing comprehensive statistical information on the various sectors of the economy.

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I. SAVINGS IN BULGARIA: RECENT DEVELOPMENTS AND PROSPECTS[1]

A. Introduction

1. **After plunging at the start of the transition process, saving rates in Bulgaria have remained lower than in more advanced transition countries.** As a result, although investment rates have been modest—in part reflecting the same set of factors that led to low savings—the external current account deficit has averaged more than 5½ percent of GDP in 1999–2001. While a large proportion of this deficit has been covered by FDI inflows, gross external debt remained high at about 78 percent of GDP at end-2001. Looking ahead, sustaining high growth rates of GDP and spending requirements related to EU accession will require a sizable increase in investment. In this context, without a big rise in savings, continued large current account deficits could jeopardize the goal of reducing gross external debt over the medium term.

2. **This chapter analyzes the reasons behind the relatively low rates of savings in Bulgaria and prospects for their evolution over the medium term.** It argues that low saving rates largely reflect the current stage of transition—characterized by still low income levels, incomplete structural reforms, and the memories of the financial and banking crises of 1996–97—and an adverse demographic structure. An analysis of prospective saving rates indicates that as the transition process advances, saving rates may increase by 5 percentage points over the medium term. Under this scenario, national savings would increasingly finance domestic investment, the current account deficit would decline to about 4½ percent of GDP—a level likely to be covered by FDI inflows—and the ratio of gross external debt to GDP would reach 50 percent.

3. **The chapter is organized as follows.** Section B compares the evolution of saving rates in Bulgaria and other transition countries. Section C reviews the factors that may explain, in general, differences in saving rates across countries. Section D presents a simple econometric analysis to estimate the quantitative importance of some of those factors and assess what may account for the differences between Bulgaria and other transition countries. It also analyzes the prospects for the evolution of savings in Bulgaria over the medium term. Section E summarizes the conclusions and policy implications.

B. The Facts

4. **Bulgaria experienced a savings collapse at the outset of the transition process.** While this phenomenon occurred in other transition countries, the decline was larger and more protracted in Bulgaria, where (national) savings declined from more than 30 percent of GDP in the late 1980s, to about 15 percent in 1990–92, and to less than 10 percent on average during 1993–96 (Figure 1).

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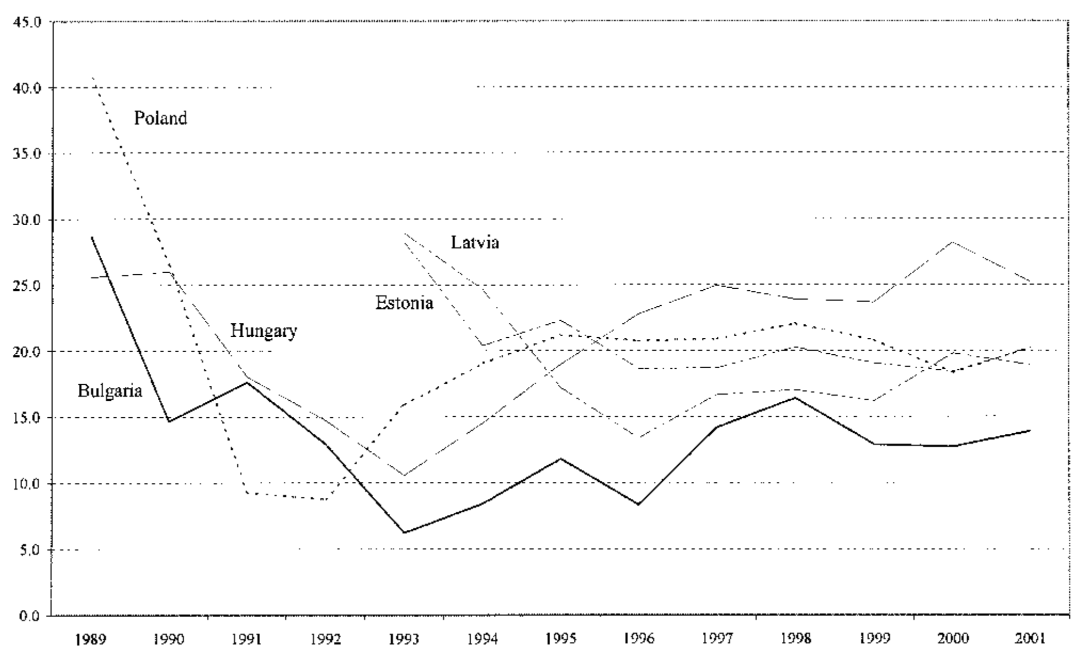
[1] Prepared by Enric Fernandez.

5. **In contrast, the saving rates in other countries generally bottomed out about three years after the start of transition reforms**. In Poland and Hungary, for instance, savings declined from 40 percent and 26 percent of GDP, respectively, to about 10 percent of GDP in 1992–93. In Estonia and Latvia, where the transition started somewhat later, savings fell from almost 30 percent of GDP in 1993 to about 18 percent and 13 percent of GDP respectively in 1996. These are relatively low levels of savings in comparison with several groups of countries (Table 1). Subsequently, saving rates in all these countries stabilized (Estonia), recovered somewhat (to 18 percent of GDP in Latvia) or increased dramatically (to more than 20 percent of GDP in Poland and Hungary).

Figure 1. National Saving Rates in Selected Countries, 1989-2001



Sources: World Development Indicators; IFS; and Bulgarian authorities.

6. **The initial plunge in saving rates in transition economies has been partly explained by the existence of involuntary savings under central planning**. Involuntary savings at the household level would have been the result of official prices being at below-market-clearing levels, and a lack of generalized access to black markets. Perhaps more importantly, very high savings were necessary to finance the large investments targeted by the planners in pursuance of growth. Greater enterprise autonomy and price liberalization early in the transition did away with these involuntary savings. Denizer and Wolf (1998) estimate that the saving rate of a market economy with the same characteristics of Bulgaria in 1989 would have been about 22 percent of GDP—about 10 percentage points less than the actual saving rate.

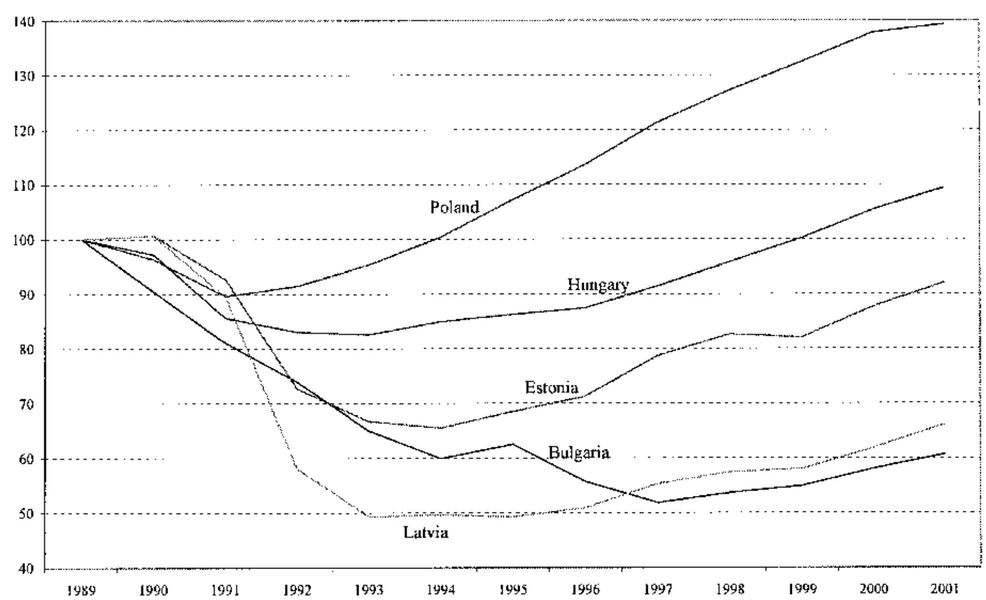
Table 1. Average National Saving Rates in Selected Groups of Countries
(In percent of GDP)

	1970-1999	1995-1999
World	18.8	18.7
OECD	22.8	23.1
EU-15	22.6	22.7
EU accession	22.3	20.4
Transition countries	...	22.5
Low income countries 1/	15.2	15.4

Sources: World Bank World Development Indicators, and staff estimates.
1/ Countries with average per capita GDP in 1995-99 below US$2,000, at 1995 prices. GDP per capita in Bulgaria was slightly below US$1,500 during the same period.

7. **The large declines in output at the start of the transition process—resulting from deep transformational recessions—were also responsible in part for the drop in savings.** The output declines varied from about 15 percent in Poland or Hungary, to more than 40 percent in the Estonia and Latvia, and output started to grow only about three years after the start of reforms—a timing coincident with the bottoming out of saving rates and the start of their recovery (Figure 2). A desire to smooth consumption during these recessions—which were perceived as temporary—resulted in a lower saving rate.

Figure 2. Index of Real GDP in Selected Countries, 1989-2001



Source: World Economic Outlook database.

8. **In Bulgaria, savings developments were affected by a transformational recession that was prolonged and deepened by the lack of necessary structural reforms and prudent macroeconomic policies.** After falling by more than 30 percent in 1990–1993, real

GDP experienced a short-lived and very small recovery in 1994–95. The severe financial crisis of 1996–97 caused another deep output decline of about 17 percent. It is not surprising that in this context savings remained low—if only to smooth consumption while waiting for an eventual turnaround in output. Government policies also affected savings during these years, to a much larger extent than in the most advanced transition countries, for several reasons. Capital expenditure was extremely low. The large fiscal deficits were only partially offset by higher private savings, and these clearly unsustainable deficits led to high inflation that depleted most savings. Finally, in the absence of structural reforms and any efforts at enterprise restructuring, the conditions for a turnaround in growth performance were not in place.

9. **The banking crisis of 1996 resulted in a significant reduction in financial intermediation and a loss of confidence in the banking system**. Negative capital and insufficient liquidity to withstand a run on deposits led to the closure of 18 banks (a third of all banks, accounting for 30 percent of total assets). The loss of confidence in the banking system was such that the ratio of deposits to GDP fell from 54 percent at end-1995 to only 16 percent in 1997. This episode undermined the trust of the public in the financial system and the government's macroecomic policies.

10. **It was not until 1997 that Bulgaria adopted a set of sound macroeconomic policies—in the context of a currency board arrangement—and a truly ambitious program for structural reform**. These policies set the basis for a resumption of still-continuing positive growth despite unfavorable external developments, such as the Russian crisis, the conflicts in neighboring Balkan countries, and the recent economic slowdown in the EU. With Bulgaria's economic recovery, the saving rate has increased to around 13 percent of GDP in the last few years but still remains below that in the most advanced transition countries. While tight fiscal policy and a rise in capital expenditure have increased public savings to an average of 3 percent of GDP, which compares favorably to other transition countries, private savings in Bulgaria, at about 10 percent of GDP, are well below the rates observed in other countries. Table 1 shows that, compared with other groups of countries—not only with other transition economies—overall saving rates in Bulgaria are also relatively low.

C. Explanations

11. **Theoretical and empirical studies have identified a variety of factors that influence the level of savings in an economy, the most important being the level of income and growth, demographic factors, and the development of the financial system**. Other variables, such as government savings and social security systems, have also been found to play a role. This section briefly reviews the links between these factors and savings.

The level of income and growth

12. In a poor economy, income is well below long-run or permanent income—at least, if there are prospects of catching up or beginning to close the gap vis-à-vis richer countries. With a preference for consumption smoothing, people would like to consume a great deal in relation to income when they are poor, and the saving rate would be low. This effect may be particularly important in the context of transition and EU accession, where the prospects for medium-term growth may be quite strong. In addition, in poor economies a large proportion of income must be spent on necessities that guarantee subsistence.[2] For both of these reasons, the "income effect" tends to raise the saving rate as an economy becomes richer. A "substitution effect" works in the opposite direction: as an economy develops, the rate of return on saving may drop—for instance, under decreasing marginal returns to the accumulation of capital—and this would lower the saving rate as income increases. The empirical evidence—see, for example, Edwards (1996); and Masson, Bayoumi, and Samiei (1995)—is that saving rates are positively correlated with income per capita, suggesting that the income effect dominates. In theoretical models with a life-cycle setting, income growth will also have a positive impact on savings, because the savings of workers increase faster relative to the retirees' dissavings.

Demographics

13. The age structure of the population appears to play an important role in the determination of savings. In life-cycle models, individuals have low or negative saving rates when they are young, positive savings during their most productive years at work, and negative savings when they retire. Thus, saving rates would tend to be higher in countries with a higher share of the population of working age. Empirical studies (e.g., Edwards, 1996) find, indeed, that the dependency ratio—the ratio of non working to working-age population—is negatively correlated with saving rates.

Financial system

14. A well-developed financial system plays a key role in channeling savings to the best available investment opportunities, and in doing so, it may offer higher interest rates or superior combinations of risk and return. The effect of higher interest rates on the level of savings, however, is theoretically ambiguous because of the different sign of income and substitution effects. The empirical evidence suggests that higher interest rates have only a very small positive effect on savings—Srinivassan (1993). The consequences of financial sector development for savings, however, go well beyond the effects through the interest rate. On the one hand, some authors indicate that easier access to borrowing could reduce savings for the purchase of durables or for a precautionary motive. On the other hand, some have argued that a number of institutional developments, including efficient prudential supervision

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[2] In Bulgaria, for example, almost 50 percent of household income is spent on food.

and—in some rapid-growth East-Asian countries—the encouragement of postal savings, positively affected savings. Others have also stressed the importance of some aspects that go hand in hand with financial development, and that promote higher savings, such as increases in confidence in financial intermediaries, or more convenience when, for example, more bank branches open up. Empirical studies have usually found a positive effect of proxies of financial development on savings (Edwards, 1996, and UNECE, 2001) with negative effects found in subsamples of countries with relatively sophisticated financial systems (IMF, 1996).

Government and social security

15. The level of government spending, its composition between current and capital expenditures, and the way it is financed —via higher taxes or borrowing—may all have an effect on the level of national savings. For a given level of budget deficit, higher government consumption tends to decrease national savings—especially if this spending is an imperfect substitute for private consumption—and conversely with higher capital expenditure. For a given level of government expenditure, an increase in the budget deficit would have no impact on national savings if private sector savings increased one-to-one in anticipation of future taxes (that is, if Ricardian equivalence holds). Empirical studies (Corbo and Schmidt-Hebbel, 1991; or Masson, Bayoumi, and Samiei, 1995) tend to find, however, that the increase in private savings does not fully offset a decline in government savings. More generous social security payments will also lower the savings of working-age individuals, and funded systems may increase national savings compared with pay-as-you-go systems. Even the types of taxes the government uses to raise revenue have an impact on savings, for example, taxes on consumption would tend to raise savings, relative to income taxes.

D. Empirical Analysis

16. **A simple econometric analysis is used to estimate the quantitative effects of several of the explanatory variables discussed above**. A panel data set from the World Bank World Development Indicators database covering the years from 1970 to 1999 is used for the estimation. To clear the impact of purely cyclical effects on savings five-year averages were taken for each of the variables in each country. The panel dataset consists of more than 120 countries, and each country has a maximum of 6 observations—that is averages for 1970–74, 1975–79, and so on until 1995–99. Transition countries are included for the most recent years when data are available. Some of the variables mentioned in section C are not included due to lack of data. As a "proxy" for financial development, the ratio of broad money to GDP is used, and a quadratic term is introduced to capture non-linear effects suggested above.

17. **The empirical results are consistent with the explanations outlined in the previous section** (Table 2). The first column shows the coefficient estimates in a regression

using the entire sample.[3] All are significantly different than zero (at the 1 percent significance level) and have the expected sign. The level of income has a positive effect on savings—a 10 percent increase in GDP per capita is estimated to raise savings by about 0.2 percentage point of GDP. One additional percentage point in the growth rate of GDP is also estimated to increase savings by about 0.2 percentage point.[4] An increase in the proportion of the population of non-working age decreases savings, with the effect being stronger for increases in the proportion of retirees: One additional percentage point in the proportion of the population above 65 years of age lowers the savings rate by about 1 percentage point, three times as much as an increase in the ratio of the population below 14. The proxy used for financial development indicates that this initially has a positive effect on savings but at a decreasing rate, with the sign only reversing for levels of broad money above 110 percent of GDP—for a country with a 40 percent ratio of broad money to GDP (the median value for the entire sample in the 1995–99 period), a 1 percentage point increase in this ratio raises the saving rate by 0.1 percentage point. And finally, an increase in the government's deficit by 1 percent of GDP is estimated to lower national savings by less than ½ percent of GDP.

18. **The results are fairly similar when separate regressions are run by decade.** However, for recent times the effect of the level of income and growth seems to weaken, whereas the effect of demographic variables is stronger. The coefficient estimate on GDP is even negative for 1990–99; while for the most recent period of 1995–99 the coefficient is positive again, it implies only that a 20 percent increase in per capita GDP raises savings by 0.1 percent of GDP.

19. **For Bulgaria, predicted savings for 1995–99 are about 15 percent of GDP, or 2 percentage points higher than actual savings.** It is in this sense that one can claim that Bulgaria has a relatively low savings rate.

20. **How can the differences between Bulgaria and other transition countries be explained?** A set of countries including Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia, had an average saving rate in 1995–99 of 20 percent of GDP (Figure 3). Of a difference of 7 percentage points with Bulgaria, differences in observables account for 4–5 percentage points (depending on whether we use

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[3] In the presence of heteroscedasticity we used generalized least squares, and all standard errors are computed using White's procedure. The second column in Table 2 shows that the coefficient estimates using ordinary least squares are virtually identical; although standard errors are, as one would expect, much higher, all variables remain significant at the 1 percent significance level.

[4] Similar results were obtained using lagged growth as an instrument to avoid simultaneity problems. The results are not presented to economize space. Carrol and Weil (1993) conduct causality tests and find that growth "causes" savings.

the coefficients from the regression for 1995–99 or the one for 1970–99): A lower income level and lower growth in Bulgaria explain 2–3½ percentage points, and an adverse demographic structure explains 1 ½–2 percentage points (Bulgaria has the highest ratio of population over 65). Differences in fiscal deficits were small and thus may not be part of the explanation.

Table 2. Regression results (standard errors in parenthesis)

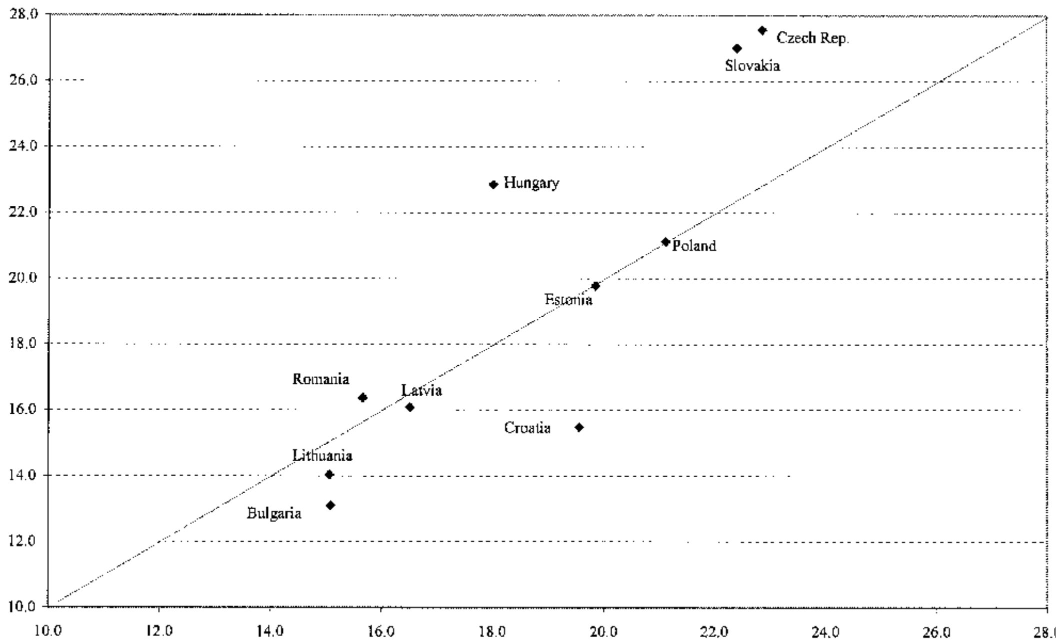
Dependent variable: Ratio of national savings to GDP	(1) 1970-99	(2) 1970-99	(3) 1970-79	(4) 1980-89	(5) 1990-99	(6) 1995-99
Constant	22.1	19.2	-7.7	6.52	50.5	47.7
	(1.2)	(5.8)	(2.8)	(1.60)	(1.22)	(0.35)
Log (GDP per capita)	1.81	1.8	3.8	2.28	-0.35	0.56
	(0.10)	(0.46)	(0.15)	(0.13)	(0.10)	(0.07)
Growth rate of GDP (in percent)	0.39	0.34	0.40	0.68	-0.007	0.31
	(0.02)	(0.13)	(0.02)	(0.05)	(0.008)	(0.009)
Ratio of population below age 14	-0.39	-0.32	0.04	-0.21	-0.73	-0.80
	(0.016)	(0.09)	(0.04)	(0.02)	(0.02)	(0.007)
Ratio of population above age 65	-1.13	-1.04	-0.98	-1.01	-1.27	-1.68
	(0.039)	(0.19)	(0.04)	(0.03)	(0.04)	(0.02)
Ratio of M3 to GDP	0.15	0.18	0.13	0.27	0.16	0.15
	(0.007)	(0.05)	(0.008)	(0.008)	(0.006)	(0.009)
Squared ratio of M3 to GDP	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.0001)	(0.0003)	(0.0001)	(0.0001)	(0.0001)	(0.00001)
Government balance	0.46	0.58	0.45	0.49	0.86	0.78
	(0.003)	(0.10)	(0.04)	(0.02)	(0.03)	(0.02)
Adjusted R-squared	0.38	0.39	0.33	0.48	0.41	0.47
Number of countries included	127	127	83	100	104	89
Number of observations	472	472	107	181	184	89

21. **While differences in the "proxy" for financial development are small and therefore do not explain much, one could argue that before and after the banking crisis of 1996–97 in Bulgaria, confidence in the financial system seriously deteriorated**—even beyond what would be captured in the monetization ratio that we use as a crude proxy. This effect may account for a large share of what remains "unexplained."

22. **Compared with most of these countries, Bulgaria has also lagged in efforts at reforms in key areas** (see Figure 4). Delays in structural reforms and the resulting lack of restructuring have limited the availability of good investment projects—and by lowering

opportunities for lending, the banks have had limited incentives and ability to attract savers.[5] Banks have also been cautious in their domestic lending because of an imperfect legal environment, including problems with the enforcement of creditor rights.

Figure 3. Actual vs. Predicted Saving Rates in Selected Transition Countries (actual in vertical axis; averages 1995-99)



Source: Staff estimates, using regression shown in column 6 of table 2.

Looking ahead

23. **Projections for the medium-term values of the explanatory variables indicate that the saving rate could increase by about 5 percentage points over the medium term—from its average of 13 percent in 1995–99.** The interaction of the coefficient estimates from the regressions above and the projected evolution of the explanatory variables suggest that: an increase in the income level—as a result of sustained growth of around 5 percent a year—would raise the savings rate by about 3 percentage points of GDP; continued monetization—the ratio of broad money to GDP is projected to increase to more than 50 percent of GDP by 2007—would imply higher savings by almost 1 percentage point

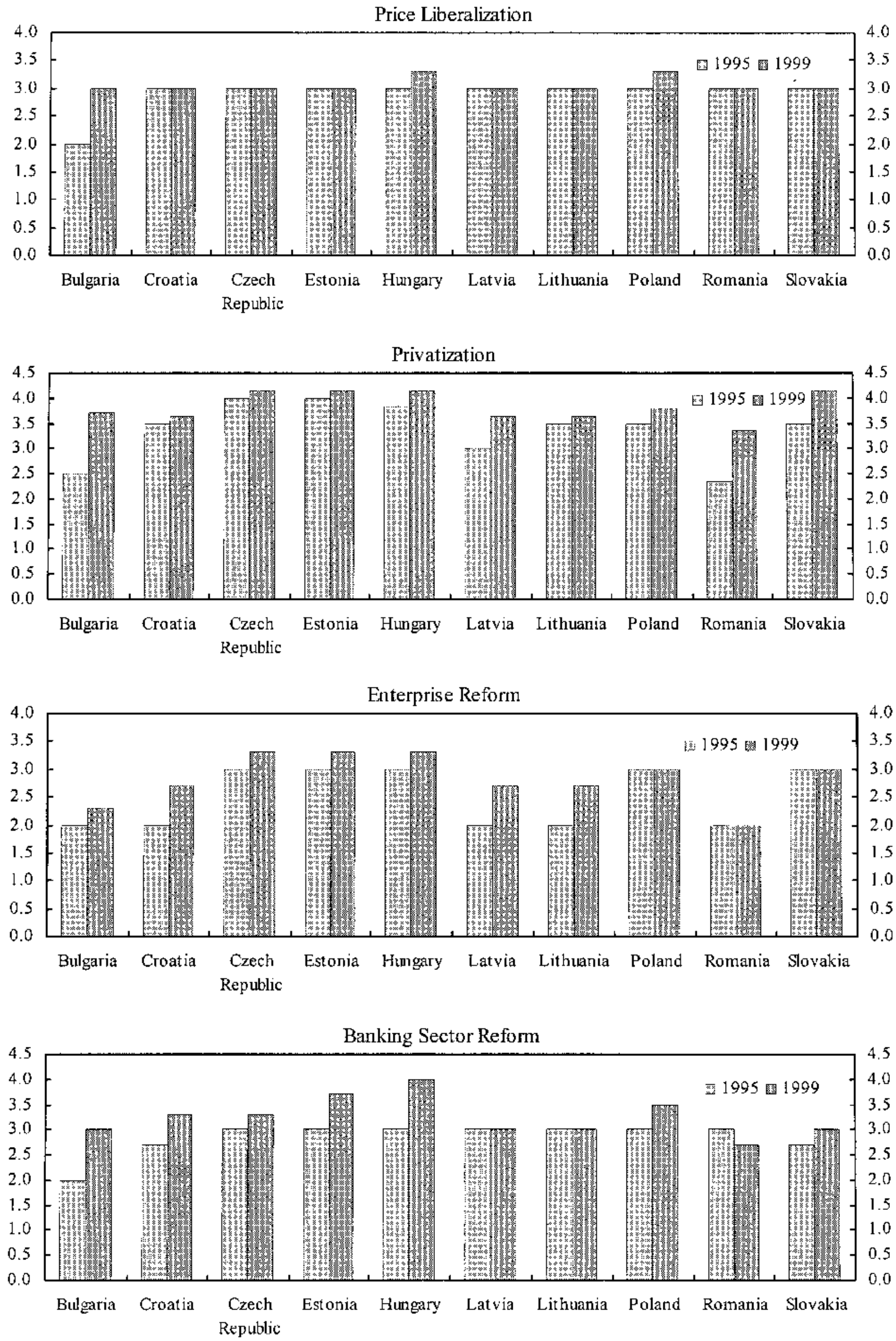
[5] Only about one-third of banks' assets were lent domestically in 2001. The remaining were mostly placed abroad.

of GDP; the consolidation of a balanced government budget would increase savings by about 1½ percentage points of GDP (the fiscal deficit is projected at 0.8 percent in 2002 and zero by 2005 and beyond, compared with an almost 3 percent average in 1995–99). Although the ratio of the population below 14 years of age is expected to decline as a result of low past and current fertility rates, the continued aging of the population will imply an increase in the ratio of those above 65 years of age from 15.1 percent in 1995–99 to 16.7 by 2007. The net demographic effect would subtract about ½ percentage point of GDP from the savings rate.

24. **In addition to the effects of the expected evolution in the covariates used in the regression above, other important variables could contribute to an additional increase in the savings rate**. The improvement in confidence in the financial system and more effective financial intermediation could have favorable effects. If unobservables related to this phenomenon were responsible for the lower-than-projected savings in 1995–99, a gradual improvement would contribute to higher savings. However, most of this effect is already reflected in our projections for the monetization ratio, which implicitly reflect the staff's assessment on the favorable prospects for the development of the financial system. The Bulgarian authorities also intend to increase the share of capital expenditures, from about 2 percent of GDP on average in 1995–99 to 4 percent in 2004 and beyond, in part to meet EU-accession-related spending. In the context of a balanced budget, this shift towards capital spending would result in an increase in public and overall savings. The short- and medium-term effects of pension reform on savings will depend, in part, on how the transition costs of introducing a funded pillar are financed—the impact will be larger and more positive if these costs are met with cuts in current expenditure. Tax reform—mainly the authorities' plans to lower direct personal and corporate income taxes, and raise indirect taxes—would increase incentives to save as well. Continued restructuring, in addition to lower corporate income taxes, would lead to higher corporate profitability, and provide a boost to corporate savings.

25. **Given the uncertainty surrounding the estimates presented above, the staff's current macroeconomic framework projects a more conservative increase in the saving rate, to slightly more than 17 percent of GDP by 2007**. With investment rates projected to reach 22 percent of GDP over the medium term, consistent with growth projections, the current account deficit would gradually decline to 4½ percent of GDP. As this deficit is expected to be covered by FDI inflows, the gross external-debt-to-GDP ratio would decline to 50 percent, from almost 80 percent in 2001.

Figure 4. EBRD Indicators of Transition Reform



Source: EBRD transition report 2001; Privatization index is an average for small and large scale privatization.

E. Conclusions and Policy Implications

26. **The seemingly low rates of saving in Bulgaria can be explained, to a large extent, by the country's characteristics, in particular, its low level of income and an adverse demographic structure**. Still, actual saving rates are lower than what would be predicted solely on the basis of Bulgaria's characteristics. We have argued that two reasons may be largely responsible for this outcome: the adverse shock to confidence in the Bulgarian financial system as a result of the banking crises in 1996–97, and the lack of economic restructuring and legal problems constraining domestic lending, which in turn have limited the returns to saving.

27. **On the basis of projected values for variables that influence savings, the chapter estimates that the savings rate could increase by about 5 percentage points in the medium term**. Unfavorable developments in the demographic structure, as the population continues to age, would be more than offset by higher income levels, more effective financial intermediation, and continued tight fiscal policies. Higher savings would increasingly finance necessary investments to reach growth objectives and accede to the EU, gradually bring down the current account deficit, and allow for a sharp decline in the ratio of gross external debt to GDP.

28. **In addition to continued prudent fiscal policies, the projections for higher savings rely on the implementation of other policies that would provide the proper environment for sustained high rates of income growth, and the development of the financial system**. The most important policies include:

- An acceleration of structural reforms that encourage restructuring and increase productivity and, thus, the returns on savings.

- Policies that foster sound financial intermediation, including finalizing the privatization of state-owned banks; improving the legal framework to better protect creditors' rights—especially relating to bankruptcy and liquidation procedures; and strengthening banking supervision—particularly important in a context of rapid credit growth.

- A decline in current expenditure on the part of the government will be needed to finance increased accession-related capital spending and remove the pressure that the transition costs of pension reform will exert on the fiscal accounts.

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II. Bulgaria's Fiscal Decentralization Reform[1]

A. Introduction

1. **Bulgaria has made significant progress towards achieving fiscal and macroeconomic stabilization since the start of transition to a market economy and, in particular, the introduction of the CBA in 1997.** However, difficulties in municipal financing—including the emergence of sizable arrears—represent a potential risk to continued fiscal prudence. Against this background the Bulgarian government is in a process of formulating and implementing a comprehensive fiscal decentralization reform program that aims at: (i) achieving clear assignment of expenditure functions; (ii) providing revenue sources consistent with these functions among the levels of government; and (iii) providing incentives to increase efficiency in delivery of public services and management of resources at the local level.

2. **In Bulgaria, local governments have come through a period of severe financial pressures with increasing budget deficits starting 1998 and peaking in 2000 (see Table 1).**[2] This caused the Ministry of Finance (MoF) to make extraordinary ad hoc subsidy allocations and impose severe spending controls in the last two budget years. In 2000, municipalities required the equivalent of 1 percent of GDP in excess of budgeted central government support. As a result the deficit accumulation process was slowed but not reversed, and no firm resolution has yet been reached on settling the accumulated deficits. While central government transfers allowed a balance to be achieved between revenues and expenditures in 2001, the large overhang of cash arrears remains. At end-2001, the stock of municipal arrears was close to 130 million leva or 6.4 percent of total municipal revenues (0.4 percent of GDP).[3]

3. **Arrears have become the major means of deficit financing and eroded the fiscal discipline and accountability at the local level.** The problems arise partly from weak management capacity and financial control within a number of municipalities, but they are mainly due to unfunded expenditure mandates as well as lack of adequate assignment of revenue sources. As a result, pressures have emerged to decentralize the system of intergovernmental relations and devolve a number of expenditure functions and revenue sources to lower levels of government as a possible solution.

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[1] Prepared by Bozhil Kostov, IMF office in Sofia.

[2] In 2000, Bulgrian municipalities accounted for 21 percent of consolidated government expenditures (up from 17 percent in 1997 and down from 23 percent in 1999).

[3] In fact, the stock of arrears has come down from 11 percent of municipal revenues at end-1999. However, this has been achieved at the expense of additional grants provided by the central government—a practice that does not encourage fiscal discipline.

Table 1. Bulgaria: Structure of Municipal Budgets 1997-2001

	1997	1998	1999	2000	2001
			(In millions of leva)		
Revenue	1010.6	1665.9	1820	1958.8	2037.2
Own source revenue	95.2	252.3	339	346.8	448.7
Tax revenues	20.4	135.3	89	89	104.9
Property tax	16.2	129	88	88.9	98.6
Non-tax revenues	64	101.2	230	233.9	294
Capital revenues	10.8	15.8	20	23.9	49.8
Shared tax revenues	557	775.2	759	775.5	915.4
Profit tax 1/	217.1	266.7	252	251.3	393.3
Income tax	339.9	508.5	507	524.2	522.1
Transfers 2/	358.4	638.4	722	836.5	673.1
Expenditures	997.9	1682.2	1877	2021.2	2036.5
Education	327.6	493.3	572	626.2	654.7
Health	282.6	433.7	480	413.8	183.8
Social Security and Welfare	89.5	154.5	241	313.5	391.7
Current	918.7	1470.3	1704	1863.2	1833.6
Capital	79.2	211.9	173	158	202.9
Deficit/Surplus of Operating Budget	12.7	-16.3	-57	-62.4	0.7
			(In percent of total)		
Revenue	100	100	100	100	100
Own source revenue	**9.4**	**15.1**	**18.6**	**17.7**	**22.0**
Tax revenues	2.0	8.1	4.9	4.5	5.1
Property tax	1.6	7.7	4.8	4.5	4.8
Non-tax revenues	6.3	6.1	12.6	11.9	14.4
Capital revenues	1.1	0.9	1.1	1.2	2.4
Shared tax revenues	**55.1**	**46.5**	**41.7**	**39.6**	**44.9**
Profit tax 1/	21.5	16.0	13.8	12.8	19.3
Income tax	33.6	30.5	27.9	26.8	25.6
Transfers 2/	**35.5**	**38.3**	**39.7**	**42.7**	**33.0**
Expenditures	100.0	100.0	100.0	100.0	100.0
Education	32.8	29.3	30.5	31.0	32.1
Health	28.3	25.8	25.6	20.5	9.0
Social Security and Welfare	9.0	9.2	12.8	15.5	19.2
Current	92.1	87.4	90.8	92.2	90.0
Capital	7.9	12.6	9.2	7.8	10.0

Sources: IMF Government Finance Statistics Yearbook and Ministry of Finance

1/ The 2001 profit tax receipts include 52,5 mln leva received by Sofia municipality from the sale of Bulbank.

2/ The 2001 transfers have to be adjusted upwards by 113,1 mln leva paid directly by the central government to local governments' suppliers.

4. **The envisaged municipal reform in Bulgaria is closely linked to ongoing reforms in other areas, including health care, education, and the social safety net.** For example, one of the main problems in rationalizing the costs in education in the municipal budgets is that municipalities have no authority over the key decisions that drive these costs. In the health care field, most municipal health facilities have been commercialized with operating costs now covered by payment for services from the National Health Insurance Fund (HIF). However, capital costs of facilities are still the responsibility of the municipal governments. Where such service delivery responsibilities are split between agencies and levels of government, the incentive structures are almost always in conflict, resulting in inefficient and costly service provision (McCullough, 2002).

5. **These issues have begun to be addressed in recent budgets.** Changes made in the 2002 budget align better the revenues guaranteed by the state and the assigned expenditure commitments of municipalities. At the same time greater autonomy was provided to municipalities to administer certain local fees and other non-tax revenues to finance the services they choose to provide. The local tax base was increased with a new road tax and certain local tax and fee rates were updated. Also, the government has committed itself to reverse the practice of the last three years and not cover losses stemming from excess spending at the municipal level. Further, the expenditure burden on municipal budgets has been reduced with the ongoing reforms in the health care sector which removed certain health care expenditures from municipal budgets and increased the HIF's share in hospital costs. The forthcoming rationalization of the overcapacity in the education sector and the central government commitment to cover costs at a minimum standard level will improve further the municipalities' financial condition.

6. **Against this background, an important policy question is whether greater fiscal decentralization is desirable.** From an efficiency perspective the subsidiarity theorem states that each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize benefits and costs of such provision (Shah, 1994). According to this principle, taxing, spending and regulatory functions should be exercised by lower levels of governments unless a convincing case can be made for assigning them to higher levels of government. It is also hoped that decentralization will improve the financial condition of municipalities, reduce their large contingent liabilities (in the form of arrears and unfunded mandates) to the central government as well as bring higher efficiency in the provision of local public goods and services.

7. **In reality, however, decentralization is more complex.** Despite the advantages of efficiency and local accountability, it may have a significant impact on macroeconomic management and stabilization. Further, local governments may lack the skills or resources to prepare and execute budgets effectively. While the literature on fiscal federalism generally admits the need for decentralization, many observers stress the risks of loss in expenditure control, increased corruption and inefficiencies in resource allocation that may result from hasty or over-extended decentralization (Prudhomme, 1994).

8. **The rest of the paper discusses key aspects of the decentralization process in Bulgaria.**[4] It begins with a brief outline of generally accepted principles that should guide sound and effective decentralization reforms; the next section discusses Bulgaria's current system of intergovernmental fiscal relations and outstanding issues; following a discussion of Bulgaria's reform proposal the paper concludes with a few key observations.

B. General Principles of Decentralization

9. **While there is no single 'best' fiscal decentralization design, there is consensus in the literature on fiscal federalism (also illustrated by country experiences) about the key conditions that should be satisfied in allocating fiscal autonomy to local governments.** The framework governing the relationships between the central and local governments and arrangements for budgeting should be transparent and efficient and provide for aggregate expenditure control and strategic allocation of resources. For achieving these overarching objectives certain basic principle should guide decentralization reforms.

General principles

10. **Each level of government should have clearly assigned responsibilities and fiscal and revenue-sharing arrangements between the central and local governments should be stable and predictable.** Clarity, transparency, and stability are paramount for achieving the accountability that efficient governance requires. Overlapping or unfunded mandates, and frequent legislative and regulatory changes should be avoided.

11. **Revenue assignment should be fully consistent with expenditure assignment.** Sufficient resources should be assigned to local governments to allow them to fulfill their duties. When new duties or responsibilities are transferred to local governments, supplementary funding should be provided. On the other hand, if duties or responsibilities are removed, transfers to local governments should be correspondingly reduced.

12. **Local governments need to have a reliable estimate of the revenues available to them before preparing their budgets.** Lack of predictability impedes both efficiency and financial control at the local level. Without an indication of the level of resources to be transferred to them, local governments cannot adjust their expenditures to meet perceived fiscal constraints. Accordingly, forecasts of revenues should be transmitted to local governments as soon as they are decided, and estimates of grants to local governments need to be prepared early in the budget process.

13. **Certain fiscal autonomy should be given to local governments to realize the efficiency potential of decentralized governance.** On the expenditure side this would

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[4] Extensive technical assistance has been provided in this area under the USAID's Local Government Initiative Project.

translate into having budget flexibility to decide—within limits—expenditure priorities in accordance with local preference. On the revenue side, local governments should be able to set tax bases and tax rates on at least one significant local tax source in order to provide incentives for revenue raising and ensure accountability (Ter-Minassian, ed. 1997, Martinez-Vazquez, 1995).

14. **Incentives should also be provided for increasing revenue collection and delivering services efficiently.** Often the central government adjusts downwards its transfers to local governments when the latter achieve economies in public spending or improve their own tax collection. This can create perverse incentives at the local level. Considerations should be given to allowing local governments to keep a share in any savings they make through improved efficiency.

15. **Fiscal deficits should not be passed down onto the local governments.** The central government should avoid passing its financial problems to local governments through cuts in intergovernmental transfers or increased expenditure assignments, without compensatory measures.

16. **In the case of local government budget overruns or accumulation of arrears, the law should stipulate sanctions or emergency measures.** For example, local governments could be forced to cut expenditures or raise taxes and fees, or local budgets could be placed under the authority of the central government until the situation is stabilized.

17. **A sound reporting and accounting system based on standard budgeting rules is critical.** Systems for budget execution, internal management control and internal audit for local governments should be similar to those of the central government. Ideally, they should be subject to regulation by the ministry of finance. In addition, local and central governments should have a common functional and economic classification of expenditures, based on international standards.

18. **Special mechanisms are needed to control local borrowing, which has a potentially important impact on macroeconomic stability.** Depending on the degree of decentralization, these mechanisms may consist of grant instruments, fiscal targets set by law, or direct controls on borrowing. Local borrowing should be limited in accordance with clear and transparent principles that take into account the debt servicing capacity of the local governments.

C. The Bulgarian System of Intergovernmental Fiscal Relations—Status and Issues

Levels of government

19. **Bulgaria is a unitary state with two levels of government—central and local.** The local governments are made up of 263 municipalities, which are the principal administrative territorial units at the level of which local self-government is practiced. Municipalities are legal persons, entitled to own municipal property, and have their own separate budgets,

which are consolidated with the central government budget. The municipal council and the mayor are directly elected by the citizens.

20. **In addition, the territory of Bulgaria is divided into 28 regions which are administrative territorial units of the central government.** The regions are arms of the central government and have no autonomous budgets. They are entrusted with the conduct of regional policy, the implementation of state policy at the local level, and ensuring the coordination of national and local interests. Each region is headed by a regional governor, who is appointed by the Council of Ministers.

Expenditure assignment

21. **A review of the current expenditure assignment in Bulgaria indicates that there is no gross expenditure mismatch.** Typical central government functions which have a national dimension, such as defense, are assigned to the central government while many services with local benefits, such as primary education, local road maintenance, and garbage collection, are assigned to local governments. The health reform launched in 1999 took the responsibility for financing pre-hospital health care establishments from the municipalities and in 2001 the financing of regional hospitals and orphanages, which services have an inter-municipal dimension, became a responsibility of the Ministry of Health.

22. **Nevertheless, current expenditure assignments are not sufficiently clear and stable.** Many services in Bulgaria are assigned to municipal governments on a shared basis with the central government, including education and health care, which are the largest components of municipal expenditures. This sharing frequently leads to confusion and conflict over accountability and financial responsibility.[5] Stability has been compromised by frequent and ad hoc changes of expenditure mandates (often without respective revenue assignments), especially in the course of a budget year, creating disincentives for prudent financial management and resulting in accumulation of arrears and reduced service delivery. Clearly, local governments need more predictability for efficient management of their resources.

23. **Unclear delineation of responsibilities over regulation, financing, and implementation—especially in the case of shared responsibilities—have resulted in the proliferation of unfunded mandates.** These mandates have served to limit the effective budgetary autonomy of local governments and added demands on their already strapped budgets. According to an estimate of the MoF in 2002 unfunded mandates represent 0.2 percent of GDP.

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[5] Shared mandates are also a problem for matching expenditure assignment with revenue authority. It has been estimated that municipalities spend more than 90 percent of their budgets for services over which they have very limited control (National Audit Office, May 2000)

24. **The central government has until recently complicated sound financial management by imposing priorities for municipal expenditures and placing strict limitations on municipally-financed capital investment.** Such arrangements have created the perverse incentive to drive up current expenditures and increase lobbying for central government capital subsidies. Also, at the end of the fiscal year, municipalities are often authorized by the MoF to finance current expenditures with the unused portion of the targeted investment subsidy (which cannot be carried over), leading to increased current expenditures to the detriment of investment. To tackle these issues, the government has, beginning in 2001, eliminated the system of mandatory priorities and raised the spending limit on investments (above the targeted subsidy for capital expenditure) from 10 percent to 25 percent of the municipalities' own revenues in 2002.

25. **Expenditures which have a redistributive objective should be the mandate of the central government.** However, until recently Bulgarian municipalities were funding 50 percent of social welfare payments from their own revenues. This created significant disparities in expenditure needs across municipalities and especially burdened municipalities with limited local revenues and large dependent populations. With the 2002 state budget the government has partially addressed this problem by lowering the part of social welfare payments financed by municipalities' own revenues to 25 percent, with a view to funding fully these payments with central government revenues by 2003.

26. **Finally, there is a lack of correspondence between the funding and the usage of key mandated services.** Many municipalities pay for facilities that serve the population of surrounding municipalities, particularly schools and social care facilities. The funding for these services does not recognize the nature of the inter-jurisdictional costs. In the health sector, this issue is being addressed by removing most health care expenditures from the municipal budgets. However, such distortions will remain for health care facilities, which are still owned by the municipalities, and in other sectors, such as education.

Revenue assignment

27. **In general, the assignment of tax bases to governments in Bulgaria is in accordance with public finance principles.** Mobile tax bases are generally assigned to the central government budget and immobile tax bases to local budgets. Municipalities have three main sources of revenue: (i) shared taxes; (ii) central government subsidies (general subsidies and targeted subsidies for investment and social assistance); and (iii) own-source revenues, including local taxes, fees, and other non-tax revenues.

28. **Shared taxes represent a very large source of municipal revenue—around 40 percent of total revenues in 2000, but vary significantly across municipalities.** They are comprised of corporate profit tax and personal income tax, while indirect taxes accrue to central government. Revenues from the personal income tax are allocated 50:50 between the

central and local budgets and are paid to the municipal budgets according to the taxpayer's place of work.[6] This method of payment poses problems when residents of one municipality work in another, because these people use public services according to their residence but pay taxes to another municipality. The municipal corporate profit tax share is 10 percent of the accounting profits adjusted for tax purposes. Like the personal income tax, the current allocation of the corporate profit tax is based on the location of company, which results in a windfall to some municipalities and a disadvantage to others, especially those where the workers reside.

29. **Overall, Bulgarian municipalities have an adequate range of local revenue sources assigned to them.** The basic structure of the local tax base is sound, comprised of property tax, vehicle tax, inheritance tax, a new road tax, and a patent tax that covers local business activity. There has been a steady increase in the importance of own revenues in local budgets; own revenues have doubled as a share of total revenues since 1997, to around 18 percent in 2000. A notable feature of the Bulgarian local tax system is the insignificance of the property tax which accounts for only around 4.5 percent of total municipal revenues owing to low tax rates and irregular updates of tax base assessments, both of which are controlled at the central level. Local fees and non-tax revenues are far more important revenue sources for local governments than the property tax, although many of these fees are also controlled from the center.

30. **The need for the central government to control its deficit under conditions of high current account deficits and public debt has so far limited the central government in granting more revenue-raising autonomy to local governments.** Despite growth in local revenues, autonomy over local taxes is limited by central government restrictions over tax bases and rates, which discourages municipalities from increasing revenues. Also, being uniformly set, the tax rates cannot address the different circumstances across municipalities. Municipalities have only very limited powers in setting the rates of certain local fees within certain ranges set by the law.

31. **The practice of central government sequestration of any additional revenues raised by municipalities (and the fact that budgeted local tax revenues are based on forecasts of the central government) has reduced transparency in intergovernmental relations and created disincentives for revenue mobilization.** According to the 2002 State Budget Act, municipalities have to pay back to the central government shared tax revenues in excess of central budget forecasts while the central government has to give compensatory grants when collected shared tax revenues are lower than the forecasted levels. Such a provision provides little incentive to increase revenues. Although the centralized shared tax revenues in excess of budget forecasts are subsequently redistributed among municipalities the reallocation mechanism is often discretionary and non-transparent. This has deprived

[6] The patent tax levied on small businesses is treated as part of the personal income tax share for distribution purposes and is shared in the same percentage.

municipalities of revenue predictability and stability and decreased their ability to budget and plan expenditures.

32. **At present the collection of local taxes and certain fees is done by the MoF regional tax offices on behalf of the municipalities.** It is an open question as to whether a shift to municipal control of local tax administration would produce higher revenues. Centralized tax collection is often less costly to administer owing to economies of scale. Also, given the size of the country and the on-going project for setting up the Unified Revenue Agency, which is expected to strengthen the revenue collection process, it may not be desirable for municipalities to assume fully independent local finance administration.

Central government transfers

33. **Central government transfers have been an important source of revenues for municipalities, ranging from 35 percent to 43 percent of total municipal revenues during 1997–2000.** Central government transfers consist of: (i) general purpose grants (un-earmarked block grants); (ii) targeted grants for capital expenditures (for centrally approved projects); and (iii) special purpose grants for social assistance. The specific transfer amounts are determined every year in the State Budget Act where only the general grant's calculation is based on a formula. In 2002, the MoF reduced the total subsidy by 0.3 percent of GDP (reflecting the removal of certain health care expenditures from the municipal budgets) and shifted larger proportions of the total subsidy into the social welfare and capital investment components.

34. **The general grant formula in the 2002 budget addresses, in part, the disincentive to municipalities to raise higher revenues**. Previously, the higher the own revenues (tax and non-tax) expected for a given municipality, the lower was the subsidy provided to it. In 2002, the formula excludes the full amount of non-tax revenues, with the purpose of limiting central government intervention in determining the amount of non-tax revenues and how they are spent. The current transfer formula is clearer than the formulae used in the past, and has the advantage of taking into account mandatory expenditures and (by excluding non-tax revenues) provides municipalities with additional resources which can be used to finance the operations and maintenance of non-mandatory activities.

35. **Nevertheless, further improvements are needed.** The provisions of funds covering the full amount of wages (which are part of the mandatory expenditures) risks fixing the distribution of current spending between wages and non-wage expenditures. Further, the system of transfers should have explicit objectives and grants should be explicitly budgeted ex-ante and allocated according to objective and transparent criteria. Also, the transfer formula should be further improved to provide incentives to stimulate local revenue collection, and ensure that local revenue is not replaced with equalization grants. Finally, the central government should try to avoid ad-hoc and gap-filling transfers and restrain from changing the formula's methodology from year to year which makes the system of central government transfers less predictable and transparent.

Municipal borrowing arrangements

36. **Local government borrowing has clear ramifications for macroeconomic management and control.** Although the current level of municipal borrowing is not very high, the lack of effective monitoring and enforcement and the absence of adequate bankruptcy procedures for defaulting municipalities poses important risks. Also, there is at present no clear reporting on the full outstanding debt and contingent liabilities of local governments. The moral hazard created by the practice of granting loans by the central government that are eventually forgiven is another important threat to local budgetary discipline.

37. **Concerns about the lack of responsible fiscal management at the local level and its impact on macroeconomic stability at the national level have led to the introduction of limits on local borrowing.** Bulgaria has enacted legislative limits on local budget deficits as a share of local budget revenues, but the current legal framework is inconsistent with respect to the purpose for which municipalities are authorized to borrow. According to the Municipal Budgets Act the authorized level of municipal budget deficit is 10 percent of total budget revenues, which is interpreted by many municipalities as authorization to borrow for financing current expenditures. At the same time the Local Self-Government Act prohibits borrowing to fund general operating expenses. Clearly, these conflicting provisions need to be reconciled.

D. Summary of the Current Reform Proposal[7]

Reform proposal

38. **Bulgaria's program for fiscal decentralization aims at "delivering public services of quantity, quality and price that are affordable and correspond to citizen needs, on the basis of sustainable and durable balance of expenditure responsibilities of municipalities with stable revenue sources, and effective citizen control."** In achieving this objective the government intends to follow the subsidiarity principle of assigning expenditure and revenue authority to the lowest efficient level of government; match expenditure responsibilities with revenue sources; impose strict financial discipline on municipalities and enhance their financial management capacity; seek transparency and equitable treatment of all public sector actors; provide fair access to resources for delivery of minimum level of public services; and establish a balance between local discretion and macro-financial stability by developing and ensuring certain minimum standards for public service delivery.

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[7] Based on "Concept and Program for Fiscal Decentralization," recently adopted by the Council of Ministers.

39. **The government will seek changes in the following four broad areas:** (i) defining and delineating the expenditure responsibilities of the state and the municipalities; (ii) funding of state expenditure responsibilities mandated to municipalities; (iii) funding of municipal expenditure responsibilities; and (iv) improving the legal framework for the municipal budgets preparation and execution process.

40. **Reform measures in the first area are targeted at a clear assignment of expenditure mandates especially in education, health care and social assistance as well as clearing the municipalities' arrears for 2001.** These measures include defining clearly in the 2003 budget framework the state and municipal responsibilities toward accumulated arrears and giving priority to developing cost standards (including for staffing levels, average wages, and maintenance) for public service delivery in the education, social welfare, culture, and health care sectors. In the medium term, the government plans to develop a special law for the city of Sofia that will take into account the specific fiscal status of the capital city where there is considerable concentration of publicly provided goods and services.

41. **The proper funding of mandated responsibilities is key for the municipalities to be able to carry out the assigned public service delivery and avoid further accumulation of arrears.** The assigned mandates shall be financed through a combination of shared taxes and grants. With the 2003 state budget the government intends to remove the current municipal tax and the municipal corporate profit tax share as municipal tax revenue sources, compensating in full with proceeds from the personal income tax and subsidies from the state budget. In order to provide incentives to municipalities to increase shared-tax revenues the government plans to review the regulatory mechanism for year-end reallocation of the eventual surplus of shared tax revenues (in excess to the budget forecasts) among municipalities and give opportunity for part of this surplus to stay with the them.

42. **Expenditure mandates will be further clarified and funding provided accordingly.** The expenditure responsibilities for provision of social assistance will be covered in full by the central government and the expenditures for social services provided by the municipalities. The formula for calculating intergovernmental transfers will be entirely revised with the 2003 State Budget Act and made in accordance with the respective assignment of revenue and expenditure responsibilities between the municipalities and the central government. It will be transparent and accessible to the municipalities in advance of the municipal budget preparation process.

43. **The third set of reforms seeks to secure adequate municipally-controlled revenue sources to meet the demand for local public services.** The measures are directed at giving authority to municipalities to set rates of local taxes and fees, and determine tax bases. As a first step, the government will work out a program for gradual reduction and clearing of that part of municipal arrears for 2002 related to municipal (discretionary) responsibilities, with municipal own revenues as a major source of financing, in the course of executing the current state budget. By amending the Local Taxes and Fees Act municipalities will be given autonomy in determining local fees. Taxes that enter municipal budgets will be clearly separated according to the respective assignment of expenditure responsibilities and

following the principle that shared taxes finance state expenditures and local taxes finance municipal expenditures. If a political consensus is achieved in the parliament the scope of local taxes will be broadened in the medium-term. For municipalities which are not able to finance local public services at a minimum required level with their own revenues an additional subsidy will be distributed from the central budget. In the medium term, the program envisages amending the Constitution so that municipalities can alone set local taxes.

44. **Finally, the legal framework would be improved with respect to municipal budget preparation and execution and to enhance the municipalities' financial management capacity.** Reforms will seek to establish legally sound budget and accounting practices, improve transparency of, and conditions for giving, central budget loans to municipalities, and develop a solid normative base for the municipal credit system and municipal insolvency procedures. A clear distinction between operational (current) and capital budgets will be made in the Municipal Budgets Act. Debt financing will be allowed only for acquisition of long term fixed assets and rules for application, approval, repayment, and writing off of interest free municipal loans granted by the central government will be developed. The government will also establish legal procedures to ensure observance of strict financial discipline by municipalities as well as for determining the conditions and measures to be taken when they fall in financial distress or insolvency. Further, an incentive/penalty system will be put in place to encourage/limit the implementation of good/bad management practices. Finally, legislative procedures for municipal debt issuance, pledge of collateral, credit rating, disclosure and accounting as well as the central government's role in the process will be developed in the medium-term.

Some remarks on the proposed reforms

45. **The proposed reform of the intergovernmental fiscal relations has a number of advantages.** It achieves greater clarity and simplicity in determining the fiscal relations both at the national and municipal level. All municipal activities will be divided into centrally mandated services and municipal services provided at local discretion, with the centrally mandated services funded at a basic level by central government transfers, shared taxes, subsidies, and state fees, while municipal services are financed with municipal own source revenues. The costs of mandated services will be based on centrally developed minimum standards while the expenditures for services provided at local discretion will be constrained to the level of municipal own source revenues. Further, removing the corporate profit tax and retaining the personal income tax as the only shared tax will add stability and predictability to the system and increase horizontal balance across municipalities. The suggested revision/removal of the shared tax surplus redistributive mechanism and eliminating the sequestration of any surplus municipal revenues will reduce disincentives for revenue mobilization. A move in the right direction is also the intended full funding of social welfare payments by the central government.

46. **However, further improvements can be made to more fully achieve the decentralization reform objectives.** Horizontal equity, for example, can be further improved by moving away from the current method of allocating the personal income tax

based on taxpayer's place of work to allocation based on taxpayer's residence, which will limit the distortions between revenue allocation and expenditure needs. Capital expenditure responsibilities could also be better clarified by making municipalities responsible for the capital infrastructure needed to provide those services assigned to them.[8] The responsibilities of municipalities for investment budgeting and programming should be increased in line with the functions assigned to them. The 2002 budget includes measures that go in this direction—50 percent of the targeted subsidy will be allocated among projects by the municipalities themselves. However, before the transfer of full capital budgeting responsibilities to local governments is implemented, it is essential to carry out an extensive training program for local budget officials covering multi-year budgeting, project appraisal techniques, tendering, and contracting.

47. **In Bulgaria, a possible next step towards greater fiscal autonomy would be to give municipal governments limited authority over one highly productive revenue source, such as a revamped property tax, and possibly some other local taxes like the vehicle tax and the patent tax.** Some degree of authority could be granted over tax rates and bases, and municipalities could be given the authority to determine the services on which they will charge fees, the types of fees to be imposed, the rates, the base, and the collection process. Implementing a comprehensive reform of the local revenue system will guarantee access to adequate level of revenues and induce local governments to increase revenue collection.

48. **Finally, the envisaged strengthening of the legal framework for local government borrowing is worthy but additional rules for monitoring and enforcement of the already existing limits may need to be put in place.** A golden rule that limits municipal borrowing for investment purpose and requires current budgets to be balanced could be desirable in Bulgaria, but additional control and/or rules may also be needed to ensure compliance with the central government fiscal targets. Central coordination of the external debt policy is required, and its impact on the balance of payments must be taken into account. Approaches to foreign capital markets and negotiations with international financial institutions need to be coordinated. Moreover, foreign lenders, when lending to local governments, generally require an explicit or implicit guarantee from the central government. Therefore, at a minimum, lending operations made abroad by municipalities should comply with conditions set by the central authorities.

E. Conclusion and Final Remarks

49. **The authorities have developed a comprehensive agenda for reform of Bulgaria's fiscal decentralization system that aims to achieve an improved efficiency in**

[8] This would require central authorities to provide prudent limits to local government borrowing, monitor compliance, and facilitate the supply of long-term credit for well-planned and reasonable capital expenditures by local governments.

public service delivery and better overall resource allocation. While many of the proposals outlined in the authorities' program correspond closely to those suggested in this paper and elsewhere, before proceeding with a rigorous implementation of the reform program certain key considerations need to be kept in mind.

50. **First, no matter how technically well-designed is the system of intergovernmental fiscal relations, effective implementation requires the presence of a comprehensive institutional and legal framework.** A prerequisite for successful decentralization is that local governments in Bulgaria possess the administrative capacity required to effectively carry-out the assigned mandates. Granting greater budgetary autonomy should be balanced with improving the capacity for local budget management and control. The latter requires large-scale training in expenditure management, project appraisal, and overall improvement of the local governments' implementation capacity. Coordination and cooperation between levels of government is central to an efficient decentralized system. The lack of such communication and cooperation, in particular in sectors with a large weight in local government budgets—such as education, health, and social assistance—may lead to proliferation of unfunded mandates, inefficient supervision and weak support.

51. **Second, the proper sequencing of decentralization is key.** Bulgaria's fiscal decentralization reform should be carried out gradually with legislative and capacity building efforts proceeding first to prepare the ground for the implementation stage. In the absence of such efforts, decentralization can increase the scope of corruption within government since the number of officials in a position to benefit from corruption increases. Further, decentralization tends to increase the demand for skilled administrators by the government sector, since each autonomous local government requires its own administrative staff. In a country where capable public management is still scarce, it may not be desirable to proceed immediately with a greater degree of decentralization.

52. **Third, as decentralization proceeds and local governments gain more financial autonomy, it will be increasingly important for local governments to manage their finances in a fiscally responsible and transparent manner.** Otherwise, local fiscal deficits would offset sound fiscal management at the center. Furthermore, decentralization posses special challenges to macro-management even in the presence of hard budget constraints on local governments, as changed composition of local spending and revenue sources alone may have expansionary effects on the aggregate demand. This means that, as decentralization proceeds, local governments will need to become more involved in the process of fiscal macro-management. This could be done through setting up an appropriate institutional coordination mechanism (e.g., a forum between the Ministry of Finance and the National Association of Municipalities) for discussing intergovernmental fiscal issues with macroeconomic impact.

53. **Local borrowing is an issue of special importance—given the still high external debt and current account deficit—owing to its potentially destabilizing impact on the overall finances of the country.** Greater reliance on clear and firmly implemented rules for borrowing are needed until the discipline of the market becomes an important supplemental

instrument for control of unwise borrowing. The central government should closely monitor the local fiscal situation and be prepared to tighten borrowing limits if signs of rising deficits and indebtedness of local governments emerge. At the same time there should be tighter control on quasi-fiscal activities of local governments, including arrears accumulation.

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III. Bulgaria's Banking Sector [1]

A. Introduction and Background

1. **The banking sector has strengthened considerably since the 1996–97 financial and exchange rate crisis, but intermediation remains low.** The present scope and quality of banking sector intermediation in Bulgaria still carries the legacy of the crisis, which was largely triggered by the unsound lending practices and weak governance and supervision of banks during the early transition years. Strong measures to restore financial stability, centered on the introduction of a currency board arrangement (CBA) and the strengthening of banking regulation and supervision, have dramatically improved the condition of the sector. The banking sector landscape has been transformed through substantial consolidation, including the resolution of 15 banks in 1996, successful privatization of the dominant state banks, and ongoing restructuring of the banks that survived the crisis. As a result, the Bulgarian banking sector is now generally well regulated and supervised, highly capitalized and liquid, and profitable. However, the level and composition of monetary aggregates suggest that the public still lacks full confidence in the banking system and that banks are still cautious in expanding lending to the private sector. This chapter discusses the current structure, performance, and resilience to shocks of the Bulgarian banking sector against the background of the 1996–97 crisis and key changes in banking sector behavior since the crisis.

2. **Widespread insolvency and weak governance and supervision in the banking sector were major factors underlying the financial crisis of the mid-1990s.** In the early transition years, the banking sector continued to be dominated by state-owned institutions which, on a massive scale, extended "soft loans" to loss-making state enterprises. These misguided lending policies resulted in a surge in bad loans—around 75 percent of loans were nonperforming by 1995—and widespread bank insolvency. The refinancing needs of insolvent banks intensified in the second half of 1995, prompting the Bulgarian National Bank (BNB) to provide large amounts of uncollateralized refinancing. A growing awareness of widespread insolvency in the banking system and doubts about the ability of the government to meet its debt service obligations weakened confidence in the currency. In the first half of 1996, currency outside the banks declined by more than 20 percent in real terms and lev deposits by more than 30 percent, respectively. Faced with bank runs, the BNB continued to extend unsecured loans to ailing banks.

3. **In the period May to December 1996, the BNB made several unsuccessful attempts to restore confidence in the banking system and the currency**. Successive stabilization packages tried to address weaknesses in the banking sector, including through

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[1] Prepared by Mark De Broeck and Yuri Kawakami.

support for viable institutions, and to raise interest rates to positive levels in real terms. The authorities were, however, unable to implement the policies as envisaged, the external financial position remained under pressure as foreign financing did not resume, and the depreciation of the currency accelerated. Following the resignation of the government in December 1996, a full-blown financial and exchange rate crisis erupted, underscoring the need for a fundamental shift in policy.

4. **The new macroeconomic stabilization program, centered on a CBA, restricted the financial relations between the BNB and the banking system.** Under the CBA, the BNB was reorganized into two principal financial departments. The Issue Department (or currency board) holds all the BNB's monetary liabilities—to be covered at all times by foreign exchange assets and gold—and the deposit of the Banking Department, which enables the latter to function as a lender of last resort. The non-monetary liabilities of the BNB on behalf of the government were restructured, while the BNB ceased open-market operations and eliminated the repurchase facility. The conversion rate for the peg—leva 1,000 per DM—was set at a level that reconciled the objectives of preserving Bulgaria's external competitiveness while more than fully covering the CBA's monetary liabilities. At the selected rate, the excess cover—corresponding to the size of the deposit of the Banking Department with the Issue Department—was made available to support the banking system, under strict conditions (credit can be extended in case of systemic threat, but only to solvent banks experiencing illiquidity and against high grade collateral for a maximum of three months). These resources amounted to somewhat more than US$300 million, covering somewhat less than 20 percent of total deposits (including foreign exchange-denominated accounts), but around half of the lev-denominated deposits and all of the deposits at the State Savings Bank, which was formerly the monopoly in household deposit taking.

5. **The introduction of the CBA in July 1997 resulted in a rapid return in confidence and initial remonetization.** In the second half of 1997, interest rates fell back to low levels in nominal terms and turned positive again in real terms, credit to the non-government sector began to recover, and real money aggregates rebounded significantly. As a result of the rapid remonetization, the increase in the resources available to support the banking system—the excess cover at the Issue Department—could not keep pace with that in total deposits. The cover ratio was brought back to its initial level in September 1998, following the retention by the BNB of an IMF purchase and the accrual of net income at the BNB. The improvement in monetary conditions also allowed the BNB to ease access to reserve holdings. In April 1998, banks were given access to 100 percent of required reserves on any given day, up from 15 percent when the CBA was established.

6. **Following the initial remonetization, monetary and credit expansion continued in 1998–99, but at a slower pace.** As a pickup in real activity and continued low inflation boosted money demand, broad money rose by 8.5 percent in real terms in 1998, mainly on account of an increase in currency in circulation. It grew by a more moderate 4.9 percent in 1999 owing to a sizable increase in lev-denominated time and savings deposits. Credit to

the non-government sector picked up modestly in this two-year period, by a combined 7.3 percent in real terms. However, this increase masked divergent developments. Net claims on nonfinancial state enterprises declined sharply, in part owing to the privatization of some enterprises. As banks redirected new lending to privatized and new private sector enterprises, claims on such enterprises showed steady growth in both years. Claims on the household sector, finally, grew very rapidly in 1998 as a result of a robust expansion in lending activities by the State Savings Bank, but increased only modestly the following year. A better management of disposable funds allowed banks to lower the level of excess reserves. Reflecting the still conservative lending policies, however, the reserves-to-deposit ratio remained well in excess of the minimum required 11 percent, at around 15 percent.

7. **Money and credit growth accelerated considerably in 2001 from moderate levels in 2000, but hovered during the first half of 2002.** M2 increased in real terms by more than 5 percent in 2000, having lev currency as the fastest growing component, a sign of a waxing confidence in the domestic currency. In 2001, M2 increased by more than 28 percent in real terms, and the growth in foreign currency deposits far outpaced that of lev money, largely reflecting the one-off effect of the deposit of cash holdings of former EMU currencies in the banking system. With this effect having run its course, and in line with usual seasonal patterns, monetary aggregates were broadly unchanged in real terms in the first half of 2002 relative to end-2001 levels. On the banking sector's asset side, claims on private sector enterprises and households in real terms increased only marginally in 2000, as the additional resources freed by the reduction in the minimum reserve requirement from 11 to 8 percent in July 2000 were mainly channeled into additional placements abroad. Credit growth was, however, very robust in 2001 as claims on enterprises and household in real terms increased by more than 15 percent and more than 38 percent, respectively, with the solid growth rate in part still reflecting the low base. The recent credit expansion was supported both by banks' increased focus on retail banking, a historically underdeveloped market segment, and by the strong deposit growth on the funding side and the fall in interest rates on alternative placements abroad. In part as a result of the slowdown in deposit growth, credit growth eased in the first half of 2002, but there continues to be an underlying trend of a steady expansion in credit to private sector enterprises and households.

B. Structure and ownership

8. **The banking sector remains small relative to the size of the Bulgarian economy but dominates the rest of the financial sector.** At the end of March 2002, the assets of the 35 licensed banks amounted to close to 40 percent of projected 2002 GDP, lending to the private sector to 12 percent of GDP, and deposits from non-financial institutions to 27 percent of GDP. These ratios are low by the standards of the other EU accession countries, but not out of line with those in other transition countries at a comparable stage of the transition. Moreover, banks are well developed relative to the other segments of the financial sector (agricultural credit unions, securities firms, finance companies, general and life insurance companies, pension funds, and other nonbank financial institutions) and

account for more than 90 percent of the assets of the financial sector as a whole (Table 1). With only a fraction of the 35 banks serving domestic companies and the general public, there is no indication that the number of such banks is excessive relative to the population size.

9. **In recent years, Bulgaria has made major progress selling state-owned banks to foreign strategic investors.** Since the closure of 15 banks in 1996,[2] the total number of banks, at around 35, has been stable. Foreign ownership, however, has increased dramatically. In the immediate aftermath of the crisis, state-owned banks still dominated the sector, holding more than 80 percent of total bank assets. By end-1997, the share of state-owned banks in total bank assets had fallen to about two-thirds, while that of foreign-owned banks had risen to about 15 percent.[3] A series of privatizations to foreign investors in 1998-2000—including the sale of the country's largest financial institution, Bulbank—reduced the share of state-owned banks in total bank assets to less than 20 percent and raised that of foreign-owned banks to close to 80 percent.[4] The privatization of Biochim Bank, expected to be completed by end-July 2002, will result in the transfer of another 5 percent of bank assets from the state sector to foreign investors. Following this transaction, out of 35 commercial banks, 26 will be subsidiaries or branches of foreign banks, 6 domestic private banks, 2 domestic state-owned banks, and 1 a municipally owned bank (Table 2).[5]

10. **The structure of bank assets changed substantially in response to the crisis.**[6] Banks responded to the crisis by cutting down on domestic lending while sharply increasing the placements with major banks abroad (Table 3). The share of claims on banks and other financial institutions, the majority of which are deposits in foreign banks abroad, by end-1997 had risen to above 30 percent of total assets, twice its pre-crisis level, and in March 2002 still amounted to 33 percent. Because of this shift to low-risk and liquid assets, the share of loans and advances to non-financial institutions dropped from around 40 percent at end-1995 to 15 percent at end-1997, but has since rebounded, reaching 34 percent in March 2002. As a result of the sharp reduction in the supply of new government securities

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[2] Although the insolvent banks ceased operations in 1996, it took until March 1998 before all closed banks were declared bankrupt.

[3] Stephan Barisitz, "The Development of the Romanian and Bulgarian Banking Sectors since 1990," *Focus on Transition*, 1/2001, pp. 79–118.

[4] However, in some banks, direct shareholders are established in off-shore centers, and no further information is available on the ultimate indirect shareholders or beneficial owners.

[5] The privatization of DSK Bank (the former State Savings Bank) is being prepared.

[6] For a more detailed discussion with a historical perspective, see Jeffrey Miller and Stefan Petranov, "The Financial System in the Bulgarian Economy," Bulgarian National Bank Discussion Paper DP/19/2001, December 2001.

associated with the shift to a tight fiscal policy, the ratio of such securities to total bank assets has fallen to about half the pre-crisis level. The share of vault cash and balances in current accounts with the BNB has remained relatively high at close to 10 percent of total bank assets and has changed little in recent years, as Bulgaria's economy continues to be largely cash-based.

11. **Underlying the overall rebound in lending activity, there has been a profound change in the composition of the lending portfolio.** As a result of both the privatization process and banks' more conservative approach toward lending to loss-making enterprises, the proportion of claims on nonfinancial public enterprises in the lending portfolio dropped from more than 45 percent at end-1995 to less than 4 percent in March 2002. In the same period, the share of private sector enterprises in total bank lending rose from around 50 percent to more than 75 percent and—reflecting intensifying competition in such retail market segments as consumer credit and residential mortgages—that of households rose from less than 2 percent to around 20 percent. In spite of this increase in the proportion of claims on private sector enterprises and households, in real terms, these claims in March 2002 were still almost 30 percent below their end-1995 level.[7]

12. **The structure of liabilities has undergone major changes as well.** The level of interbank deposits fell from more than 25 percent of total liabilities and capital at end-1995 to less than 10 percent at end-1997, as refinancing by the BNB was eliminated by the introduction of the CBA. Interbank deposits fell further to less than 7 percent of total liabilities in March 2002. The share of deposits from nonfinancial institutions in total liabilities, on the other hand, rose from around 53 percent at end-1995 to around 62 percent at end-1997 and further to around 71 percent in March 2002. The maturity structure of these deposits significantly shortened in the wake of the crisis, with the share of savings and time deposits falling from more than 80 percent before the crisis to around 57 percent at end-1997, and the share of demand deposits rising to the same extent. Marking a gradual return of confidence in the banking system, the proportion of time and savings deposits partially rebounded to 69 percent in March 2002. The contractual maturity of total deposits remains short, however, with over 90 percent of deposits bearing a maturity of less than one year.[8] [9]

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[7] For an analysis of the factors impeding the expansion of lending to the private sector, see Tarhan Feyzioğlu and Gaston Gelos, "Why is Private Sector Credit so Low in Bulgaria?" IMF Staff Country Report 00/54, April 2000 (Washington: International Monetary Fund).

[8] The actual maturity is longer as 70-75 percent of deposits are stable.

[9] The decline in the share of time and savings deposits in the wake of the crisis has been driven mainly by the weakening of household confidence in the banking sector. This lack of confidence is also reflected in the fact that in 2000 only 27 percent of Bulgarian households

(continued)

13. **A large fraction of bank assets and liabilities continues to be denominated in foreign exchange,[10] with some further increase in the household deposit segment since 1997.** In part as a result of valuation effects following the sharp depreciation of the lev, the share of foreign currency-denominated assets increased from less than 40 percent of total assets before the crisis to close to 60 percent of assets at end-1997 and has remained around that level since. The currency composition of major asset categories has also been broadly stable in recent years, with around 95 percent of claims on financial institutions, 75 percent of the securities portfolio, and 35 percent of loans being denominated in foreign currency, respectively.[11] Altogether, in March 2002, short-term foreign currency deposits in banks abroad still accounted for more than 30 percent of bank assets. On the liabilities side, the share of foreign exchange deposits rose from around 45 percent at end-1995 to around 60 percent at end-1997, with little change thereafter. This overall evolution masks, however, significant differences among depositors. While the share of foreign exchange in deposits attracted from other financial institutions has gradually decreased since 1997, that in household deposits has picked up from 53 percent in 1997 to 59 percent in March 2002, in part as interest rates on lev demand deposits continued to be lower than those on euro and U.S.-dollar deposits.

14. **Concentration in the banking sector remains moderately high, but competition in the bank credit market is on the rise.** Concentration—measured by such indicators as the Herfindahl-Hirschman Index or the aggregate share of the three largest banks—is not out of line with that in comparable transition countries.[12] Concentration rose in the wake of the 1996–97 crisis as a number of insolvent banks were closed. With respect to total assets and loans to non-financial institutions, the indicators show a reversal in more recent years. The share of the three largest banks in total assets declined from around 55 percent at end-1997 to around 45 percent in March 2002.[13] In part reflecting the erosion of the dominant

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had bank accounts, 10 percent time deposit accounts and 11 percent saving deposit accounts, respectively; see Jeffrey Miller and Stefan Petranov, o.c.

[10] While the BNB collects detailed information on the foreign currency structure of assets and liabilities, it has yet to collect information on the foreign currency structure of deposits and loans by the type of currencies. New reporting forms with each balance sheet item and each income and expense item presented by foreign currency, including the type of currency, have been developed and are expected to be used from 2003.

[11] While around half of all bank loans to private enterprises are expressed in foreign exchange, only a very small fraction of loans to households is (4 percent in March 2002).

[12] John P. Bonin, "Financial Intermediation in Southeast Europe: Banking on the Balkans," October 2001 (Vienna: Vienna Institute for International Economic Studies).

[13] These three banks are Bulbank, the former State Foreign Trade Bank, United Bulgarian Bank, and DSK Bank, the former State Savings Bank.

position of DSK Bank in the credit market as a result of the penetration by foreign subsidiaries and branches, the combined share of the top three banks in loans to non-financial institutions in the same period fell from more than 45 percent to less than 34 percent. In the market for primary deposits, however, concentration has remained broadly stable since 1997, with the three largest banks consistently accounting for more than 50 percent of such deposits owing to their dominant branch network. Continuing to reflect the pattern of specialization under central planning, Bulbank and DSK Bank maintain the largest share of foreign exchange deposits and lev deposits, respectively.

C. Performance

15. **Bulgarian commercial banks are highly capitalized and liquid, and have low sensitivity to interest rate and exchange rate risks.** This low sensitivity reflects the limited mismatch in their portfolio as most assets and deposits have very short maturities with floating interest rates, while the net open foreign exchange position is marginal owing to a strict regulation on the position. The overall sound condition of the banking system is attributable to (i) conservative lending policies on the part of commercial banks, (ii) limited opportunities for domestic lending, (iii) tight prudential regulations and supervision, and (iv) the strong discipline imposed by the CBA, which limits central bank liquidity support to solvent but illiquid banks in a situation of systemic risk.

Capitalization

16. **The level of capitalization of the banking system has gradually declined since end-1998, but remains relatively high compared with the minimum requirement as well as by international standards.** Bank capital was restored through the removal of unviable banks from the system, an implicit recapitalization of the remaining banks with capital gains on foreign currency assets, the introduction of the capital adequacy regulation in July 1997 and the shift to a much more cautious lending behavior induced largely by the introduction of strict loan classification and provisioning regulations.[14] The average capital adequacy ratio (CAR) excluding branches of foreign banks rose to more than 40 percent at end-1998. As banks have begun to cautiously expand lending again, the average CAR fell back to 29 percent in March 2002 (Table 4), although it is still much higher than the minimum CAR of 12 percent.[15] The decline was most pronounced for the group of largest banks (group 1) and

[14] The capital adequacy regulation issued on July 15, 1997 established a risked-based measure of required minimum capital in line with the Basle Committee recommendations. The minimum CAR was gradually phased in to reach 12 percent by end-1999.

[15] As discussed below, the CARs are boosted by the high proportion of zero percent risk-weighted assets such as government securities and low risk-weighted assets such as placements with banks abroad.

for subsidiaries of foreign banks, with the CAR of domestic banks hovering between 20–25 percent during 1999-early 2002.[16] The on average relatively high CAR levels suggest that banks can still considerably expand lending and take on additional risk without having to raise capital, thereby achieving a better risk/return tradeoff on their invested funds. However, some medium-sized banks have a CAR closer to the 12 percent minimum requirement, while some small banks have a capital base that could be insufficient in case major risks were to materialize.

Asset quality

17. **The asset quality of the banking system has significantly improved following the 1996-97 banking crisis.** The gross nonperforming exposure ratio (defined as watch, substandard, doubtful, and loss)—which includes not only domestic loans but also deposits in foreign banks in the denominator and numerator of the ratio—fell from more than 40 percent at end-1996 to 17 percent at end-1997, as a result of substantial write-offs and restructuring of bad loans. The gross nonperforming exposure ratio fell further to 6 percent in March 2002 of which 5 percent was provisioned (Table 5). As banks have continued to make provisions, the exposure ratio net of provisioning stood at around 1 percent in March 2002. Asset quality differs substantially from group to group. The ratio is very low in Group 1, in part because the largest bank, Bulbank, has a high proportion of its assets invested in foreign deposits, which are classified as standard. However, the total nonperforming exposure ratios for medium-size banks in groups 3 and 4 remain quite high, on the order of 15 percent. The nonperforming exposure ratios should be interpreted with caution in view of the inclusion of low-risk deposits in foreign banks among the assets. Not taking into account these deposits, the gross nonperforming loan ratio would be 13 percent and the net nonperforming loan ratio 6 percent, respectively, in March 2002.

Earnings

18. **Banking sector profitability remains adequate.** Bank profitability was boosted in 1997 by one-off foreign exchange revaluation gains stemming from the sharp lev depreciation, but deteriorated in 1998–99 under the impact of the Russian financial crisis and the Kosovo conflict (Table 6). Profitability, as measured by the return on equity, rebounded in 2000–01 as banks raised net interest income by expanding lending activity while maintaining wide interest rate spreads. Following the introduction of the CBA and the tight regulation on net open foreign exchange position, banks have come to rely less on earnings from foreign exchange open positions and trading. The contribution from fees and commissions also remains low, in part because of the limited range of services offered.

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[16] The Banking Supervision Department categorizes banks into five groups according to asset totals: Group 1: > BGN 800 million (3 banks); Group 2: > 300, <800 million (6 banks); Group 3: > 100, <300 million (6 banks); Group 4: < 100 million (12 banks); Group 5: all branches of foreign banks.

Profitability has been dampened by operating expenses which, in spite of low wage costs, remain high relative to both total operating income and assets.

Liquidity

19. **Bank liquidity is high, although it is gradually declining.**[17].The ratio of total marketable assets over total assets fell from 59 percent at end-1999 to 48 percent in March 2002, in line with the increase in lending activities.[18] As banks continue to invest an important fraction of their assets in liquid foreign currency assets abroad, the current level of the ratio is still high by international standards. The ratio of marketable assets to attracted funds has also come down, from 76 percent at end-1999 to 59 percent in March 2002, as a result of increased lending activity, but with a depositor base that is largely stable, this development does not raise immediate concerns.

D. Stress Tests

Summary of results

20. **Stress tests show that the Bulgarian banking system as a whole is resilient to substantial shocks.** Table 7 summarizes the results of the tests in terms of the impact of the hypothetical shocks on the capital position of the banks. The tests were conducted on banking sector data from March 2002, and assess how adverse changes in the quality of domestic loans, foreign exchange rates, and interest rates would affect the capital position of 27 banks (7 branches of foreign banks were excluded from the stress tests as they are not subject to the capital adequacy regulations).[19] The impact of hypothetical shocks on the capital adequacy ratio (CAR) of each bank is estimated, and the individual results aggregated for (i) four groups of banks categorized by the BNB on the basis of asset volume, (ii) two groups of banks categorized by ownership (subsidiaries of foreign banks and domestic banks), and (iii) the entire system excluding branches of foreign banks. The results show a high degree of resilience of the Bulgarian banking system as a whole and of the various groups. Under the stress tests on credit risks, exchange rate risks, and interest rate risks separately, the CAR across groups as well as of the system remains well above the minimum required 12 percent. Even under the worst-case scenario, which combines adverse developments on all three fronts, the system-wide CAR remains as high as 19 percent,

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[17] Branches and subsidiaries of foreign banks have a much lower liquidity ratio than other banks, as they are normally able to liquidate deposits placed in their head offices and parent banks, in case of need.

[18] Marketable assets include cash, noninterest-bearing deposits, interest-bearing deposits with banks, and Bulgarian treasury bills and bonds, minus all interest-bearing deposits with banks classified as watch or worse and all assets pledged to third parties.

[19] It also excludes the new bank which started to operate in October 2001.

although this implies a reduction of the CAR to nearly two thirds of its level before the shocks.

21. **The strong resilience of the Bulgarian banking system mirrors the prevailing strong risk averseness of the system, and is accounted for by three main factors**: (i) the high initial CAR percent, which reflects banks' preference to deposit a large proportion of their assets in reputable foreign banks, (ii) the low currency mismatch partly due to the tight regulation on net open foreign exchange positions, and (iii) the low interest rate mismatch as a result of short maturities on both sides of the balance sheet.

Credit risks

22. **The credit risk stress tests are conducted under two scenario.** The first scenario envisages an acceleration in domestic lending, with banks assumed to increase domestic lending by shifting half of their deposits in foreign banks to domestic loans. Under the assumption that the ratio and distribution of nonperforming to total domestic loans is unchanged, this switch results in an increase in the overall level of non-performing loans (NPLs).The second scenario envisages a deterioration in the asset quality of outstanding domestic loans in response to adverse macroeconomic developments that affect the repayment ability of borrowers. This deterioration is reflected in a migration in NPLs to the next worst category. No quantitative value is attached to these shocks.

23. **Both shocks result in an increase in NPLs, higher specific provisions, less income, and subsequently less capital.** Overall, however, the Bulgarian banking system proves to be highly resilient to credit risks. Under the first scenario, the CAR of the system drops by 3 percentage points to 26 percent. There is little difference among the four groups of banks classified by asset volume in the extent to which their CARs are affected by the first shock. An acceleration in domestic lending has, however, a larger negative impact on the subsidiaries of foreign banks than on the domestic banks. Under the second scenario, the CAR of the system decreases by 2 percentage points to 27 percent. The stress is more strongly felt by the smaller banks, reflecting their higher NPL ratios prior to the shocks.

Exchange rate risks

24. **The test assumes a 30 percent depreciation of the Lev vis-à-vis the U.S. dollar and estimates the losses/gains in the net open foreign exchange positions following the depreciation, and the subsequent reduction/increase in capital.** [20] Commercial banks in Bulgaria are hardly exposed to direct foreign exchange risks. The banking system is able to

[20] Exchange rate shocks were applied to net open foreign exchange positions other than Euro positions.

absorb this pronounced depreciation without a change in the system-wide CAR.[21] The CAR is negatively affected in only Group 1 and 4 banks, but only marginally so. The resistance of the system to exchange rate risks is underpinned by (i) the public confidence in and the authorities' commitment to the CBA, (ii) the strict open foreign exchange position regulations, and (iii) the preference on the part of commercial banks to place funds attracted in foreign currencies as U.S. dollar or Euro–denominated deposits in foreign banks abroad.

Interest rate risks

25. **The stress tests on interest rate risks use the repricing gap model, which estimates losses/gains on the annual net interest income in each maturity bucket by subtracting interests paid on liabilities from interests earned on assets.**[22] Applying a 50 percentage points increase in Lev rates to interest rate sensitive Lev-denominated assets and liabilities, the system-wide CAR falls by only 2 percentage points over a 6 month period, a reduction that is easily absorbable by the high level of capital. This strong resilience to interest rate risks is accounted for by the short maturities of both assets and liabilities, which result in a limited interest rate mismatch. In addition, the dominance of floating interest rates enables banks to make rapid adjustments in response to any significant Lev-rate increase.

Worst-case scenario

26. **The stress tests on credit risks, foreign exchange rate risks, and interest rate risks can be combined into a worst-case scenario, in which the three shocks occur simultaneously and the size of the credit and interest rate shocks is magnified** (the migration of NPLs to the next worst category intensifies, and the Lev interest rates increase by 100 percentage points). Under these combined adverse effects, the system-wide CAR falls by 10 percentage points to 19 percent, still remaining well above the 12 percent minimum requirement. While the system would thus remain solvent even in the face of the large combined shock, a third of the tested banks, mainly of Groups 2 and 3 banks, would require considerable recapitalization. The total capital shortfall under this worst case scenario would, however, be limited to less than 1 percent of 2002 GDP.

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[21] Indirect exchange rate risks resulting from lending in foreign exchange to non-foreign exchange earners are not covered by the stress tests on exchange rate risks but by those on credit risks.

[22] While the repricing gap model provides information on the maturity mismatches in the portfolio by estimating the effect of an interest rate change on the income position, it does not assume any effect of the changes in the market value of assets, thus effectively valuing assets and liabilities at book value.

E. Comparison with Bank Intermediation and Performance in Central and Eastern European Countries

27. **Bank intermediation in Bulgaria is relatively low by the standards of other central and eastern European (CEE) transition countries** (Table 8). With the exception of Romania, monetization, as measured by the M2-to-GDP ratio, is below that in other CEE countries. Domestic credit in percent of GDP (18 percent) falls short even more of the ratios in the Slovak Republic (63 percent), the Czech Republic, Hungary, and Slovenia (around 50 percent each), and Poland (38 percent). Bulgaria also scores relatively low in terms of the size of the spread between deposit and lending rates and the EBRD index of progress in banking sector reform. Also, measured in terms of net loans in percent of total assets, Bulgarian banks scored the lowest ratio (23 percent),[23] less than half of those in Hungary, Poland, and Slovenia (48-53 percent) (Table 9). The relatively low level of intermediation in Bulgaria in part reflects the fact that the country's transition overall is still lagging that of the comparator countries other than Romania. The differences in the scale and quality of intermediation can be expected to narrow once the transition process is completed and EU membership gained.

28. **However, as a partially related phenomenon, banks in Bulgaria are very well capitalized,[24] relatively well provisioned against losses, quite profitable, and highly liquid compared to peer banks in CEE countries**. But, over the longer term, the high levels of capital and liquidity could be associated with relatively low profitability.

29. **With regards to asset quality,** banks in the Czech Republic and the Slovak Republic had the highest loan loss provisioning ratio (11 percent of total loans), followed by those in Bulgaria and Romania (7 percent) and Hungary, Poland and Slovenia (3–5 percent).[25]

30. **Bulgarian banks received the highest return on average assets (ROAA) at 2.9 percent and the second highest return on average equity (ROAE) at 15.5 percent** Bulgarian banks were also characterized by their high liquidity . Liquid assets in percent of customer and short-term funding were at 84 percent in Bulgaria, much higher than those in

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[23] This number (23 percent) is provided by Bankscope, which covers only 20 banks with a relatively high exposure in deposits in foreign banks.

[24] Banks in Bulgaria have the highest capital adequacy among the comparator CEE countries. The ratio of equity in percent of total assets was 20 percent in 2000 in Bulgaria, followed by those in Romania (18 percent), Slovenia and Poland (10-11 percent), and the Czech Republic, Slovak Republic, and Hungary (6–8 percent).

[25] A straightforward comparison of nonperforming loan ratio, could be misleading, owing to different definitions across countries.

the Czech Republic, Romania, and the Slovak Republic (38–51 percent), and Hungary, Poland, and Slovenia (7–25 percent).

F. Concluding Remarks

31. **A transformed and healthier banking sector has emerged from the 1996–97 financial crisis.** A shift in policies and measures to close insolvent banks and tighten regulation and supervision in the context of the CBA have successfully addressed the weaknesses that were at the root of the crisis. An ongoing process of consolidation, privatization involving foreign participation, and restructuring has helped to further improve banking sector soundness. The sector is currently generally well regulated and supervised, enjoys high capital adequacy and liquidity, has reduced considerably the scale of impaired lending, does not face major vulnerabilities associated with foreign currency and interest exposure, and is fairly profitable.

32. **The level and key features of the bank intermediation process continue to reflect the legacy of the financial crisis.** As their confidence in the banking sector has not yet been fully restored, households continue to maintain large cash holdings in both leva and foreign currency outside the sector and, when depositing, have a preference for instruments with short-term maturities and a foreign currency denomination. Banks only partially channel the attracted savings to borrowers as they keep in place conservative lending strategies. Low-risk deposits in foreign financial institutions still account for around one third of bank assets, about the same proportion as that of loans to domestic households and enterprises. In addition to the memory of the crisis, conservative lending strategies reflect such factors as limited capacity for credit risk assessment and weaknesses in the provision of corporate information and the enforcement of claims.

33. **The banking sector is now facing the key challenge of moving beyond the phase of post-crisis return to soundness and caution and of embarking on a path of steady expansion in intermediation while avoiding an undue increase in risk.** With an expansion in economic activity, intensifying competition and cost pressure on margins, banks have begun to reassess their earning strategies and increase lending to enterprises and households. The higher risk in banks' portfolios associated with more lending will require an upgrade in the capacity to manage and monitor risk exposure on behalf of both banks and bank supervisors. The needed adjustments may be particularly challenging for some smaller banks which are operating with low profitability. More generally, measures to enhance risk management and monitoring need to be accompanied by steps to strengthen the legal and institutional arrangements covering credit rights and insolvency, financial transparency, and corporate governance.

Table 1. Bulgaria: Structure of Financial Sector as of March 2002

	Number of	Assets		
		In millions	In percent of	In percent
	Institutions	of leva	total assets	of GDP 1/
Banks	35	12,707	100	38.6
Foreign-owned banks	25	9,411	74	28.6
Subsidiaries	18	8,406	66	25.5
Branches	7	1,005	8	3.0
Domestic	10	3,296	26	10.0
Private banks	6	787	6	2.4
Public banks	4	2,509	20	7.6

Sources: Bulgarian National Bank and IMF staff estimates.
1/ Projected 2002 GDP

Table 2. Bulgaria: Structure and Ownership of Commercial Banks, March 2002

	Total	Private			State-owned
		Foreign		Domestic	
		Subsidiaries	Branches		
Total number of banks	35	18	7	6	4
		(In percent of total)			
Assets	100	66	8	6	20
Of which: the three largest banks	46	33			13
Deposits	100	66	7	5	22
Of which: the three largest banks	48	34			14
Capital and reserves	100	75	2	7	16
Of which: the three largest banks	49	40			9

Source: Bulgarian National Bank.

Table 3. Bulgaria: Aggregate Balance Sheet of Commercial Banks, 1998-March 2002
(In percent of total, unless otherwise indicated; end of period)

	1999	2000	2001	2002 Mar.
Claims on Banks/NonBankFIs in foreign currency 1/	31	38	31	32
Loans and advances to NonFI's in leva	19	20	21	21
Of which : private enterprises	12	14	14	14
individuals and households	6	6	7	7
Loans and advances to NonFI's in foreign currency	10	11	13	13
Of which : public enterprises	2	1	1	0
private enterprises	8	10	12	13
Others	40	31	35	34
Total assets	100	100	100	100
Deposits by FIs in leva	2	3	3	3
Deposits by FIs in foreign currency	5	4	4	4
Deposits by NonFIs in leva	31	28	30	29
Deposits by NonFIs in foreign currency	35	35	41	42
Equity capital	11	11	10	10
Reserve	5	4	4	4
Others	11	13	8	8
Total liabilities	100	100	100	100
Memorandum item:				
Total assets (in millions of BGN)	8,113	9,772	12,218	12,707

Source: Bulgarian National Bank.
1/ Deposits in foreign banks abroad; FI stands for Financial Institutions

Table 4. Bulgaria: Capital Adequacy Ratios of Commercial Banks, 1999-March 2002 1/
(End of period; in percent, unless otherwise indicated)

	1999	2000	2001	2002 Mar.
By group				
Group 1	51	45	37	36
Group 2	28	27	23	21
Group 3	31	22	22	24
Group 4	65	56	47	52
By ownership				
Subsidiaries of foreign banks	52	43	35	32
Domestic banks	28	25	24	23
Capital adequacy ratio (risk weighted)	43	38	31	29
Memorandum item				
Leverage ratio 2/	16	15	14	13

Sources: Bulgarian National Bank and IMF staff estimates.
1/ Data may differ from official BNB publication, as classification in this table is based on group and ownership as of December 2000 for comparative purpose. Data excludes branches of foreign branches in Group 5.
The classification reflects assets totals as of end-2000: Group I:> BGN 500 million (3 banks); Group II:>300,<500 milion (5 banks); Group III:>100,<300 million (6 banks); Group IV:<100 million (13 banks).

Table 5. Bulgaria: Quality of Domestic Loans of Commercial Banks, 1999-March 2002
(End of period; in percent of total, unless otherwise indicated)

	1999	2000	2001	2002 Mar.
Nonperforming exposure ratio 1/	14	8	7	6
Of which: provisioned	10	7	5	5
Nonperforming loan ratio 2/	29	17	14	13
Of which: provisioned	21	14	4	7
Nonperforming exposure ratio by group				
Group 1	6	3	3	3
Group 2	32	15	9	7
Group 3	9	10	16	15
Group 4	18	20	18	16
Group 5	12	8	5	4

Sources: Bulgarian National Bank, and IMF staff estimates.

1/ Nonperforming exposure or nonperforming loan is the total of assets or loans categorized in watch, substandard, doubtful, and loss.

2/ Assumes all claims on financial institutions as being standard with no provisioning.

Table 6. Bulgaria: Income Statement of Commercial Banks, 1999-First Quarter of 2002
(Million Leva)

	1999	2000	2001	2002 Q1
Interest Revenue	450.7	600.9	686.8	168.7
Interest Expenditure	129.8	186.5	211.7	50
Net Interest Income	320.9	414.4	475.1	118.7
Trading Income	123.9	332	177.9	36.4
Fee and other Non-interest Income	170.8	190.3	206.7	51.8
Operating Expenses	394.3	469	541.1	127.6
Loan Loss Provision	9.9	64.6	-90.6	8.7
Operating Profit	211.6	403.1	409.2	70.6
Extraordinary valuation gains	74.7	14.3	33.8	3.8
Pre-Tax Profit	286.3	417.4	443	74.4
Taxes	79.3	134.7	123.6	17.4
Net profit	207	282.7	319.4	70.6
Return on Assets (percent)	2.5	2.9	2.6	2.2
Return on Equity (percent)	23.1	25.6	26.5	22.6

Source: Bulgarian Natonal Bank

1/ Annualized quarterly numbers.

Table 7. Bulgaria: Summary of Stress Tests Assumptions and Results, March 2002[1]
(In percent)

		Total	Group 1	Group 2	Group 3	Group 4	Foreign	Domestic
	CAR before shock	29	36	21	19	44	32	23
Exchange rate risks								
30 percent lev depreciation 2/	CAR after depreciation	29	35	21	19	43	32	23
	Changes from initial CAR	0	-1	0	0	-1	0	0
Interest rate risks								
An increase in lev rates by 50pp 3/	CAR after 6 months of shock	27	34	17	17	42	31	18
	Changes from initial CAR	-2	-2	-4	-2	0	-1	-5
Credit risks in domestic lending								
A shift in asset composition 4/	CAR after provisioning	26	33	19	17	41	29	21
	Changes from initial CAR	-3	-3	-2	-2	-3	-3	-2
A migration of NPLs 5/	CAR after provisioning	27	34	19	17	41	30	20
	Changes from initial CAR	-2	-2	-2	-2	-3	-2	-3
Worst case scenario								
30 percent lev depreciation, an increase in lev rates by	CAR after combined shocks	19	28	7	9	36	28	14
by 100pp, and a further intensification in migration of NPLs 6/	Changes from initial CAR	-10	-8	-14	-10	-8	-4	-9

Sources: BNB and IMF staff estimates.

1/ Since the beginning of 2001, the BSD has categorized banks into five groups according to asset totals: Group 1: > BGN 800 million (3 banks); Group 2: > 300, <800 million (6 banks); Group 3: > 100, <300 million (6 banks); Group 4: < 100 million. (13 banks); Group 5: all branches of foreign banks (7 banks). Data exclude Group 5. Data may differ from those in Table 4 because classification of group in Table 4 was as of December 2000.

2/ Exchange rate shocks applied to net open foreign exchange position excluding Euro position.

3/ Based on the repricing-gap model. Shocks only applied to lev-denominated interest-rate sensitive assets and liabilities.

4/ Main assumptions include: a) all deposits in foreign banks classified as standard with no specific provisioning; b) banks shift 50 percent of their deposits in foreign banks to local loans; c) distribution of quality of domestic loans remain unchanged.

5/ Main assumptions include: a) 10 percent of guarantee and commitment called and classified as loss; b) no shift from deposits to bank lending; c) quality of existing domestic loans deteriorates and all doubtful loans become loss, 50 percent of substandard loans becomes doubtful, 5 percent of watch loans becomes substandard, and 1 percent of standard loans become watch.

6/ The assumption on intensification of migration includes: 10 percent of watch loans become substandard, and 5 percent of standard loans become watch.

Table 8. Bulgaria: Financial Development in Central and Eastern European Countries, 2001

	Bulgaria	Czech Republic	Hungary	Poland	Romania	Slovak Republic	Slovenia
Money M2 (percentage change)	26.1	6.0	15.8	8.7	46.2	7.8	30.4
Money M2 (in percent of GDP)	37.9	73.1	46.7	43.5	24.0	68.4	57.3
Domestic credit (percentage change)	17.5	16.0	6.2	5.3	31.5	6.5	16.9
Domestic credit (in percent of GDP)	18.5	50.1	50.0	37.7	12.4	63.2	49.5
Deposit rate (in percent per annum)	2.9	3.0	9.4	9.0	23.4	4.8	8.5
Lending rate (in percent per annum)	11.4	7.0	12.0	14.0	40.6	9.8	13.7
Number of banks 1/	35	40	38	74	33	23	28
of which foreign owned 1/	25	16	30	47	21	13	...
Asset share of state-owned banks (in percent) 1/	19.8	28.2	8.6	24.0	50.0	49.1	42.2
Non-performing loans (in percent of total loans) 1/	10.9	19.3	3.1	15.9	...	26.2	8.5
Domestic credit to private sector (in percent of GDP) 1/	12.2	...	23.6	18.8	...	37.6	...
EBRD index of banking sector reform 1/2/	3.0	3.3	4.0	3.3	2.7	3.0	3.3
EBRD index of reform of non-banking financial institutions 1/2/	2.0	3.0	3.7	3.7	2.0	2.3	2.7
Memorandum items:							
Consumer prices (percent increase, end-year)	4.8	4.1	6.8	3.6	30.2	6.5	7.0
Population (millions)	8.1	10.3	10.0	38.7	22.3	5.4	2.0

Sources: EBRD, and IMF staff estimates

1/ 2000 data.

2/The index ranks from 1 to 4, which is the benchmark for a fully functioning market economy.

Table 9. Bulgaria: Indicators of Banks in Central and Eastern European Countries in 2000
(In percent)

	Bulgaria	Czech Republic	Hungary	Poland	Romania	Slovenia	Slovak Republic
Number of banks covered for all items except for earnings indicators	16	14	24	28	9	17	9
Number of banks covered for earnings indicators	20	19	30	36	21	20	16
Capital adequacy							
Equity in percent of total assets	20	6	8	11	18	10	7
Capital funds in percent of liabilities	25	8	11	13	23	12	10
Asset quality							
Loan loss provisions in percent of total loans	7	11	3	5	7	5	11
Earnings							
Return on average assets (ROAA) 1/	2.9	0.5	1.6	1.0	0.9	1.2	1.7
Return on average equity (ROAE) 2/	15.5	6.1	11.7	10.5	5.5	11.7	23.8
Liquidity							
Net loans in percent of customer and short-term funding	30	35	61	58	43	63	50
Liquid assets in percent of customer and short-term funding	84	38	7	25	49	16	51
Memorandum items:							
Net loans in percent of total assets 3/	23	29	49	48	33	53	43
Net interest margin	5	3	4	4	8	5	3
Cost to income ratio	66	70	73	63	53	58	68

Sources: Bankscope, central banks in Central Eastern Europe, IMF and World Bank staff estimates.

1/ ROAA=net income/total average assets.

2/ ROAE=net income/total equity

3/ Discrepancies with data in Table 3 are attributable to the fewer number of banks, which have higher proportion of assets deposited in foreign banks.

IV. Recent Developments in Public Debt Management [1]

A. Introduction

1. The level and sustainability of public debt—often cited as a major constraint on Bulgaria's fiscal policy—is a function of the fiscal stance, and of non-debt creating financing flows to the budget, such as privatization revenues. Public debt management supports fiscal policy by ensuring that the government's financing needs and its payment obligations are met at the lowest possible cost over the medium term, subject to a prudent amount of risk. The case of Bulgaria illustrates the risks emanating from external debt in the context of a fixed exchange rate regime, and how the active management of public debt can alleviate these risks.

2. In this chapter we review Bulgaria's debt management policy over the last year in this light. The next three sections provide some background on the history of public debt, on the specific implications of the currency board arrangement (CBA) for public debt management, and on the policy prerogatives and legislative measures that are being put in place. Section V then provides a more detailed analysis of the management of external and domestic debt over the last year. Based on this, the concluding section VI charts some options and trade-offs for the medium term.

B. The Context

3. Throughout its five year history under the currency board arrangement, Bulgaria's fiscal policy has been constrained by a large public debt burden that had been inherited from previous governments. Following large sovereign borrowing under the communist regime in the second half of the 1980s, total external debt amounted to US\$10.2 billion in 1989. In 1990, faced with growing debt service problems, the government declared a moratorium on its principal and interest payments. Three years later, unpaid and accrued interest had led to an increase in government foreign debt to US\$13.8 billion, or 131 percent of GDP. The 1994 commercial debt restructuring with London Club creditors resulted in the issuance of US\$5.1 billion in Brady Bonds, and the budget has been running sizable primary surpluses since then.[2]

4. At the end of May 2002, Brady bonds account for 40 percent of public external debt, and hence explain the large share of floating rate, US dollar denominated debt. The large share of Brady debt brings with it a number of risks, most importantly the currency mismatch between debt service on the one hand, and most other public sector revenues and

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[1] Prepared by Philippe Egoumé-Bossogo, Andrei Kirilenko, and Alexander Lehmann.

[2] For more detail see A. Houben (1995): "Commercial Bank Debt Restructuring—The Experience of Bulgaria," *IMF Paper on Policy Analysis and Assessment*, PPAA/95/6.

international reserves on the other. Also, Brady bonds contain a number of provisions through which principal repayments increased sharply from 2001, and previously below-market interest payments on the so-called Front Loaded Interest Reduction Bonds (FLIRBs) are now tied to the LIBOR benchmark (Table 1). At the same time, Brady debt has a number of positive features, among them the long maturity, the lag between changes in international interest rates and the corresponding debt service, and partial hedging through the requirement to hold collateral for principal and interest payments.

5. Between 1997 and 2001, the government reduced the public debt to GDP ratio in line with economic growth and the limited public sector financing needs. A stated policy objective was to preserve liquidity in the Fiscal Reserve Account (FRA) and, by implication, to maintain confidence in the currency board arrangement.[3] In addition, disputes with individual private and public creditors were resolved, and in 2000 Bulgaria reached agreement with Paris Club creditors on the possibility of swapping debt service obligations for investment in infrastructure, environmental and social projects. Yet the volume of such swaps has remained disappointingly low, at only ε 12 million. Given the high level of international interest rates between 1998 and 2001, the government refrained from swapping the floating rate Brady debt into fixed rate global bonds.

6. The relatively high stock of public debt has also impacted Bulgaria's credit ratings, which currently stands at BB- (Standard & Poors), following an upgrade in November 2001. Upgrades by other rating agencies also confirm the good impression prudent fiscal policies over recent years and the 2002 budget have made on the international investment community (Figure 1).

7. By mid-2001 public debt amounted to about 70 percent of GDP, of which only about 8 percent (or 5.6 percent of GDP) was held by domestic residents. Public external debt amounted to US$8.7 billion, or about 64 percent of GDP, sharply down from 84 percent of GDP at the end of 1997 (Table 2). Among the foreign debt, the large share of floating rate instruments (74 percent) and of U.S. dollar denominated debt (67 percent) still posed a number of risks that the government has sought to reduce over the last year.

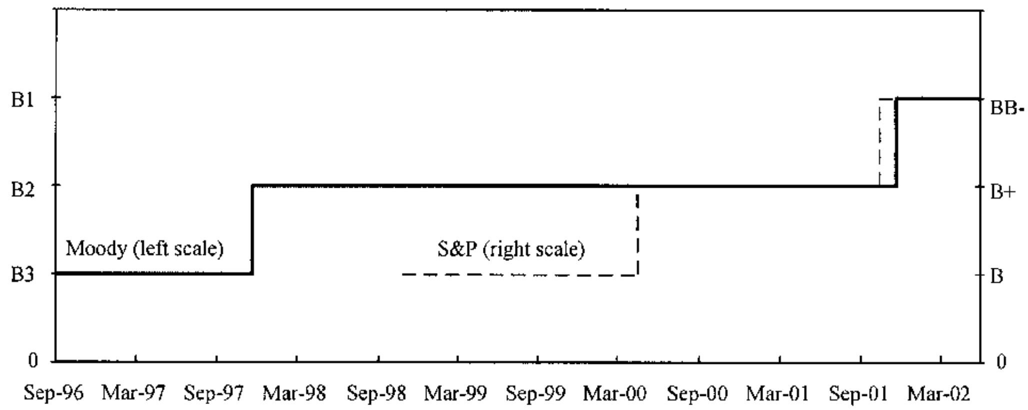
Table 1. Bulgaria: Projected External Debt Service of the Public Sector, 1999-2007
(In millions of U.S. dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total debt service of the central government (incl. IMF)	638	639	1102	799	784	857	1016	1096	1437
Amortization of budgetary institutions	205	241	645	487	379	378	516	615	988
o/w Brady Bonds	0	0	16	84	136	161	186	186	261
o/w budgetary interest payments on external debt, incl. IMF	433	398	457	312	405	479	499	482	448

Source: Ministry of Finance.

[3] Over the last three years, announced floors on the FRA corresponded to one year's of upcoming public sector external debt service payments.

Figure 1. Bulgaria: Ratings of Sovereign Long-Term Foreign Currency Debt



Source: Bloomberg.

Table 2. Bulgaria: Key Indicators of Bulgaria's Public Debt, 1999–2002

	1999 Dec.	2000 Dec.	2001 Jun.	2001 Dec.	2002 May
Total Public Debt (in billion of leva)	20.6	20.6	21.8	20.8	19.5
in percent of GDP	86.7	77.1	69.7	70.1	63.4
domestic debt	12.5	6.7	5.6	6.3	6.2
foreign debt	74.2	70.5	64.1	63.9	57.2
Foreign Debt (in percent of total)					
Share of US$ denominated debt	65.4	65.5	67.4	66.3	53.6
Share of Euro denominated debt	15.9	15.4	14.4	17.4	26.2
Share of floating interest rate debt	72.5	73.7	74.0	70.5	70.0
Average residual term to maturity (in years)	13.0	12.5	12.5	12.1	11.3

Source: Ministry of Finance.

C. Public Debt Management in the Context of a Currency Board Regime

8. A key concern of macroeconomic policy is the sustainability of public debt – the requirement that the present discounted value of current and future fiscal expenditures does not exceed that of revenues net of current indebtedness. Given the absence of monetary policy instruments in the context of the Bulgarian currency board arrangement, fiscal policy is constrained by two principal tasks: first, to generate a stream of primary fiscal surpluses sufficient to service—and reduce—the public debt burden, and, secondly, to contain contingent fiscal liabilities through the process of structural reform. This indeed has been government policy since the restructuring of external debt in 1994.

9. The role of public debt management is to reduce debt service costs, while containing the various risks associated with external debt and future financing needs. Given the structure of Bulgaria's public debt, market risks emanate from variations in international interest and exchange rates. Rollover risk is an equally important concern at a time when access to international capital markets has only recently been established, and may prove elusive in the future. The prerogative for Bulgarian public debt management is to meet the budget's limited financing needs. To reduce risk and debt service costs it avails itself of a wide range of instruments, including hedging, and the restructuring of maturities, of currency denominations, and of fixed and floating interest debt.

10. Bulgaria's CBA holds two implications for the currency denomination of public debt. First, issuing foreign currency debt signals the authorities' commitment to the continuation of the fixed parity. However, by enhancing private sector confidence in the CBA, public debt management may reduce private sector incentives to properly manage currency risks, for instance through hedging. Costs from private unhedged external liabilities may end up with the public sector (the moral hazard problem). Even though Bulgarian private external debt is still low, it should therefore be carefully monitored over the next few years. Second, as recent currency crises have amply demonstrated, the presence of a large share of foreign currency debt may set off dangerous and mutually-reinforcing dynamics between devaluation and default. While this may not be an immediate concern—the financing needs of the public sector are covered, and short term debt is low in relation to international reserves—over the long term such risks require that the authorities implement the policies required to safeguard the CBA. In addition, the presence of these risks makes it incumbent on Bulgarian debt management to inform the policy debate regarding prudent public debt levels, and criteria for the contracting and guaranteeing of public debt, and for limits on sub-national entities' contracting external liabilities.

11. The Bulgarian currency board has been designed to avoid the transmission of periodic public external debt service payments to the monetary base. The liabilities of the BNB to the central government—the bulk of the Fiscal Reserve Account—are fully covered by international reserves but are not part of the base money. The BNB already structures its

international reserves in a way to meet the periodic liquidity needs of the public sector. While this shelters the economy from monetary shocks due to large debt service payments, it also dispenses with an adjustment mechanism that a traditional currency board arrangement would impose. Again, the onus is on fiscal policy to anticipate these financing needs and provide fiscal flexibility to respond to them.

D. The Legislative Framework for Debt Management

12. The new government began its tenure stating repeatedly that a more active debt management would form part of its economic policy. The government's economic program, set out in October 2001, together with more recent statements by Ministry of Finance officials essentially envisages four objectives for fiscal policy, and its supporting debt management operations:

- a reduction in the consolidated public debt to GDP ratio below 60 percent (consistent with one of the Maastricht conditions for EMU membership);
- a reduction of macroeconomic vulnerabilities—in particular to exchange rates—through an increase in the share of Euro-denominated debt, and of fixed interest rate loans, resulting in better sovereign credit ratings;
- access to international capital markets, and maintaining it through the development of a sovereign yield curve in Euros and dollars in the expectation that this will facilitate capital market access of the Bulgarian private sector;
- expansion of the domestic bond market, thereby reducing reliance on foreign financing, and facilitating the development of domestic financial markets. In recent statements, Ministry of Finance officials envisaged a tripling of the size of the domestic bond market (currently about 6 percent of GDP). Establishment of an extended yield curve in domestic sovereign credit is typically regarded as a key factor in support of expanding private domestic credit and in lengthening its maturity.

13. In support of these objectives, the government has revived efforts to adopt a sovereign debt law, which has been under consideration since 1999. Such a law is needed to clarify the responsibilities for contracting external debt and to provide for transparency and accountability vis-à-vis domestic institutions. Following comments from various parties, including the Fund, a revised version has passed the first reading in Parliament, and final adoption is expected in late July. The draft version imposes strict numerical limits on the consolidated public debt as a ratio of GDP, curtails municipalities in contracting external debt, and facilitates individual debt management operations of the government.

14. While this law will provide a much needed legal framework, the government also seeks to formulate an explicit debt management strategy (a previous version was adopted as an internal government document in April 2000). Based on experience in other countries, a

set of good practices for such documents has recently been summarized.[4] Typically, projections for key variables—such as the share of certain currencies, or of floating interest debt—and for the net issuance in foreign and domestic markets are tied to the medium term macroeconomic framework. The debt strategy may thereby help to operationalize stated policy objectives, enhance the transparency of government policy and avert sudden adjustments in private sector expectations.

E. Recent Debt Management Operations

15. Recently the Bulgarian authorities have bought back their own Brady debt, floated a five year Eurobond, and swapped nearly a third of their outstanding Brady Bonds. These operations have been in line with an international trend towards swapping Brady Bonds for new global bonds. Up to mid-2001 about US$40 billion of such bonds have been retired internationally. On the one hand this reflects an attempt on the side of debtor countries to divest of restructured instruments that appear to signal an inability to manage external liabilities. Moreover, borrowers were increasingly aware of the costs of tying up collateral required under Brady bond statutes, as well as stepped up interest payments and scheduled amortization payments. International investors showed demand for new issues as a yield differential opened up between Brady bonds and comparable instruments, in particular after Ecuador's default on Brady bonds in 1999. Moreover, through the collateral features Brady bonds do not offer a pure exposure to sovereign debt, and a number of investment funds are barred from holding such instruments entirely.[5]

16. Over the last two years the outstanding stock of Brady bonds held by non-residents has declined by about US$220 million, most of which can be attributed to buybacks financed out of the FRA. The volume of such transactions is of course limited by their potential effect on secondary market prices. As for any sovereign debt, price is a probability-weighted average of the discounted value of scheduled debt service, and a recovery value of collateral in the case of default. Following the buyback the recovery value will be available for a smaller stock of outstanding principal, and by consequence the secondary market price rises. The market value of outstanding debt may hence decline by less than the cost of the buyback. This so-called Bulow-Rogoff critique of buybacks of sovereign debt hinges on the assumptions that market participants are fully informed about the identity of the buyer and the amount of the impending transaction. Sovereign borrowers therefore typically only engage in discrete transactions of small amounts, and at times when they hold an informational advantage over market participants, or when their debt is affected by unrelated events, such as financial contagion. Nevertheless, effectiveness and importance of buybacks

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[4] *Guidelines for Public Debt Management* (SM/01/27).

[5] J. Nystedt, K. Srinivasan, and M. Buchanan: *Retiring Bradys: Why, How, and When?* IMF Working Paper in processing.

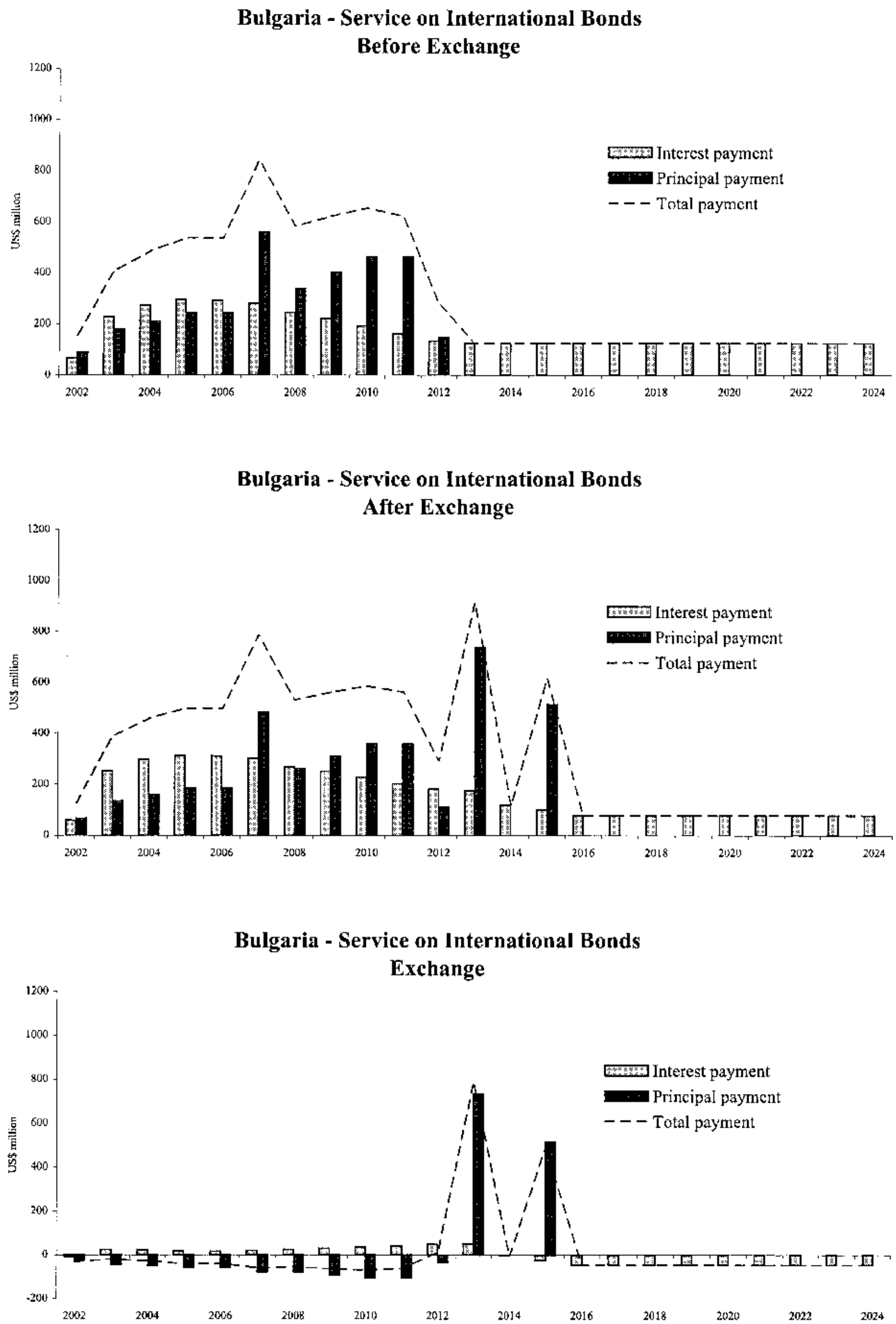
as a tool of public debt management will remain limited. Also, buybacks raise important concerns about transparency vis-à-vis domestic institutions regarding the use of public funds.

17. Following the government's buyback operations, Bulgaria's debut Eurobond in November 2001 not only replenished reserves, but also created a first sovereign benchmark yield. The issue of € 250 million (with a 7.25 percent coupon, maturing in March 2007) was five times oversubscribed, and eventually priced at 376bp over the benchmark yield, tightening further in subsequent trading. The issued bonds were distributed to accounts in Germany (32 percent), the UK (18 percent) and Italy (11 percent). Strong liquidity in Bulgaria itself allowed the domestic bid to take up 10 percent of the deal. Asset managers accounted for 45 percent of the allocation, with banks taking 30 percent, retail investors 20 percent and insurance companies 5 percent. According to market commentary, the issue attracted substantial demand from institutional investors seeking to invest their funds in sovereign emerging markets credit—and especially in the rare EU convergence assets—that was not linked to Argentina. Moreover, the new government was given credit for its prudent fiscal and financial policies, reaffirmed by a Standard & Poor's credit upgrade a week before the issuance. The timing of the issue was also helped by rate cuts of the European Central Bank and the Federal Reserve.

18. A second important transaction followed with the debt swap in March 2002. US$1326 million of Brady bonds, or 28 percent of the total outstanding stock was exchanged for new global bonds (US$512 million with a 8.25 percent coupon, maturing in 2015, and € 835 million with a 7.5 percent coupon maturing in 2013). Just under half of the Euro-denominated bond was used to raise cash for a straight buyback of outstanding Brady bonds. In this way, the Bulgarian authorities managed to change the investor base towards more stable European retail investors, and also established two more benchmarks on their sovereign dollar and Euro yield curves.

19. This transaction has moved Bulgaria some way further towards the achievement of its debt management objectives. The face value of the outstanding debt stock was reduced (by US$79 million), total debt service over the remaining life of the bonded debt has been lowered by US$90 million (a US$75 million NPV gain), and US$200 million collateral have been released. By swapping the amortizing Brady bonds (interest arrears bonds, IABs, and FLIRBs), the average duration of the portfolio was increased from 5.5 to 5.9 years, and the yield reduced from 9 to 8.8 percent. By reducing the shares of dollar-denominated and of floating-interest debt the vulnerabilities to changes in external parameters have been addressed. While debt amortization payments have been substantially reduced over the next years, these gains came at the cost of increasing the interest costs to the budget over the next five years by about US$104 million, and of a substantial concentration of repayment obligations in the years when the new bonds will mature in 2013 and 2015 (Figure 2).

Figure 2. Bulgaria: Effects of the March 2002 Brady Bond Exchange



20. By contrast, the market in domestic public debt has remained extremely limited. Domestic debt amounts to 1.9 billion leva, or about 6.2 percent of GDP, of which about 1.2 billion have been issued since 1996 for deficit financing purposes.[6] The remainder consists of debt that has been issued to finance the restructuring of state owned enterprises (so-called Zunks). While a large share of Zunks is denominated in U.S. dollar and Euro, specific covenants reduce the marketability of these instruments.

21. In the year to end-April 2002, there has been about 120 million leva net issue, and for 2002 as a whole the government expects a net issue of about 80 million leva, well in excess of its financing need. Domestic government debt now spans the entire spectrum of maturities, from 3 months to 10 years, and includes a small Euro-denominated bond. The first issue of a 10-year maturity in April 2002 was received surprisingly well, largely due to strong demand from domestic pension funds. Through these operations the government has extended the weighted average maturity of domestic debt from 31 months at end-June 2001 to 50 months one year later.

F. Prospects for the Medium Term

22. While these measures have addressed some of the concerns that motivated the government's debt strategy, all four of the above objectives for public debt management set out above remain valid:

- Bulgaria's public debt to GDP ratio remains high compared to other countries in the region, which began the transition process with much lower debt stocks and have since reduced debt further. The authorities' continuing commitment to the CBA underlines the need for a further reduction of public debt (Table 3).
- Through its external debt Bulgaria remains exposed to fluctuations in international interest and exchange rates. Current projections incorporate the exchange rates of March 2002; it is estimated that, should the dollar-Euro rate remain at its current level, the level of public debt would be reduced to below 60 percent of GDP. At the same time, a one percent increase in international benchmark interest rates would increase next year's public sector interest payments by about US$50 million, or about 0.35 percent of GDP.
- Despite the issue of two Euro-denominated global bonds (at five and eleven years maturity), and of one dollar-denominated bond (thirteen years maturity) the credit outstanding is still insufficient for the establishment of a sovereign yield curve in the dollar and Euro bond markets. In particular more liquid issues at the short end of the maturity spectrum would be needed.

[6] Some of the global bonds and Brady bonds are held by domestic pension funds or commercial banks.

- The market in domestic government paper remains highly illiquid. Secondary market trading is thin, so that the primary market yield is the only reference rate published by the BNB. However, the transmission into monetary conditions is limited, and banks use an internal cost of funds as a reference rate.

Table 3. Public Debt to GDP Ratios for Selected Transition Countries, 1995–2001
(In percent)

	1995	1996	1997	1998	1999	2000	2001
Bulgaria	111.1	155.8	119.2	103.2	98.5	94.1	71.5
Czech Rep.	15.3	13.1	13.0	13.1	14.5	17.0	19.5
Estonia	n.a.	n.a.	7.6	5.8	6.5	5.9	5.7
Hungary	86.4	72.8	63.9	61.9	60.7	57.6	53.2
Latvia	16.1	14.4	12.0	10.5	13.0	13.2	13.8
Lithuania	n.a.	n.a.	n.a.	22.8	29.0	28.8	29.1
Poland	57.9	51.2	49.8	43.2	44.5	42.5	44.5
Romania	17.6	28.1	27.7	27.8	33.6	31.6	29.8
Slovak Rep.	24.6	24.5	23.7	26.0	28.4	30.4	34.2

Source: EBRD.

23. Current staff projections show only limited financing needs of the public sector over the medium term. The government is committed to gradually achieving a balanced budget over the next four years, and annual amortization payments on external debt will average about US$500 million over that time (Table 1). At the same time, privatization revenues, the ongoing IMF arrangement, the envisaged World Bank Programmatic Adjustment Loan (PAL), and other loans to budgetary institutions will provide sufficient financing to the public sector. Moreover, in its fiscal reserve account with the BNB the government holds ample resources, at present amounting to 3.3 billion leva. Without drawing on this stock of reserves, or issuing additional debt in the foreign or domestic capital markets the public sector is expected to be fully financed. Pursuing all four of the above policy objectives will therefore result in a number of difficult trade-offs for public debt management.

24. One option would be to substitute foreign debt into domestic bonds, at a pace at which Brady bonds amortize or can be bought back. This course of debt management policy would hence meet the objectives of reducing macro-financial vulnerability, and increasing liquidity in the domestic bond market. To date domestic yields have been kept low as government paper was targeted to a captive market, largely domestic pension funds. An analysis undertaken in the context of the FSAP in late 2001 demonstrated that to maintain a

liquid domestic bond market would require an annual gross issue of 3.5 billion leva, in domestic currency only. However, domestic banks and pension funds have shown a preference for holding instruments in dollar or Euro. While the fully-capitalized second pillar of the pension system will be expanded over the next few years, and hence provide for some captive domestic demand, such an issue volume would be certain to raise domestic yields considerably. The government would therefore maintain a domestic bond market at a premium, even though its long term prospect is membership in the European Union and therefore in an integrated European financial market.

25. A second possible policy option would be to maintain the current foreign currency exposure, and dispense with the costly objective of expanding the domestic debt market. Issuing domestic debt in Euro may further underline the authorities' commitment to the currency board arrangement. At the same time such a policy would essentially preempt any adjustments to the parity in the run-up to EMU membership. These long term implications of current debt management policy underline the extent to which public debt management needs to conform with prospects for monetary relations with the EU.

Table A1. Bulgaria: National Accounts, 1991-95
(Old classification) 1/

	1991 2/	1992 2/	1993 2/	1994	1995
	(Gross value added at basic prices and GDP) (In current prices, in millions of leva)				
Agriculture and forestry	20.9	23.3	29.7	60.4	111.4
Industry	53.9	78.4	97.7	157.4	272.7
Manufacturing and mining	46.1	63.0	75.5	120.9	212.5
Construction	6.4	11.7	16.2	25.1	41.6
Other	1.5	3.7	6.1	11.4	18.7
Services	69.5	92.0	151.7	272.4	450.2
Trade	11.8	18.0	26.6	52.9	101.8
Transport	7.4	10.1	13.9	25.2	37.5
Communications	1.6	2.4	4.8	8.8	12.2
Other (non-material)	48.7	61.5	106.4	185.4	298.7
Taxes on products	11.4	16.6	27.1	26.9	24.5
Adjustments	-20.0	-9.5	-7.3	8.5	21.4
GDP at market prices	135.7	200.8	298.9	525.6	880.3
Household consumption	73.4	131.8	219.7	389.1	622.1
Government consumption	25.8	40.8	56.4	90.3	134.4
Gross fixed capital formation	24.6	32.6	38.7	72.3	134.3
Changes in inventories	6.0	7.4	7.0	-23.0	3.5
Net exports	5.8	-11.7	-22.8	-3.3	-14.0
Exports	59.0	94.6	114.2	236.8	393.2
Imports	53.2	106.3	137.0	240.1	407.2
Statistical discrepancy	...	...	...	...	...
	(Growth rate in prices of previous year, in percent)				
GDP	...	-7.3	-1.5	1.8	2.9
Agriculture and forestry	...	-14.8	-30.2	9.5	14.5
Industry	...	-6.4	-6.2	6.0	-5.4
Services	...	-26.9	0.6	-3.1	4.0
	...				
Household consumption	...	1.0	-0.8	-2.6	-0.5
Government consumption	...	-14.9	-12.5	-11.9	-8.2
Gross fixed capital formation	...	-7.3	-17.5	1.1	16.1
	(Percent change)				
Memorandum items:					
GDP implicit deflator	...	59.6	51.1	72.7	62.8
	(In percent of GDP)				
Agriculture and forestry	15.4	11.6	9.9	11.5	12.7
Industry	39.8	39.0	32.7	30.0	31.0
Services	51.2	45.8	50.8	51.8	51.1
Taxes on products	8.4	8.3	9.0	5.1	2.8
Adjustment	-14.8	-4.7	-2.4	1.6	2.4
Household consumption	54.1	65.6	73.5	74.0	70.7
Government consumption	19.0	20.3	18.8	17.2	15.2
Gross fixed investment	22.6	19.9	15.3	9.4	15.7
Net exports	4.3	-5.8	-7.6	-0.6	-1.6
Exports	43.5	47.1	38.2	45.1	44.7
Imports	39.2	52.9	45.8	45.7	46.3

Sources: National Statistical Institute

1/ In 1996, the classification of activities changed.
2/ Including holding gains.

Table A2. Bulgaria: National Accounts, 1996-2001
(NCEA, based on NACE, Rev.1)

	1996	1997	1998	1999	2000	2001 1/
			(Gross value added at basic prices and GDP) (In current prices, in millions of levs)			
Agriculture and forestry	250.4	4,082.5	3,769.4	3,457.8	3,301.1	3578.6
Agriculture, forestry and hunting	249.7	4,076.3	3,760.4	3,445.5	3,288.7	3565.0
Fishing	0.7	6.2	9.0	12.4	12.4	13.6
Industry	510.5	4,352.9	6,122.3	5,972.2	6,901.8	7457.6
Mining and quarrying	29.2	344.7	367.2	402.6	385.7	380.3
Manufacturing	358.5	2,894.2	3,836.7	3,582.5	4,212.7	4591.5
Electricity, gas and water supply	52.6	689.3	952.5	918.3	1,216.5	1323.4
Construction	70.2	424.6	965.9	1,068.8	1,086.9	1162.3
Services	900.9	7,142.9	10,160.1	11,775.2	13,493.7	15167.8
Trade, repair of motor vehicles, personal and household appliances	179.6	1347.1	1463.9	1,656.2	1,951.9	2204.2
Transport	92.6	970.0	1218.2	1,316.2	1,656.5	1897.8
Communications	30.6	340.6	506.5	801.1	1,060.6	1471.9
Financial intermediation and insurance	143.9	398.2	505.5	602.0	705.6	789.6
Other services 2/	454.2	4086.9	6466.0	7,399.8	8,119.2	8804.2
Total of economic activity groupings	1661.8	15578.3	20051.8	21,205.3	23,696.7	26204.0
Adjustments	99.4	1854.3	2369.4	2,585.2	3,056.2	3414.1
GDP at market prices	1761.2	17432.6	22421.1	23,790.4	26,752.8	29,618.1
Household consumption	1312.6	12724.4	15144.4	16963.7	18505.8	20614.3
Government consumption	210.3	2188.1	3440.3	3937.3	4785.7	5210.9
Gross fixed capital formation	238.5	1913.5	2919.8	3600.5	4206.0	5259.4
Changes in inventories	-95.5	-191.2	865.0	662.0	687.6	775.3
Net exports	95.2	797.7	51.6	-1373.0	-1432.3	-2218.2
Exports of goods and services	976.2	10155.4	10552.6	10600.5	14902.0	16494.2
Imports of goods and services	880.9	9357.6	10500.9	11973.5	16334.3	18712.3
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	-23.6
			(Growth rate in prices of previous year, in percent)			
GDP at market prices	-9.4	-5.6	4.0	2.3	5.4	4.0
Agriculture and forestry	7.4	35.3	1.2	5.5	-10.3	0.5
Industry	-15.7	-12.7	7.9	-6.3	10.6	4.2
Services	-9.2	-16.9	0.6	5.3	6.7	4.2
Household consumption	-3.9	-10.7	2.7	9.6	4.4	5.1
Government consumption	-28.0	-2.7	11.5	5.0	11.7	2.4
Gross fixed capital formation	-21.2	-20.9	35.2	20.8	15.4	19.9
			(Percent change)			
Memorandum items:						
GDP implicit deflator	120.8	948.3	23.7	3.7	6.7	6.4
			(In percent of GDP)			
Agriculture and forestry	14.2	23.4	16.8	14.5	12.3	12.1
Industry	29.0	25.0	27.3	25.1	25.8	25.2
Services	51.2	41.0	45.3	49.5	50.4	51.2
Total of economic activity groupings	94.4	89.4	89.4	89.1	88.5	88.5
Adjustments	5.6	10.6	10.6	10.9	11.5	11.5
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0
Final consumption	86.5	85.5	82.9	87.9	87.1	87.2
Individual consumption	80.7	79.5	74.7	79.0	77.3	77.4
Households expenditures	74.2	72.7	67.2	70.9	68.8	69.1
NPISHs expenditures	0.4	0.3	0.4	0.4	0.4	0.5
Government expenditures	6.1	6.5	7.1	7.7	8.2	7.8
Collective consumption	5.8	6.0	8.2	8.9	9.7	9.8
Gross fixed capital formation	13.5	11.0	13.0	15.1	15.7	17.8
Changes in inventories	-5.4	-1.1	3.9	2.8	2.6	2.6
Net exports	5.4	4.6	0.2	-5.8	-5.4	-7.5
Exports of goods and services	55.4	58.3	47.0	44.5	55.7	55.7
Imports of goods and services	50.0	53.7	46.8	50.3	61.1	63.2
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	-0.1

Sources: National Statistical Institute

1/ Preliminary data.
2/ Includes: hotels and restaurants; real estate, renting and business activities, health and education; public administration and defense.

Table A3: Bulgaria: Selected Transition Economies: Cumulative Change in GDP, 1989-2001

	1989-2001	Peak Decline Since 1989 1/
Albania	6	-40
Bulgaria	-24	-35
Czech Republic	1	-14
Hungary	9	-18
Poland	34	-14
Romania	-16	-25
Average (unweighted)	2	-24

Source: WEO.

1/ Compares the GDP in the year of its lowest level since the beginning of the transition with the level of 1989.

Table A4. Bulgaria: Industrial Sector, 1991-95 1/

(Old classification) 2/

	1991 3/	1992 3/	1993 3/	1994 3/	1994	1995
			(In current prices, in millions of leva)			
Industry value added						
Total	53.9	78.4	97.7	182.3	157.4	272.7
Manufacturing and mining	46.1	63.0	75.5	145.5	120.9	212.5
Construction	6.4	11.7	16.2	25.5	25.1	41.6
Unincorporated activities 4/	1.5	3.7	6.1	11.4	11.4	18.7
State	50.5	70.0	79.8	147.8	122.8	196.6
Manufacturing and mining	45.0	61.3	70.3	135.5	110.9	181.4
Construction	5.4	8.8	9.5	12.3	11.9	15.3
Private	3.5	8.4	17.9	34.5	34.5	76.1
Manufacturing and mining	1.1	1.8	5.2	10.0	10.0	31.1
Construction	1.0	2.9	6.6	13.2	13.2	26.3
Unincorporated activities 4/	1.5	3.7	6.1	11.4	11.4	18.7
			(Growth rate in prices of previous year, in percent)			
Total	...	-6.4	-6.2	6.0	...	-5.4
Manufacturing and mining	...	-10.1	-6.6	6.9	...	-8.0
Construction	...	12.5	-7.3	-0.3	...	2.2
Unincorporated activities 4/	...	27.9	3.5	10.8	...	6.5
State	...	-9.2	-12.7	3.7	...	-16.2
Manufacturing and mining	...	-10.4	-10.6	6.7	...	-15.6
Construction	...	0.7	-27.1	-18.5	...	-21.1
Private	...	33.6	47.7	16.2	...	33.1
Manufacturing and mining	...	0.8	133.5	10.1	...	76.3
Construction	...	79.7	52.5	26.1	...	23.3
Unincorporated activities 4/	...	27.9	3.5	10.8	...	6.5
				(Percentage)		
Share of economy (gross value added)						
Total industry	37.4	40.5	35.0	35.4	32.1	32.7
Of which:						
Manufacturing and mining	31.9	32.6	27.0	28.3	24.7	25.5
Construction	4.5	6.0	5.8	4.9	5.1	5.0
Unincorporated activities 4/	1.0	1.9	2.2	2.2	2.3	2.2
Share of state sector						
in total industry	93.5	89.3	81.7	81.1	78.0	72.1
Manufacturing and mining	97.6	97.2	93.1	93.1	91.7	85.4
Construction	85.1	75.1	59.1	48.3	47.5	36.7
Share of private sector						
in total industry	6.5	10.7	18.3	18.9	22.0	27.9
Manufacturing and mining	2.4	2.8	6.9	6.9	8.3	14.6
Construction	14.9	24.9	40.9	51.7	52.5	63.3
Unincorporated activities 4/	100.0	100.0	100.0	100.0	100.0	100.0

Sources: National Statistical Institute

1/ Includes state and private sectors, using the SNA methodology.
2/ The classification changed in 1996.
3/ Including holding gains/losses.
4/ Self-employed and other small private unincorporated firms engaged in market production; included in other headings from 1997.

Table A5. Bulgaria: Industrial Sector, 1996-2001

(NCEA, based on NACE, Rev.1) 1/

	1996	1997	1998	1999	2000	2001 2/
			(In current prices, in millions of levs)			
Industry value added						
Total	510.5	4352.9	6122.3	5,972.2	6,901.8	7457.6
Mining and quarrying	29.2	344.7	367.2	402.6	385.7	380.3
Manufacturing	358.5	2894.2	3836.7	3,582.5	4,212.7	4591.5
Electricity, gas and water supply	52.6	689.3	952.5	918.3	1,216.5	1323.4
Construction	70.2	424.6	965.9	1,068.8	1,086.9	1162.3
Public	376.7	2832.7	3166.6	2,751.0	2,090.2	2008.6
Mining and quarrying	28.2	330.3	334.5	360.3	224.2	231.5
Manufacturing	273.3	1688.4	1667.3	1,267.3	500.8	417.0
Electricity, gas and water supply	52.6	688.2	951.0	916.7	1,201.7	1267.0
Construction	22.6	125.8	213.8	206.6	163.4	93.0
Private	133.8	1520.2	2955.7	3,221.2	4,811.6	5449.0
Mining and quarrying	1.0	14.4	32.7	42.3	161.5	148.8
Manufacturing	85.1	1205.8	2169.4	2,315.2	3,711.9	4174.5
Electricity, gas and water supply	0.0	1.1	1.5	1.6	14.8	56.4
Construction	47.7	298.9	752.1	862.2	923.5	1069.3
			(Growth rate in prices of previous year, in percent) 2/			
Total	-12.9	-12.7	7.9	-6.3	10.6	5.4
Mining and quarrying	...	-7.3	18.3	-6.4	-8.6	-4.0
Manufacturing	...	-16.8	3.2	-5.9	10.9	5.3
Electricity, gas and water supply	...	23.7	7.2	-17.7	28.6	9.5
Construction	-20.8	-21.4	32.4	2.9	1.4	5.1
Public	-15.9	-25.3	-7.9	-18.3	-26.5	-7.3
Mining and quarrying	...	-7.9	13.7	-9.2	-39.0	-9.4
Manufacturing	...	-36.6	-19.7	-21.5	-62.5	-24.0
Electricity, gas and water supply	...	23.6	7.2	-17.7	27.1	5.0
Construction	-30.7	-24.6	10.9	-10.4	-21.5	-27.8
Private	4.8	22.6	37.3	6.5	42.3	9.5
Mining and quarrying	...	10.9	123.9	22.7	250.7	1.1
Manufacturing	...	46.5	35.3	6.2	51.0	9.3
Electricity, gas and water supply	...	197.3	16.1	9.1	903.3	55.0
Construction	-15.1	-19.9	41.4	6.6	6.9	10.7
			(Percentage)			
Share of economy (gross value added)						
Total industry	29.0	25.0	27.3	25.1	25.8	25.2
Of which:						
Mining and quarrying	1.7	2.0	1.6	1.7	1.4	1.3
Manufacturing	20.3	16.6	17.2	15	15.8	15.5
Electricity, gas and water supply	3.0	4.0	4.2	3.9	4.5	4.5
Construction	4.0	2.4	4.3	4.5	4.1	3.9
Share of public sector						
in total industry	73.8	65.1	51.7	46.1	30.3	26.9
Mining and quarrying	96.7	95.8	91.1	89.5	58.1	60.9
Manufacturing	76.3	58.3	43.5	35.4	11.9	9.1
Electricity, gas and water supply	99.9	99.8	99.8	99.8	98.8	95.7
Construction	32.1	29.6	22.1	19.3	15.0	8.0
Share of private sector						
in total industry	26.2	34.9	48.3	53.9	69.7	73.1
Mining and quarrying	3.3	4.2	8.9	10.5	41.9	39.1
Manufacturing	23.7	41.7	56.5	64.6	88.1	90.9
Electricity, gas and water supply	0.1	0.2	0.2	0.2	1.2	4.3
Construction	67.9	70.4	77.9	80.7	85.0	92.0

Sources: National Statistical Institute

1/ For 1996, according to the former classification in use - CBNE '86.
2/ Preliminary data

Table A6. Bulgaria: Services Sector: Total, State, and Private, 1991-2001

	1991 1/	1992 1/	1993 1/	1994	1995	1996	1997	1998	1999 2/	2000 2/	2001 2/
					(In current prices, in millions of levs)						
Value added in services											
Total	69.5	92.0	151.7	272.4	450.2	900.9	7142.9	10160.1	11775.2	13493.7	15167.8
Trade 3/	11.8	18.0	26.6	52.9	101.8	179.6	1347.1	1463.9	1656.2	1951.9	2204.2
Transport	7.4	10.1	13.9	25.2	37.5	92.6	970.0	1218.2	1316.2	1656.5	1897.8
Communications	1.6	2.4	4.8	8.8	12.2	30.6	340.6	506.5	801.1	1060.6	1471.9
Other 4/	48.7	61.5	106.4	185.4	298.7	598.1	4485.1	6971.6	8001.8	8824.7	9593.8
State	55.1	62.4	85.4	149.8	193.0	346.7	2770.5	4283.8	4784.1	5067.5	5373.0
Trade 3/	9.5	10.5	12.2	20.3	26.3	37.3	286.2	305.6	258.6	239.4	255.4
Transport	7.0	8.6	10.5	18.7	22.5	56.0	528.6	617.3	532.5	599.0	511.8
Communications	1.6	2.4	4.8	8.7	11.8	28.3	310.2	438.0	572.3	654.2	727.3
Other 4/	36.9	40.9	58.0	102.1	132.4	225.1	1645.5	2923.0	3420.6	3574.9	3878.6
Private	14.4	29.6	66.4	122.6	257.2	554.2	4372.4	5876.3	6991.2	8426.2	9794.7
Trade 3/	2.3	7.5	14.5	32.6	75.5	142.3	1060.9	1158.3	1397.6	1712.5	1948.8
Transport	0.3	1.5	3.4	6.6	15.0	36.6	441.4	600.9	783.7	1057.4	1386.1
Communications	0.0	0.0	0.0	0.1	0.4	2.2	30.4	68.5	228.8	406.4	744.6
Other 4/	11.8	20.7	48.4	83.3	166.3	373.0	2839.6	4048.6	4581.2	5249.8	5715.2
					(Growth rate in prices of previous year, in percent)						
Total	...	-26.9	0.6	-3.1	4.0	-9.3	-16.9	0.6	5.3	6.7	4.2
Trade 3/	...	-19.2	0.4	7.6	2.1	-21.5	-31.2	0.2	9.2	9.7	10.6
Transport	...	3.9	8.5	3.1	39.8	0.0	19.0	-9.5	3.3	2.2	0
Communications	...	2.9	8.0	0.9	32.5	8.1	5.5	17.9	30.3	21.9	25.1
Other 4/	...	-34.4	-0.9	-6.7	-1.7	-7.0	-19.2	1.6	3.1	5.3	1.1
State	...	-37.9	-9.8	-8.3	-12.6	-3.3	-19.0	4.0	-0.2	-2.3	-3.1
Trade 3/	...	-44.3	-22.0	-9.6	-25.5	-21.7	-30.1	-1.6	-17.0	-16.9	1.5
Transport	...	-2.8	-2.2	-2.3	21.6	9.4	12.3	-14.5	-13.0	-7.2	-23.4
Communications	...	2.9	7.2	0.7	29.3	3.5	2.4	13.9	10.2	5.3	-0.9
Other 4/	...	-44.7	-9.2	-9.8	-19.9	-1.2	-27.7	9.0	2.7	-1.7	-0.4
Private	...	15.4	22.4	3.7	24.3	-5.9	-15.5	-1.5	9.3	12.8	8.6
Trade 3/	...	87.0	32.0	22.1	19.2	-21.4	-31.5	0.7	16.1	14.7	11.9
Transport	...	139.8	69.7	19.3	91.6	-14.1	29.1	-3.4	20.1	8.6	13.2
Communications	...	...	1,700.0	13.6	357.6	149.9	44.5	58.9	158.4	63.2	66.9
Other 4/	...	-2.0	15.4	-3.0	20.6	-21.4	-14.1	-2.7	3.3	10.5	2.1
Gross value added	...	-17.5	-5.9	1.4	2.3	-9.8	-7.7	2.8	1.8	5.0	3.7
						(Percentage)					
Share of economy (gross value added)											
Total services	48.2	47.5	54.4	55.6	54.0	51.2	41	45.3	49.5	50.4	51.2
Trade 3/	8.2	9.3	9.5	10.8	12.2	10.2	7.7	6.5	7	7.3	7.4
Transport	5.1	5.2	5.0	5.2	4.5	5.3	5.6	5.4	5.5	6.2	6.4
Communications	1.1	1.2	1.7	1.8	1.5	1.7	2	2.3	3.4	4.0	5.0
Other 4/	33.8	31.8	38.1	37.8	35.8	34	25.7	31.1	33.6	32.9	32.4
Share of state service in total ser	79.2	67.8	56.3	55.0	42.9	38.5	38.8	42.2	40.6	37.6	35.4
Trade 3/	80.9	58.5	45.6	38.3	25.8	20.8	21.2	20.9	15.6	12.3	11.6
Transport	95.3	85.1	75.4	74.0	60.0	60.5	54.5	50.7	40.5	36.2	27.0
Communications	100.0	100.0	99.1	99.0	96.9	92.7	91.1	86.5	71.4	61.7	49.4
Other 4/	75.7	66.4	54.5	55.1	44.3	37.6	36.7	41.9	42.7	40.5	40.4
Share of private service in total :	20.8	32.2	43.7	45.0	57.1	61.5	61.2	57.8	59.4	62.4	64.6
Trade 3/	19.1	41.5	54.4	61.7	74.2	79.2	78.8	79.1	84.4	87.7	88.4
Transport	4.7	14.9	24.6	26.0	40.0	39.5	45.5	49.3	59.5	63.8	73.0
Communications	...	...	...	1.0	3.1	7.3	8.9	13.5	28.6	38.3	50.6
Other 4/	24.3	33.6	45.5	44.9	55.7	62.4	63.3	58.1	57.3	59.5	59.6

Sources: National Statistical Institute

1/ Including holding gains/losses.

2/ Preliminary data.

3/ From 1996 on, including repairs of motor vehicles and personal and household appliances

4/ Includes: housing and municipal services; business services; science; education, culture and art; health and social security, sports recreation and tourism; finance, credit and insurance; government; and NPISNs.

Table A7. Bulgaria: Services by Branches, 1992-2001

(CBNE '86) 1/

	1992	1993	1994	1995	1992	1993	1994	1995
	(Growth rate in prices of previous year, in percent)				(In current prices, in billions of levs)			
Gross value added - Total services	-26.9	0.6	-3.1	4.0	92,005	151,735	272,376	450,239
Transport	3.9	8.5	3.1	39.8	10,143	13,910	25,248	37,522
Communications	2.9	8.0	0.9	32.5	2,352	4,813	8,786	12,160
Trade	-19.2	0.4	7.6	2.1	17,965	26,637	52,934	101,841
Business services	-51.7	176.6	0.0	-0.5	1,348	5,869	11,005	18,136
Housing, public utilities, and amenities	-5.0	2.1	-4.3	0.7	19,898	42,632	72,622	121,529
Sciences	-34.4	-22.8	-26.7	-22.8	1,734	2,086	2,860	3,524
Education	6.4	-2.1	-23.1	-10.8	7,849	12,123	17,182	24,954
Culture and arts	-13.2	5.6	-12.0	-4.5	1,093	1,905	3,189	4,989
Health, social welfare, sports, and tourism	0.1	2.2	-22.8	-11.0	6,710	10,698	15,635	22,607
Finance, credit, and insurance	-71.6	-22.7	20.6	-0.7	14,014	16,901	40,122	64,388
General government	6.8	2.5	-19.7	4.1	8,641	12,823	22,223	37,487
Other branches of non-material sphere	-27.4	-15.9	-10.1	19.3	258	338	570	1,102
Intermediate consumption	6.1	-5.3	11.9	13.8	62,033	86,286	172,781	291,600
Gross output	-16.2	-1.8	2.4	7.8	154,038	238,021	445,157	741,839

(NCEA, based on NACE, Rev.1) 1/

	1996	1997	1998	1999	2000	2001 2/	1996	1997	1998	1999	2000	2001 2/
	(Growth rate in prices of previous year, in percent)						(In current prices, in millions of levs)					
Gross value added - Total services	-9.2	-16.9	0.6	5.3	6.7	4.2	900.9	7142.9	10160.1	11775.2	13,493.7	15,167.8
Trade, repair of motor vehicles, personal and household appliances	...	-31.2	0.2	9.2	9.7	10.6	179.6	1347.1	1463.9	1656.2	1,951.9	2,204.2
Hotels and restaurants	...	23.9	0.6	12.0	5.2	6.6	21.8	252.2	432.4	486.4	499.7	569.2
Transport and communications	...	15.6	-2.4	11.2	9.6	9.8	123.1	1310.6	1724.6	2117.3	2,717.1	3,369.7
Transport	...	19.0	-9.5	3.3	2.2	0.0	92.6	970.0	1218.2	1316.2	1,656.5	1,897.8
Communications	...	5.5	17.9	30.3	21.9	25.1	30.6	340.6	506.5	801.1	1,060.6	1,471.9
Financial intermediation and insurance	...	-74.6	5.7	15.7	9.1	7.0	143.9	398.2	505.5	602.0	705.6	789.6
Real estate, renting and business activi	...	-0.6	-5.9	-1.4	3	1.4	290.1	2525.9	3387.8	3775.4	4,012	4,339
- imputed rent of owner occupied d	...	0.7	-7.3	-1.2	0.4	0.8	234.6	2056.6	2561.5	2793.7	2,850	3,032
Public administration and defence, compulsory social security	...	-18.2	37.1	2.6	7	-3	56.6	484.1	1,202.5	1428.4	1,633	1,708
Education	...	-1.0	2.2	5.8	13	-4	39.1	391.2	670.2	827.0	996	1,039
Health, social work and veterinary acti	...	2.1	1	3.4	2	0	29.2	293.9	487.6	561.8	590	686
Other community, social and personal service activities of NGO	...	-6.7	4.2	14.4	9.5	10.3	17.6	139.6	285.6	320.7	389.6	462.3
Intermediate consumption	...	-1.8	1.8	13.4	10.2	4.3	583.7	5,857.8	7,014.9	8521.3	10,638.8	11,881.9
Gross output	...	-10.9	1.2	8.6	8.2	4.2	1,484.6	13,000.7	17,175.0	20296.6	24,132.5	27,049.7

Source: National Statistical Institute.

1/ Classification system changed in 1996.

2/ Preliminary data.

Table A8. Bulgaria: Total and Private Agricultural Production, 1992-2001 1/

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 2/
	(In current prices, in millions of levs)									
Total agriculture										
Gross output	51.1	69.8	132.8	236.3	566.3	8,345.8	7,905.5	7,389.7	7,396.5	8,196.6
Crops	24.2	31.3	60.9	108.2	236.4	3,631.6	2,723.4	2,911.2	2,649.7	3,000.5
Livestock	22.1	33.7	62.9	113.0	196.0	2,858.2	3,282.2	2,602.9	2,783.5	2,932.6
Services and other	4.8	4.8	9.0	15.1	48.1	623.7	540.8	537.6	576.2	618.0
Secondary activities of householc	...	...	...	...	85.8	1,232.3	1,359.2	1,338.0	1,387.0	1,645.5
Intermediate consumption	28.4	41.2	73.8	127.4	322.6	4,317.6	4,208.8	4,019.9	4,165.0	4,685.8
Gross value added	22.7	28.7	59.0	108.9	243.7	4,028.2	3,696.7	3,369.8	3,231.5	3,510.7
Private agriculture										
Gross output	25.6	44.5	101.1	178.1	539.2	8,140.5	7,751.2	7,271.7	7,301.7	8,097.5
Intermediate consumption	12.2	23.1	51.1	89.0	301.2	4,170.3	4,099.2	3,937.7	4,094.1	4,615.6
Gross value added	13.4	21.4	49.9	89.1	238.0	3,970.2	3,652.0	3,334.1	3,207.6	3,481.9
	(Growth rate in prices of previous year, in percent)									
Total agriculture										
Gross output	-6.3	-19.4	7.1	16.0	-10.9	13.7	-0.6	2.7	-9.1	-0.3
Crops	0.2	-26.3	21.7	21.9	-21.1	34.1	-2.9	4.2	-19.1	8.4
Livestock	-2.7	.8.0	-6.5	10.7	-3.0	0.3	0.6	0.7	-5.0	-9.7
Services and other	-41.5	-37.2	7.9	13.3	4.4	4.3	1.7	-1.2	-2.5	0.3
Secondary activities of householc	...	...	...	...	...	-6.4	0.2	5.9	1.8	1.7
Intermediate consumption	5.4	-9.9	5.2	17.3	-14.4	-3.2	-3.8	0.2	-8.4	-0.8
Gross value added	-15.7	-31.3	10.0	14.4	-6.7	36.1	1.0	5.5	-10.0	0.4
Private agriculture										
Gross output	55.2	-5.7	22.5	11.8	-8.9	15.7	-0.4	3.1	-8.8	-0.2
Intermediate consumption	151.8	13.5	28.7	16.4	-12.6	-0.8	-3.1	0.8	-8.1	-0.6
Gross value added	15.0	-23.2	15.8	7.0	-5.2	36.7	1.3	5.7	-9.8	0.3

Sources: National Statistical Institute

1/ According to National Classification of Economic Activities.

2/ Preliminary data

Table A9. Bulgaria: Production and Average Yields of Selected Agricultural Crops, 1992-2001

	1992	1993	1994	1995	1996	1997	1998	1999	2000 1/	2001 1/
					(Production in thousands of tons)					
Wheat	3,443	3,618	3,754	3,435	1,802	3,575	3,203	2,643	3406	4,077
Maize	1,742	983	1,384	1,817	1,042	1,659	1,303	1,740	1098	873
Barley	1,195	933	1,143	1,173	457	810	717	654	636	931
Sunflower seeds	595	432	602	767	526	438	524	606	599	405
Sugar beets	304	95	112	157	87	79	62	53	...	19
Tobacco	53	36	26	12	31	49	39	34	86	...
Tomatoes	413	325	461	515	306	227	469	427	...	...
Green peppers	199	153	218	252	206	174	233	196	...	...
Potatoes	566	357	497	649	319	463	478	566	206	278
Apples	221	110	76	149	204	161	129	92	...	...
Peaches	76	54	57	72	69	50	42	39	...	...
Cherries	66	32	48	75	57	36	34	32	...	...
Grapes	787	482	516	699	661	636	396	372	723	...
					(Average yield-tons/hectare)					
Wheat	3.11	1.84	2.84	2.91	1.88	2.95	2.81	2.74	3.04	3.01
Maize	2.81	1.86	2.72	3.76	2.18	3.58	2.73	3.82	1.9	2.47
Barley	3.05	2.57	2.92	2.95	1.75	2.78	2.47	2.57	2.81	3.19
Sunflower seeds	1.25	0.92	1.21	1.27	1.05	0.97	0.97	1.02	1.01	1.04
Sugar beets	17.78	9.30	13.90	17.10	10.40	15.58	14.92	17.04	...	14.1
Tobacco	1.27	1.14	1.15	1.41	1.34	1.50	1.15	1.32	1.78	...
Tomatoes	23.84	18.80	18.40	16.80	16.90	11.38	16.64	14.45	...	...
Green peppers	12.80	10.89	11.40	11.70	12.10	9.99	11.3	9.74	...	...
Potatoes	11.80	9.01	10.10	11.50	7.52	10.37	9.37	10.83	8.05	13.18
Apples	7.71	4.15	2.39	4.47	9.02	6.76	6.56	4.42	...	...
Peaches	5.99	4.80	3.55	3.00	4.70	3.36	3.62	3.46	...	...
Cherries	2.87	1.66	1.75	2.66	2.52	1.69	2.18	2.16	...	...
Grapes	4.95	3.69	3.71	5.23	5.52	5.32	3.18	3.1	4.71	...

Source: National Statistical Institute.
1/ Preliminary data from the Ministry of Agriculture and Forestry.

Table A10. Bulgaria: Acquisition of Tangible Fixed Assets, 1992-2001 1/

	1992	1993	1994	1995	1996 2/	1997	1998	1999	2000	2001 Prel.
					(In current prices, in millions of levs)					
Total	43.6	43.5	84.2	125.9	268.2	2363.9	3388.1	4600.9	5409.4	5080.2
Agriculture 3/	2.0	1.2	1.5	2.9	7.1	66.5	107.0	106.5	110.8	91.8
Forestry	0.0	0.0	0.0	0.1	...	...	...	...	...	...
Mining and quarrying 4/	...	...	...	...	9.2	73.1	109.6	114.6	115.6	104.9
Manufacturing	22.4	20.0	30.9	38.4	58.4	469.0	919.0	1024.6	1290.6	1233.4
Construction	1.4	1.9	1.7	4.9	6.6	267.3	241.6	310.6	343.1	292.0
Electricity, gas, and water supply	...	...	...	...	36.1	165.0	260.0	418.0	573.4	476.0
Transport 5/	3.3	3.0	7.8	9.3	37.7	685.1	735.0	1156.6	1231.6	1095.5
Trade	5.7	5.9	19.0	10.1	20.1	147.1	403.8	552.6	778.4	825.9
Hotels and restaurants	...	...	...	...	4.7	50.1	75.5	197.5	232.5	210.6
Communications	0.7	0.9	3.0	6.8	...	...	...	...	...	...
Financial intermediation	...	...	...	...	32.9	213.0	118.8	106.8	124.0	98.8
Other in material sphere	0.3	0.5	0.4	0.7	...	...	...	...	...	...
Real estate, renting, and business activities 6/	...	...	...	...	37.5	44.7	76.7	152.1	223.6	229.8
Public administration; compulsory social security	...	...	...	...	6.8	76.8	194.9	280.8	207.9	305.7
Housing, municipal, and consumer services	4.8	5.3	6.1	19.2	...	...	...	...	...	...
Of which:										
Housing	2.9	2.5	2.8	13.5	...	...	...	...	...	...
Science	0.3	0.2	0.2	0.3	...	...	...	...	...	...
Health/sport/leisure	0.7	1.2	1.6	3.1	3.4	28.2	36.0	42.8	54.7	45.1
Education	0.8	0.9	1.5	2.3	3.0	38.8	51.3	42.1	31.7	29.4
Culture and arts	0.1	0.2	0.4	0.7	...	...	...	...	...	...
Other in non-material sphere	1.1	2.3	10.0	27.3	...	...	...	...	...	...
Other community, social, and personal service activities	...	...	...	...	4.9	39.1	58.9	95.3	91.5	41.3
					(In percent of GDP)					
Total	21.7	14.6	16.0	14.3	15.3	13.9	15.7	19.3	20.2	17.2
Agriculture 3/	1.0	0.4	0.3	0.3	0.4	0.4	0.5	0.4	0.4	0.3
Forestry	0.0	0.0	0.0	0.0	...	...	...	...	....	....
Mining and quarrying 4/	...	...	...	...	0.5	0.4	0.5	0.5	0.4	0.4
Manufacturing	11.2	6.7	5.9	4.4	3.3	2.8	4.3	4.3	4.8	4.2
Construction	0.7	0.6	0.3	0.6	0.4	1.6	1.1	1.3	1.3	1.0
Electricity, gas, and water supply	...	...	...	...	2.1	1.0	1.2	1.8	2.1	1.6
Transport 5/	1.6	1.0	1.5	1.1	2.2	4.0	3.4	4.9	4.6	3.7
Trade	2.9	2.0	3.6	1.1	1.1	0.9	1.9	2.3	2.9	2.8
Hotels and restaurants	...	...	...	...	0.3	0.3	0.4	0.8	0.9	0.7
Communications	0.3	0.3	0.6	0.8	...	...	...	...	....	....
Financial intermediation	...	...	...	...	1.9	1.2	0.6	0.4	0.5	0.3
Other in material sphere	0.1	0.2	0.1	0.1	...	...	...	...	....	....
Real estate, renting, and business activities 6/	...	...	...	...	2.1	0.3	0.4	0.6	0.8	0.8
Public administration; compulsory	...	...	...	...	0.4	0.5	0.9	1.2	0.8	1.0
social security	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0
Housing, municipal, and	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0
consumer services	2.4	1.8	1.2	2.2	...	...	...	...	....	....
Of which:									0	0
Housing	1.4	0.8	0.5	1.5	...	...	...	...	....	....
Science	0.1	0.1	0.0	0.0	...	...	...	...	....	....
Health/sport/leisure	0.3	0.4	0.3	0.4	0.2	0.2	0.2	0.2	0.2	0.2
Education	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Culture and arts	0.0	0.1	0.1	0.1	...	...	...	...	....	....
Other in non-material sphere	0.6	0.8	1.9	3.1	...	...	...	...	....	....
Other community, social, and personal service activities	...	...	...	...	0.3	0.2	0.3	0.4	0.3	0.1
Memorandum item:										
GDP in millions of leva	200.8	298.9	525.6	880.3	1,761.2	17,432.6	22,421.1	23,790.4	26,752.8	29,618.1

Source: National Statistical Institute.

1/ These data do not equal gross fixed investment, as they include purchases of existing assets.

2/ Based on new National Classification of Economic Activities; sectoral data are not directly comparable to earlier periods.

3/ Starting 1996, agriculture includes forestry.

4/ Until 1996, mining & quarrying was included in manufacturing.

5/ Includes communications starting 1996.

6/ The classifications "housing" used prior to 1996 and "real estate, renting, and business activities" used thereafter do not match exactly.

Table A11. Bulgaria: Income Accounts, 1992-2001

	1996	1997	1998	1999	2000	2001 1/	1996	1997	1998	1999	2000	2001 1/
GDP	1761	17433	22421	23790.4	26752.8	29618.1	100.0	100.0	100.0	100.0	100.0	100.0
Gross value added at basic prices	1725	16228	20467	21909.8	24540.8	27257.0	...	...	...	...	...	...
Compensation of employees	646	5885	8688	8799.9	9245.4	10914.2	36.7	33.8	38.8	36.9	34.6	36.8
Wages and salaries	465	4216	6273	6312.7	6792.5	7682.6	26.4	24.2	28.0	26.5	25.4	25.9
Social contributions	181	1669	2415	2487.2	2452.9	3231.6	10.3	9.6	10.8	10.4	9.2	10.9
Net taxes on production	49	542	303	465.5	497.6	716.7	2.8	3.1	1.3	2.0	1.9	2.5
Turnover taxes and excises	63	651	698	902.1	1011.0	1232.7	3.6	3.7	3.1	3.8	3.8	4.2
Subsidies	15	109	395	436.6	513.3	516.0	0.8	0.6	1.8	1.8	1.9	1.7
Gross operating surplus	1030	9800	11476	12644.5	14797.8	15626.1	58.4	56.2	51.2	53.2	55.3	52.7
Consumption of fixed capital	143	1158	2607	2784.9	2920.5	...	8.1	6.6	11.6	11.7	10.9	...
Net operating surplus	667	5334	5103	6008.9	8945.1	...	37.9	30.6	22.8	25.3	33.4	...
Mixed income, net	220	3309	3766	3850.7	2932.2	...	12.4	19.0	16.8	16.2	11.0	...
Adjustments	36	1205	1954	1881	2212.0	2361.1	2.1	6.9	8.7	7.9	8.2	8.0
Import duties	38	368	443	258.6	220.7	195.4	2.2	2.1	2.0	1.1	0.8	0.7
Less Financial intermediation 2/	-137	-362	-325	-359.1	-475.4	-475.1	-7.8	-2.1	-1.5	-1.5	-1.8	-1.6
VAT	136	1199	1836	1981.2	2466.7	2640.7	7.7	6.9	8.2	8.3	9.2	8.9
Of which:												
Private sector												
GVA at basic prices	929	9878	12504	13574.4	16481.2	18781.1	53.9	60.9	61.1	62.0	67.2	68.9
Compensation of employees	138	1875	3118	3454.8	4085.9	5609.0	21.3	31.9	35.9	39.3	44.2	51.4
Wages and salaries	104	1375	2285	2521.8	3056.4	4105.4	22.4	32.6	36.4	39.9	45.0	53.4
Social contributions	33	499	833	933.0	1029.5	1503.6	18.5	29.9	34.5	37.5	42.0	46.5
Net taxes on production	0	-18	-27	-38.37	-53.703	-21.217	-0.2	-3.3	-8.9	-8.2	-10.8	-3.0
Tax on increase of salary	0	2	...	...	...	...	0.1	0.3	0.0	0.0	0.0	0.0
Subsidies	0	19	27	38.4	53.703	21.217	0.9	17.7	6.8	8.8	10.5	4.1
Gross operating surplus	792	8021	9413	10157.9	12449.0	13193.3	76.9	81.8	82.0	80.3	84.1	84.4
Consumption of fixed capital	65	809	1186	1482.5	1726.9	...	45.6	69.9	45.5	53.2	59.1	...
Net operating surplus	507	3903	4461	4824.8	7789.9	...	76.0	73.2	87.4	80.3	87.1	...
Mixed income, net	220	3309	3766	3850.7	2932.2	...	100.0	100.0	100.0	100.0	100.0	...
Gross value added at basic prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Compensation of employees	69.4	70.4	73.8	70.0	71.5	71.5	14.8	19.0	24.9	25.5	24.7	29.9
Wages and salaries	49.3	49.8	52.8	49.7	51.8	48.2	11.2	13.9	18.3	18.6	18.5	21.9
Social contributions	20.1	20.6	21.0	20.3	19.7	23.3	3.6	5.1	6.6	6.9	6.2	8.0
Net taxes on production	-2.0	-1.6	-1.1	-2.6	-4.1	-4.3	0.0	-0.2	-0.2	-0.3	-0.3	-0.1
Tax on increase of salary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	2.0	1.6	1.1	2.6	4.1	4.3	0.0	0.2	0.2	0.3	0.3	0.1
Gross operating surplus	32.6	31.2	27.3	32.6	32.6	32.8	85.2	81.2	75.3	74.8	75.6	70.2
Consumption of fixed capital	10.7	6.1	18.8	17.1	16.6	...	7.0	8.2	9.5	10.9	10.5	...
Net operating surplus	21.9	25.1	8.5	15.5	16.0	...	54.6	39.5	35.7	35.5	47.3	...
Mixed income, net	...	...	...	...	...	...	23.6	33.5	30.1	28.4	17.8	...

Source: National Statistical Institute.

1/ Preliminary data

2/ Indirectly measured value of financial intermediation services, which is calculated as interest receivables by financial intermediaries, less interest payable since 1991 to 1995 .

Table A12a. Bulgaria: Average Monthly Earnings in the State Sector, 1997-2001

	1997	1998	1999	2000	2001 1/	1998	1999	2000	2001	1998	1999	2000	2001
	(In levs)					(Percent change, deflated by CPI)				(Percent change, deflated by PPI)			
Total	142	208	229	263	289	23.7	7.4	4.0	2.1	25.5	5.5	-2.0	2.1
Agriculture, hunting and forestry & Fishing	126	163	167	194	210	8.9	-0.2	5.3	0.8	10.5	-1.9	-0.8	0.8
Mining and quarrying of energy-producing materials	203	300	310	385	412	24.6	0.8	12.4	-0.5	26.4	-0.9	5.9	-0.5
Mining and quarrying, except energy producing materials	213	255	306	315	331	1.1	16.9	-6.7	-2.4	2.7	14.8	-12.1	-2.4
Manufacture of food products, beverages and tobacco	191	271	305	376	457	19.3	9.9	11.5	13.2	21.1	8.0	5.0	13.1
Manufacture of textiles and textile products	88	120	122	142	142	14.5	-1.1	5.6	-7.1	16.3	-2.9	-0.6	-7.1
Manufacture of leather and leather products	110	129	178	213	230	-1.4	34.9	8.2	0.4	0.1	32.5	1.9	0.3
Manufacture of wood and wood products	76	104	126	156	161	15.7	17.9	12.3	-3.9	17.5	15.8	5.8	-4.0
Manufacture of pulp, paper and paper products; publishing and printing	167	255	296	387	473	28.9	12.9	18.4	13.8	30.8	10.9	11.5	13.8
Manufacture of coke, refined petroleum products and nuclear fuel	412	506	530	...	...	3.6	1.9	...	...	5.2	0.1	...	...
Manufacture of chemicals, chemical products and man-made fibres	237	272	311	350	350	-3.5	11.4	1.9	-6.9	-2.0	9.4	-4.1	-7.0
Manufacture of rubber and plastic products	140	195	216	185	195	16.7	8.0	-22.2	-2.1	18.5	6.1	-26.7	-2.2
Manufacture of other non-metallic mineral products	155	230	211	244	270	25.1	-10.4	4.7	3.0	27.0	-12.0	-1.4	2.9
Manufacture of basic metals and fabricated metal products	233	298	304	336	338	7.5	-0.4	0.1	-6.4	9.1	-2.2	-5.7	-6.5
Manufacture of machinery and equipment n.e.c.	141	199	203	236	301	18.9	-0.8	5.2	18.9	20.7	-2.6	-0.9	18.8
Manufacture of electrical and optical equipment	135	175	182	208	215	9.3	1.5	3.7	-3.9	10.9	-0.3	-2.3	-3.9
Manufacture of transport equipment	179	250	237	243	270	17.6	-7.6	-7.0	3.3	19.4	-9.3	-12.4	3.2
Manufacturing n.e.c.	92	138	160	178	192	26.4	13.0	1.0	0.2	28.3	11.0	-4.9	0.1
Electricity, gas and water supply	223	359	406	414	445	35.5	10.4	-7.6	-0.1	37.5	8.5	-13.0	-0.1
Construction	129	208	248	239	255	35.8	16.0	-12.6	-0.7	37.8	13.9	-17.6	-0.8
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	173	256	286	330	350	24.8	9.0	4.6	-1.4	26.6	7.1	-1.5	-1.5
Hotels and restaurants	132	174	190	185	215	10.6	6.4	-11.5	7.9	12.3	4.5	-16.7	7.9
Transport, storage and communication	173	239	271	302	329	16.5	10.4	0.8	1.5	18.3	8.4	-5.0	1.4
Financial intermediation	217	319	381	462	466	24.2	16.3	9.9	-6.2	26.0	14.3	3.5	-6.3
Real estate, renting and business activities	125	192	219	260	276	29.5	11.2	7.4	-1.2	31.4	9.3	1.1	-1.3
Public administration and defence; compulsory social security	116	210	243	305	332	52.5	13.1	13.4	1.4	54.8	11.1	6.8	1.3
Education	91	148	171	212	230	36.6	12.0	12.8	0.7	38.7	10.1	6.2	0.7
Health and social work	88	143	156	194	224	37.6	6.2	13.0	7.2	39.7	4.3	6.4	7.1
Other community, social and personal service activities	79	131	146	190	215	39.6	8.6	17.6	5.3	41.7	6.7	10.7	5.2

Sources: National Statistical Institute; and Fund staff calculations.

1/ Preliminary data.

Table A12b. Bulgaria: Average Monthly Earnings in the Private Sector, 1999-2001

	1999	2000	2001 1/	2000	2001	2000	2001
		(In levs)		(Percent change, deflated by CPI)		(Percent change, deflated by PPI)	
Total	168	193	219	4.1	5.8	-2.0	5.8
Agriculture, hunting and forestry & Fishing	164	177	195	-1.9	2.4	-7.6	2.4
Mining and quarrying of energy-producing materials	180	86	...	-56.8	...	-59.4	...
Mining and quarrying, except energy producing materials	259	348	366	21.9	-2.2	14.8	-2.2
Manufacture of food products, beverages and tobacco	177	191	208	-2.4	1.5	-8.1	1.5
Manufacture of textiles and textile products	133	147	162	0.3	2.7	-5.6	2.6
Manufacture of leather and leather products	128	137	149	-3.2	1.2	-8.9	1.2
Manufacture of wood and wood products	138	153	172	0.6	4.5	-5.3	4.4
Manufacture of pulp, paper and paper products; publishing and printing	188	209	236	0.8	5.2	-5.1	5.1
Manufacture of coke, refined petroleum products and nuclear fuel	261	540	582	87.5	0.2	76.6	0.1
Manufacture of chemicals, chemical products and man-made fibres	267	309	333	4.8	0.1	-1.3	0.1
Manufacture of rubber and plastic products	183	197	210	-2.2	-1.0	-7.9	-1.1
Manufacture of other non-metallic mineral products	235	247	272	-4.6	2.3	-10.2	2.2
Manufacture of basic metals and fabricated metal products	209	283	292	22.7	-4.0	15.6	-4.0
Manufacture of machinery and equipment n.e.c.	209	231	243	-0.1	-1.9	-5.9	-2.0
Manufacture of electrical and optical equipment	198	224	241	2.8	0.0	-3.2	0.0
Manufacture of transport equipment	236	261	249	0.3	-11.2	-5.6	-11.2
Manufacturing n.e.c.	138	151	166	-0.9	2.2	-6.7	2.1
Electricity, gas and water supply	186	293	391	43.0	24.1	34.7	24.0
Construction	178	191	202	-2.8	-1.7	-8.5	-1.7
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	138	150	185	-1.6	14.8	-7.4	14.7
Hotels and restaurants	131	132	209	-8.3	46.9	-13.7	46.8
Transport, storage and communication	175	198	210	2.6	-1.1	-3.4	-1.2
Financial intermediation	336	419	514	12.8	14.1	6.3	14.0
Real estate, renting and business activities	152	186	248	11.5	23.8	5.0	23.7
Public administration and defence; compulsory social security	...	...	...	...	...	...	...
Education	218	265	314	10.1	10.3	3.7	10.3
Health and social work	126	104	146	-25.4	31.0	-29.7	30.9
Other community, social and personal service activities	147	182	196	12.4	0.1	5.9	0.1

Sources: National Statistical Institute; and Fund staff calculations.

1/ preliminary data

Table A12c. Bulgaria: Average Monthly Earnings Public and Private Sector, 1999-2001

	1999	2000	2001 1/	2000	2001	2000	2001
	(In levs)			(Percent change, deflated by CPI)		(Percent change, deflated by PPI)	
Total	201	225	248	1.2	2.8	-4.7	2.7
Agriculture, hunting and forestry & Fishing	165	181	197	-0.6	1.5	-6.3	1.4
Mining and quarrying of energy-producing materials	310	385	412	12.5	-0.5	5.9	-0.5
Mining and quarrying, except energy producing materials	292	343	364	6.3	-1.3	0.1	-1.3
Manufacture of food products, beverages and tobacco	203	219	237	-1.9	0.6	-7.6	0.5
Manufacture of textiles and textile products	132	147	161	0.6	2.2	-5.3	2.1
Manufacture of leather and leather products	132	142	149	-2.5	-2.2	-8.2	-2.3
Manufacture of wood and wood products	137	153	172	1.2	4.4	-4.7	4.3
Manufacture of pulp, paper and paper products; publishing and printing	207	233	259	2.2	3.3	-3.8	3.2
Manufacture of coke, refined petroleum products and nuclear fuel	481	540	582	1.8	0.2	-4.1	0.1
Manufacture of chemicals, chemical products and man-made fibres	287	318	335	0.2	-1.9	-5.6	-2.0
Manufacture of rubber and plastic products	191	196	209	-6.6	-1.0	-12.1	-1.1
Manufacture of other non-metallic mineral products	231	247	272	-3.0	2.4	-8.6	2.3
Manufacture of basic metals and fabricated metal products	264	293	302	0.3	-4.0	-5.5	-4.0
Manufacture of machinery and equipment n.e.c.	206	232	254	2.1	1.8	-3.8	1.7
Manufacture of electrical and optical equipment	193	221	237	3.7	-0.3	-2.3	-0.4
Manufacture of transport equipment	236	256	254	-1.7	-7.9	-7.4	-7.9
Manufacturing n.e.c.	140	153	167	-1.4	1.8	-7.1	1.8
Electricity, gas and water supply	406	412	442	-8.1	-0.1	-13.5	-0.1
Construction	203	204	213	-9.0	-3.0	-14.3	-3.1
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	151	158	191	-5.2	12.7	-10.7	12.6
Hotels and restaurants	147	140	210	-13.6	39.7	-18.6	39.6
Transport, storage and communication	249	271	292	-1.4	0.2	-7.2	0.2
Financial intermediation	361	442	494	10.9	4.1	4.5	4.0
Real estate, renting and business activities	180	213	257	6.9	12.5	0.7	12.4
Public administration and defence; compulsory social security	243	305	332	...	...	...	...
Education	171	213	232	12.8	1.2	6.2	1.1
Health and social work	156	190	218	10.4	6.9	3.9	6.9
Other community, social and personal service activities	147	187	206	15.3	2.7	8.6	2.7

Sources: National Statistical Institute; and Fund staff calculations.

1/ preliminary data

Table A13. Bulgaria: Labour Force, Employment, and Unemployment, 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001
				(In thousands)				
Population	8,427.4	8,384.7	8,340.9	8,283.2	8,230.4	8,190.9	8,148.9	7,952.0
Total labour force 1/	3,608.9	3,552.3	3,576.2	3,564.2	3,476.8	3,387.9	3,272.2	3,264.7
Activity rate (in percent) 2/	52.4	51.5	51.8	51.6	50.4	49.2	47.5	48.1
Employment 1/	2,868.7	3,031.5	3,085.4	3,030.1	2,920.7	2,811.0	2,735.5	2,628.2
Public	2,130.5	2,152.7	2,070.7	1,858.7	1,641.4	1,446.5	1,277.0	1,037.4
Private	732.5	872.6	1,010.1	1,159.0	1,272.9	1,354.6	1,445.1	1,584.9
Unknown	5.8	6.2	4.7	12.3	6.4	9.9	13.4	5.9
Share of total employment (in percent)								
Public	74.3	71.0	67.1	61.3	56.2	51.5	46.7	39.5
Private	25.5	28.8	32.7	38.2	43.6	48.2	52.8	60.3
Unknown	0.2	0.2	0.2	0.4	0.2	0.4	0.5	0.2
Unemployed persons 1/	740.2	520.8	490.8	534.1	556.1	576.9	536.7	636.5
Unemployment rate (in percent) 1/	20.5	14.7	13.7	15.0	16.0	17.0	16.4	19.5
Registered unemployed 3/	488.4	423.8	478.8	523.5	465.2	610.6	682.8	662.3
Official unemployment rate (in percent) 3/	12.8	11.1	12.5	13.7	12.2	16.0	17.9	17.3
Unemployment beneficiaries 3/	167.3	138.9	178.0	157.7	136.3	178.4	196.9	160.6
(in percent)	4.5	3.9	5.0	4.4	3.9	5.3	6.0	4.9
				(Percent change)				
Population	-0.5	-0.5	-0.5	-0.7	-0.6	-0.5	-0.5	-2.4
Labor force	-5.3	-1.6	0.7	-0.3	-2.5	-2.6	-3.4	-0.2
Employment	-4.2	5.7	1.8	-1.8	-3.6	-3.8	-2.7	-3.9
Of which:								
Private	9.1	19.1	15.8	14.7	9.8	6.4	6.7	9.7

Sources: National Statistical Institute; and National Employment Service.

1/ Data are from the Labour force survey, conducted for the first time in September 1993. Data refers to September 1993, October 1994, October 1995, November 1996, November 1997, November 1998, November 1999, and December 2000.

2/ Labour force as a proportion of the working age population (age 15 to 64).

3/ End of period.

Table A14. Bulgaria: Price Indices of Food, Non-Food, and Services, 1997–2002
(1995=100)

		Food Price Index	Monthly Change (In percent)	Non-Food Price Index	Monthly Change (In percent)	Services Price Index	Monthly Change (In percent)
1997	January	721.3	54.3	704.7	47.3	609.5	36.4
	February	2,713.7	276.2	2,541.5	260.7	1,079.9	77.2
	March	2,708.7	-0.2	2,617.5	3.0	2,022.4	87.3
	April	2,617.4	-3.4	2,469.9	-5.6	2,546.0	25.9
	May	2,670.2	2.0	2,460.6	-0.4	2,680.9	5.3
	June	2,669.6	0.0	2,505.6	1.8	2,806.6	4.7
	July	2,747.5	2.9	2,555.2	2.0	2,860.3	1.9
	August	2,935.6	6.8	2,678.5	4.8	2,934.7	2.6
	September	3,029.1	3.2	2,757.3	2.9	3,117.4	6.2
	October	3,030.9	0.1	2,781.1	0.9	3,178.0	1.9
	November	3,047.0	0.5	2,816.9	1.3	3,224.9	1.5
	December	3,042.7	-0.1	2,822.1	0.2	3,260.3	1.1
1998	January	3,152.1	3.6	2,803.3	-0.7	3,324.4	2.0
	February	3,191.7	1.3	2,804.6	0.0	3,418.4	2.8
	March	3,189.6	-0.1	2,773.0	-1.1	3,501.0	2.4
	April	3,192.0	0.1	2,779.5	0.2	3,554.7	1.5
	May	3,076.2	-3.6	2,779.4	0.0	3,601.9	1.3
	June	2,870.1	-6.7	2,754.6	-0.9	3,645.4	1.2
	July	2,803.9	-2.3	2,749.3	-0.2	3,735.7	2.5
	August	2,775.7	-1.0	2,766.4	0.6	3,847.7	3.0
	September	2,859.4	3.0	2,838.4	2.6	4,029.6	4.7
	October	2,855.4	-0.1	2,830.1	-0.3	4,097.0	1.7
	November	2,815.7	-1.4	2,830.3	0.0	4,121.0	0.6
	December	2,835.2	0.7	2,829.9	0.0	4,134.1	0.3
1999	January	2,880.3	1.6	2,844.4	0.5	4,423.0	7.0
	February	2,830.9	-1.7	2,829.4	-0.5	4,463.3	0.9
	March	2,768.5	-2.2	2,813.4	-0.6	4,497.4	0.8
	April	2,711.2	-2.1	2,828.5	0.5	4,525.7	0.6
	May	2,650.6	-2.2	2,832.2	0.1	4,533.2	0.2
	June	2,595.3	-2.1	2,827.8	-0.2	4,548.0	0.3
	July	2,673.7	3.0	2,896.6	2.4	4,805.0	5.7
	August	2,678.3	0.2	2,931.8	1.2	4,847.8	0.9
	September	2,734.1	2.1	2,955.6	0.8	4,911.6	1.3
	October	2,776.9	1.6	2,955.0	0.0	4,999.4	1.8
	November	2,795.8	0.7	2,966.4	0.4	5,009.9	0.2
	December	2,865.1	2.5	2,976.7	0.3	5,039.2	0.6
2000	January	2,956.1	3.2	2,985.4	0.3	5,232.7	3.8
	February	3,008.2	1.8	2,999.0	0.5	5,270.8	0.7
	March	2,961.5	-1.6	3,021.0	0.7	5,300.6	0.6
	April	2,889.2	-2.4	3,014.5	-0.2	5,316.4	0.3
	May	2,868.8	-0.7	3,052.1	1.2	5,330.8	0.3
	June	2,868.9	0.0	3,069.4	0.6	5,345.0	0.3
	July	2,908.5	1.4	3,059.8	-0.3	5,373.0	0.5
	August	3,067.2	5.5	3,069.1	0.3	5,479.2	2.0
	September	3,142.9	2.5	3,140.2	2.3	5,572.1	1.7
	October	3,184.5	1.3	3,175.7	1.1	5,629.8	1.0
	November	3,189.1	0.1	3,202.6	0.8	5,730.3	1.8
	December	3,231.0	1.3	3,185.0	-0.5	5,724.6	-0.1
2001	January	3,253.3	0.7	3,186.0	0.0	5,791.6	1.2
	February	3,244.4	-0.3	3,211.4	0.8	5,842.6	0.9
	March	3,236.8	-0.2	3,213.2	0.1	5,872.4	0.5
	April	3,210.7	-0.8	3,242.1	0.9	5,853.5	-0.3
	May	3,193.8	-0.5	3,256.6	0.4	5,891.8	0.7
	June	3,183.9	-0.3	3,250.0	-0.2	5,918.6	0.5
	July	3,150.3	-1.1	3,278.3	0.9	5,925.8	0.1
	August	3,127.0	-0.7	3,345.0	2.0	5,937.4	0.2
	September	3,196.1	2.2	3,377.7	1.0	5,945.2	0.1
	October	3,222.0	0.8	3,365.5	-0.4	6,292.1	5.8
	November	3,235.5	0.4	3,362.8	-0.1	6,302.7	0.2
	December	3,317.1	2.5	3,362.7	0.0	6,189.0	-1.8
2002	January	3,414.6	2.9	3,450.1	2.6	6,346.0	2.5
	February	3,447.6	1.0	3,586.8	4.0	6,376.8	0.5
	March	3,454.4	0.2	3,668.8	2.3	6,393.6	0.3
	April	3,425.3	-0.8	3,694.0	0.7	6,412.3	0.3
	May	3,266.5	-4.6	3,682.9	-0.3	6,437.9	0.4

Source: National Statistical Institute.

Table A15. Bulgaria: Producer and Consumer Price Indices, 1998-2002
(1995 = 100)

	Consumer Price Index	Monthly Change in Percent	12-month Change in Percent	Producer Price Index 1/	Monthly Change in Percent	12-month Change in Percent
1998						
January	3,069.1	2.1	344.1	2,870.7	-0.3	272.7
February	3,107.9	1.3	31.3	2,959.8	3.1	42.1
March	3,112.6	0.2	22.1	2,926.9	-1.1	19.6
April	3,126.2	0.4	23.1	2,939.8	0.4	18.7
May	3,074.1	-1.7	18.8	2,945.6	0.2	16.3
June	2,965.7	-3.5	13.0	2,939.5	-0.2	12.8
July	2,944.3	-0.7	9.5	2,914.2	-0.9	7.6
August	2,953.4	0.3	4.1	2,936.7	0.8	3.5
September	3,048.6	3.2	3.5	2,945.4	0.3	2.2
October	3,058.3	0.3	3.0	2,919.8	-0.9	1.0
November	3,041.9	-0.5	1.4	2,917.8	-0.1	1.0
December	3,054.5	0.4	1.6	2,903.8	-0.5	0.8
1999						
January	3,126.4	2.4	1.9	2,881.1	-0.8	0.4
February	3,105.8	-0.7	-0.1	2,867.0	-0.5	-3.1
March	3,075.5	-1.0	-1.2	2,842.0	-0.9	-2.9
April	3,056.2	-0.6	-2.2	2,856.4	0.5	-2.8
May	3,029.0	-0.9	-1.5	2,912.1	2.0	-1.1
June	3,001.5	-0.9	1.2	2,927.3	0.5	-0.4
July	3,103.0	3.4	5.4	2,971.6	1.5	2.0
August	3,126.0	0.7	5.8	3,089.7	4.0	5.2
September	3,173.1	1.5	4.1	3,122.9	1.1	6.0
October	3,209.5	1.1	4.9	3,142.1	0.6	7.6
November	3,224.0	0.5	6.0	3,204.6	2.0	9.8
December	3,267.1	1.3	7.0	3,267.7	2.0	12.5
2000						
January	3,345.8	2.4	7.0	3,295.3	0.8	14.4
February	3,382.5	1.1	8.9	3,334.0	1.2	16.3
March	3,372.0	-0.3	9.6	3,420.2	2.6	20.3
April	3,337.2	-1.0	9.2	3,382.1	-1.1	18.4
May	3,341.6	0.1	10.3	3,465.3	2.5	19.0
June	3,349.8	0.2	11.6	3,461.0	-0.1	18.2
July	3,370.5	0.6	8.6	3,512.0	1.5	18.2
August	3,470.8	3.0	11.0	3,546.9	1.0	14.8
September	3,548.9	2.2	11.8	3,644.7	2.8	16.7
October	3,591.8	1.2	11.9	3,720.8	2.1	18.4
November	3,619.3	0.8	12.3	3,744.2	0.6	16.8
December	3,635.0	0.4	11.3	3,728.9	-0.4	14.1
2001						
January	3,657.4	0.6	9.3	3,665.1	-1.7	11.2
February	3,669.5	0.3	8.5	3,662.8	-0.1	9.9
March	3,671.4	0.1	8.9	3,673.6	0.3	7.4
April	3,664.7	-0.2	9.8	3,704.1	0.8	9.5
May	3,666.9	0.1	9.7	3,698.7	-0.1	6.7
June	3,664.0	-0.1	9.4	3,710.2	0.3	7.2
July	3,657.0	-0.2	8.5	3,701.2	-0.2	5.4
August	3,668.4	0.3	5.7	3,697.5	-0.1	4.2
September	3,714.9	1.3	4.7	3,731.1	0.9	2.4
October	3,778.7	1.7	5.2	3,693.7	-1.0	-0.7
November	3,787.0	0.2	4.6	3,663.5	-0.8	-2.2
December	3,810.3	0.6	4.8	3,604.8	-1.6	-3.3
2002						
January	3,912.9	2.7	7.0	3,620.4	0.4	-1.2
February	3,976.6	1.6	8.4	3,667.8	1.3	0.1
March	4,007.6	0.8	9.2	3,698.8	0.8	0.7
April	4,003.0	-0.1	9.2	3,763.3	1.7	1.6
May	3,919.9	-2.1	6.9	...	...	...

Source: National Statistical Institute.

1/ Since January 1998 National Statistical Institute has changed the PPI methodology. A Laspeyres formula is used where: (1) the base price is the average price in 1995; and (2) price changes are weighted with the annual sales structure in '1995. Indexes for 1996 and 1997 have been recalculated according to the new methodology.

Table A16. Bulgaria: Estimated Private Sector Share in GDP in Selected Transition Economies, 1992-2001

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 Est.
Private sector share					(in percent)					
Bulgaria 1/	26	35	39	48	52	57	57	57	70	72
Croatia	25	30	35	40	50	55	55	60	60	60
Czech Republic 2/	28	45	61	67	72	76	78	77	80	80
Hungary	40	50	55	60	70	75	80	80	80	80
Poland	45	50	55	60	60	65	65	65	70	75
Romania	25	35	40	45	55	60	60	60	60	65
Slovak Republic 3/	30	45	55	60	70	75	75	75	80	80
Slovenia	20	25	30	45	45	50	50	55	65	65

Sources: EBRD Transition Report 2001; Bulgaria's NSI.

1/ According to Revised National Classification of Economic Activities from 1996. The change in definition resulted in a step increase of 3.5 percentage points in the share in GDP in that year.

2/ Shares in GDP estimates are for the "non-state sector"; private sector employment includes enterprises with mixed ownership.

3/ Share in GDP estimats are for the "non-state" sector. Before 1994, firms with mixed ownership were excluded from the definition of the private sector. Since 1994, such firms were included in the definition of the private sector.

Table A17. Bulgaria: Financial Performance of State-Owned Enterprises, 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
	(In millions of leva)								
Revenues	306.4	360.2	643.0	912.1	2,199.1	16,269.6	15,103.3	15,243.1	12,888.7
Operational	288.6	339.1	596.0	867.4	1,979.2	14,510.9	13,759.4	13,872.0	11,425.4
Financial	8.2	8.5	26.2	21.4	176.9	1,422.9	809.4	502.2	1,185.2
Extraordinary	9.6	12.7	20.8	23.3	43.0	335.8	534.5	868.8	278.1
Expenditures	314.7	391.3	644.1	914.5	2,106.7	14,917.1	14,765.5	15,724.0	11,973.5
Operational	269.9	335.7	538.7	809.2	1,761.3	11,975.9	13,047.6	13,489.0	10,871.9
Financial	35.9	43.3	80.5	65.9	274.4	2,248.5	940.2	1,252.5	757.8
Interest paid on credits	29.9	36.9	44.7	48.7	81.8	279.0	242.8	197.7	136.5
Extraordinary	8.9	12.2	25.0	39.4	71.0	692.7	777.7	982.5	343.8
Operational surplus	18.7	3.3	57.3	58.2	217.9	2,535.0	711.8	383.0	553.5
Net financial revenues	-27.6	-34.8	-54.2	-44.5	-97.5	-825.6	-130.8	-750.3	427.4
Net extraordinary	0.7	0.4	-4.1	-16.1	-28.0	-356.8	-243.1	-113.6	-65.7
Net revenues	-8.3	-31.1	-1.1	-2.4	92.4	1,352.5	337.9	-480.9	915.2
Total losses	-24.7	-40.9	-38.9	-49.4	-123.6	-488.9	-753.7	-1,424.9	-633.4
Total profits	16.4	9.8	37.8	47.0	215.9	1,841.4	1,091.5	944.0	1,548.6
	(In percent of GDP)								
Revenue	152.6	120.5	123.1	103.6	125.8	95.1	70.0	66.9	48.2
Operational	143.7	113.4	114.1	98.5	113.2	84.8	63.8	60.9	42.7
Financial	4.1	2.8	5.0	2.4	10.1	8.3	3.8	2.2	4.4
Extraordinary	4.8	4.2	4.0	2.6	2.5	2.0	2.5	3.8	1.0
Expenditures	156.7	130.9	123.3	103.9	120.5	87.2	68.4	69.0	44.8
Operational	134.4	112.3	103.2	91.9	100.7	70.0	60.5	59.2	40.6
Financial	17.9	14.5	15.4	7.5	15.7	13.1	4.4	5.5	2.8
Extraordinary	4.4	4.1	4.8	4.5	4.1	4.0	3.6	4.3	1.3
Operational surplus	9.3	1.1	11.0	6.6	12.5	14.8	3.3	1.7	2.1
Net financial revenues	-13.8	-11.7	-10.4	-5.1	-5.6	-4.8	-0.6	-3.3	1.6
Net extraordinary revenues	0.3	0.1	-0.8	-1.8	-1.6	-2.1	-1.1	-0.5	-0.2
Net revenues	-4.1	-10.4	-0.2	-0.3	5.3	7.9	1.6	-2.1	3.4
Total losses	-12.3	-13.7	-7.4	-5.6	-7.1	-2.9	-3.5	-6.3	-2.4
Total profits	8.2	3.3	7.2	5.3	12.3	10.8	5.1	4.1	5.8
Memorandum item:									
GDP (million leva)	200.8	298.9	522.2	880.3	1,748.7	17,103.4	21,577.0	22,776.4	26,752.8

Sources: National Statistical Institute and Ministry of Finance.

Table A18. Bulgaria: Bank and Nonbank Liabilities of State-Owned Enterprises, 1992-2000

	1992	1993	1994	1995	1996	1997 1/	1998 1/	1999 1/	2000 1/
	(Change from previous year, in millions of leva)								
Total change in liabilities	67.2	60.6	131.8	134.5	1,118.9	5,601.6	147.5	-391.8	-1,040.0
(in percent of GDP)	33.5	20.3	25.1	15.3	64.0	32.8	0.7	-1.7	-3.9
Changes in bank credit	21.9	31.7	48.8	35.2	411.7	2,173.0	-104.2	-770.3	-652.4
(in percent of GDP)	10.9	10.6	9.3	4.0	23.5	12.7	-0.5	-3.4	-2.4
(in percent of bank liabilities)	23.8	25.6	28.3	16.9	66.4	77.8	-3.9	-40.2	-51.5
Short-term loans	14.4	14.6	17.6	11.1	104.1	494.0	-141.1	56.8	-268.0
Of which: Arrears	6.1	7.1	-2.4	18.0	53.4	44.9	-14.1	49.5	-25.3
Long-term loans	7.5	17.0	8.8	-16.5	137.8	750.0	256.0	115.7	-384.4
Of which: Arrears	2.1	7.2	-11.7	-0.1	31.5	125.7	204.1	-314.0	-9.9
Other loans	...	...	22.4	40.6	169.8	928.9	-219.1	-160.6	98.3
Total change in arrears to banks	8.3	14.3	-14.1	17.8	98.4	170.6	190.0	-264.5	-35.2
(in percent of bank credit)	9.0	11.5	-8.2	8.6	15.9	6.1	7.1	-13.8	-2.8
Total change in nonbank liabilities	45.3	28.8	83.0	99.3	822.0	3,428.7	251.7	-403.7	-485.9
(in percent of GDP)	22.6	9.6	15.8	11.3	47.0	20.0	1.2	-1.8	-1.8
(in percent of nonbank liabilities)	39.1	19.9	36.4	30.4	79.5	76.8	5.3	-9.4	-12.7
Suppliers	9.9	4.9	27.5	29.6	335.0	1,161.0	87.7	-56.0	-462.2
Personnel	1.6	3.7	3.4	1.7	29.2	151.0	2.6	4.4	38.6
Taxes	8.5	6.8	27.7	24.7	133.4	748.1	386.5	-345.9	-220.4
Pensions	3.3	2.9	3.4	6.9	25.2	88.4	83.9	54.9	-93.6
Other	22.0	10.6	21.0	36.5	299.2	1,280.2	-308.9	-61.1	251.8
Total stocks	208.1	268.7	400.5	535.0	1,653.9	7,255.5	7,403.1	7,011.3	5,971.3
(in percent of GDP)	103.6	89.9	76.2	60.8	94.6	42.4	34.3	30.8	22.3
Bank credit	92.1	123.9	172.7	207.9	619.6	2,792.6	2,688.4	1,918.1	1,265.7
(in percent of GDP)	45.9	41.5	32.9	23.6	35.4	16.3	12.5	8.4	4.7
(in percent of total stocks)	44.3	46.1	43.1	38.9	37.5	38.5	36.3	27.4	21.2
Short-term loans	41.6	56.3	73.9	85.0	189.1	683.1	542.0	598.8	330.8
Of which: Arrears	8.0	15.0	12.6	30.6	84.0	128.9	114.8	164.3	139.0
Long-term loans	50.5	67.5	76.3	59.8	197.6	947.6	1,203.6	1,319.3	934.9
Of which: Arrears	14.1	21.4	9.7	9.6	41.1	166.8	370.9	56.9	47.0
Other loans	...	0.1	22.5	63.1	232.9	1,161.8	942.8	782.2	880.5
Total arrears	22.1	36.4	22.3	40.1	125.1	295.7	485.7	221.2	186.0
(in percent of bank credit)	24.0	29.4	12.9	19.3	20.2	10.6	18.1	11.5	14.7
Liabilities to non-banks	116.0	144.7	227.8	327.1	1,034.2	4,462.9	4,714.7	4,311.0	3,825.1
(in percent of GDP)	57.8	48.4	43.3	37.2	59.1	26.1	21.9	18.9	14.3
(in percent of total stocks)	55.7	53.9	56.9	61.1	62.5	61.5	63.7	61.5	64.1
Suppliers	40.5	45.4	72.9	102.5	406.0	1,567.0	1,654.8	1,598.8	1,136.6
Personnel	5.8	9.4	12.8	14.5	39.5	190.5	193.0	197.4	236.0
Taxes	15.7	22.5	50.2	74.9	182.0	930.1	1,316.6	970.7	750.3
Pensions	5.0	7.8	11.2	18.1	37.0	125.4	209.3	264.2	170.6
Other	49.0	59.6	80.7	117.1	369.7	1,649.9	1,341.0	1,279.9	1,531.7
Memorandum items:									
Credit to SOEs	139.0	203.3	346.5	329.3	1,077.4	1,254.1	945.6	...	...
(in percent of GDP)	69.2	68.0	65.9	37.4	61.6	7.3	4.4	...	...
Total lev credit	78.0	112.3	149.0	189.2	186.5	470.4	324.9	...	...
Lev credit	73.9	75.7	111.7	97.6	95.2	336.2	299.9	...	...
Lev bad loan bonds	4.1	36.6	37.2	91.6	91.3	134.2	25.0	...	...
Total FX credit	61.0	91.1	197.5	140.1	598.7	2,280.2	1,855.2	...	...
FX credit	61.0	91.1	78.2	71.4	429.7	917.8	645.7	...	...
FX bad loan bonds	...	...	119.4	68.7	169.0	1,362.4	1,209.5	...	...
Total FX credit (in US$ billion)	2.5	2.8	3.0	2.0	3.4	1.4	1.0	...	...
GDP (In billions of leva)	200.8	298.9	525.6	880.3	1,748.7	17,103.4	21,577.0	22,776.4	26,752.8

Sources: National Statistical Institute; Ministry of Finance; and Bulgarian National Bank.

1/ Excluding agriculture.

Table A19. Bulgaria: State-Owned Enterprises Profitability and Profit Categories, 1993-1999

	1993	1994	1995	1996	1997	1998	1999
Total number of enterprises 1/	5,119	5,490	5,630	5,492	4,034	2,408	2,274
Group I							
Number	117	1,065	89	74	127	46	31
Share in Total, in percent	2.3	19.4	1.6	1.3	3.1	1.9	1.4
Group II							
Number	2,108	2,247	1,525	1,384	1,376	823	743
Share in Total, in percent	41.2	40.9	27.1	25.2	34.1	34.2	32.7
Group III							
Number	766	894	2,754	2,276	1,448	756	737
Share in Total, in percent	15.0	16.3	48.9	41.4	35.9	31.4	32.4
Subtotal: Groups I - III							
Number	2,991	4,206	4,368	3,734	2,951	1,625	1,511
Share in Total, in percent	58.4	76.6	77.6	68.0	73.2	67.5	66.4
Group IV							
Number	329	394	353	505	56	176	163
Share in Total, in percent	6.4	7.2	6.3	9.2	1.4	7.3	7.2
Group V							
Number	799	890	909	1,253	1,027	607	600
Share in Total, in percent	15.6	16.2	16.2	22.8	25.5	25.2	26.4

Sources: National Statistical Institute and Ministry of Finance.
1/ Excluding agriculture.

Group I: Enterprise whose current revenues do not meet current expenditures on material inputs.
Group II: Enterprises that meet the cost of material inputs but nothing else.
Group III: Enterprises that meet the costs of material inputs and wages, but not non-operational expenditure.
Group IV: Enterprises that meet all costs excluding depreciation.
Group V: Enteprises that meet all costs.

Table A20. Bulgaria: Share of the 100 Largest Loss-Making State-Owned Enterprises in all State-Owned Enterprises, 1999-2000 1/

	1999			2000		
	100 Largest loss-making SOEs in millions of leva	All other SOEs in millions of leva	Largest loss-making SOEs as percentage of all SOEs	100 Largest loss-making SOEs in millions of leva	All other SOEs in millions of leva	Largest loss-making SOEs as percentage of all SOEs
Revenue	5,772.2	15,243.0	37.9	2,884.7	12,888.7	22.4
Operational	5,072.5	13,872.0	36.6	2,521.0	11,425.4	22.1
Financial	227.7	502.2	45.3	261.1	1,185.2	22.0
Extraordinary	472.0	868.8	54.3	102.6	278.1	36.9
Expenditures	7,128.5	15,724.0	45.3	3,479.1	11,973.5	29.1
Operational	5,425.6	13,489.0	40.2	2,861.8	10,871.9	26.3
Financial	863.0	1,252.5	68.9	432.9	757.8	57.1
Extraordinary	839.9	982.5	85.5	184.4	343.8	53.6
Operational surplus	-353.1	383.0	-92.2	-340.8	553.5	-61.6
Net financial revenues	-635.3	-750.3	84.7	-171.8	427.4	-40.2
Net extraordinary revenues	-367.9	-113.7	323.6	-81.8	-65.7	124.5
Net profits	-1,356.3	-481.0		-594.4	915.2	
Total nonbank liabilities	2,395.6	4,311.0	55.6	1,522.2	3,825.2	39.8
Suppliers	1,000.4	1,598.8	62.6	453.0	1,136.6	39.9
Personnel	65.4	197.4	33.1	76.3	236.0	32.3
Budget 2/	638.9	970.7	65.8	310.6	750.3	41.4
Other 3/	690.9	1,544.1	44.7	682.3	1,702.3	40.1

Sources: National Statistical Institute and Ministry of Finance.

1/ The 100 largest loss-making SOEs include enterprises under Isolation Program.

2/ Excludes ZUNK credits transferred from banks to the budget.

3/ This represents a composite grouping of several categories including money received from customers in advance but not recognized as revenue for the year under review, and interest accrued but not actually paid to deposit money banks.

Table A21. Bulgaria: Privatization of State-Owned Enterprises, 1993-2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 1/
Number of Privatization transactions 2/										
In the state sector	63	162	318	513	584	1089	1211	589	230	60
Of which:										
Privatization agency	11	36	68	147	83	176	230	92	82	34
Ministries/Committees	52	126	250	366	501	913	981	497	148	26
Privatization proceeds (US$ million) 3/	72.2	232.8	181.9	418.8	607.6	613.1	1,152.9	440.6	178.4	84.7
Of which:										
Payments contracted	44.2	144.3	113.7	187.0	571.4	568.4	654.2	395.8	175.4	84.7
Corporate Liabilities assumed	12.7	33.0	57.6	218.3	35.0	44.7	498.2	44.8	3.0	0.0
Corporate Liabilities paid	15.2	55.6	10.7	13.5	1.1	0.0	0.5	0.0	0.0	0.0
Long-term assets privatized (billion leva) 4/	2.1	9.5	6.2	23.7	106.5	26.0	98.4	25.7	5.6	1.9
By privatization agency	1.9	8.5	2.9	20.4	13.8	10.2	81.1	13.5	3.5	1.0
By Ministries/Committees	0.3	0.9	3.3	3.3	8.2	15.8	17.3	12.2	2.1	0.9
By Center for Mass Privatization 5/	0.0	0.0	0.0	0.0	84.6	0.0	0.0	0.0	0.0	0.0
Long-term assets privatized (percent of total) 6/	0.4	1.6	1.1	4.1	18.4	4.5	17.0	4.4	1.0	0.3
By privatization agency	0.3	1.5	0.5	3.5	2.4	1.8	14.0	2.3	0.6	0.2
By Ministries/Committees	0.0	0.2	0.6	0.6	1.4	2.7	3.0	2.1	0.4	0.1
By Center for Mass Privatization 5/	0.0	0.0	0.0	0.0	14.6	0.0	0.0	0.0	0.0	0.0

Source: Privatization Agency.

1/ Through March 31, 2002
2/ Includes privatization of whole enterprises and of parts of enterprises.
3/ Includes cash payments contracted and debt instruments.
4/ At end-1995 accounting valuation.
5/ Voucher privatization.
6/ Percent of total state owned assets of 580 billion leva at end-1995 accounting valuation.

Table A22. Bulgaria: General Government, 1993-2001 1/

	1993	1994	1995	1996	1997	1998	1999	2000	2001
					(In millions of leva)				
Total revenue 2/	111.3	209.9	314.1	558.4	5,352.8	8,514.5	9,200.8	10,362.8	11,162.8
Of which: Tax revenue	86.5	167.1	257.9	464.6	4,546.8	6,676.7	6,991.8	8,004.9	8,515.8
BNB transfers	9.5	20.0	15.9	22.4	34.0	6.2	89.7	136.7	174.6
Total expenditure 2/	143.8	240.1	363.7	740.1	5,775.6	8,290.6	9,423.4	10,632.0	11,421.9
Of which: Current non-interest	115.8	169.3	239.5	395.9	4,421.0	7,335.2	8,525.3	9,548.6	10,316.2
Interest	27.9	70.9	124.1	344.2	1,354.6	955.4	898.1	1,083.3	1,105.7
External	3.1	6.6	24.6	47.5	418.8	692.2	690.2	818.2	852.6
Domestic	24.8	64.3	99.5	296.7	935.8	263.2	207.9	265.2	253.1
Primary balance	-4.6	40.7	74.6	162.5	931.8	1,179.3	675.4	814.1	846.6
Primary balance excluding BNB transfers	-14.1	20.7	58.7	140.1	897.8	1,173.1	585.7	677.5	672.0
Overall balance	-32.6	-30.2	-49.6	-181.7	-422.8	223.9	-222.7	-269.2	-259.1
Financing	32.6	30.2	49.6	181.7	422.8	-223.9	222.7	269.2	259.1
External financing (net)	-3.7	-2.8	-11.7	-50.1	-129.8	-144.9	283.0	-404.4	-95.8
Domestic financing (net)	36.3	32.9	61.3	231.8	13.2	-438.2	-583.3	328.1	-505.6
Banking system	32.8	29.0	42.9	212.3	27.9	-394.7	...	...	...
Nonbank	3.5	3.9	18.4	19.5	-14.7	-43.5	...	...	...
Privatization	...	...	...	...	539.4	359.2	522.9	345.5	180.8
GSM license and BCC divident (net)	...	...	...	...	...	...	...	...	679.7
					(In percent of GDP)				
Total revenue 2/	37.2	39.9	35.7	31.7	30.7	38.0	38.7	38.7	37.7
Of which: Tax revenue	28.9	31.8	29.3	26.4	26.1	29.8	29.4	29.9	28.8
Total expenditure 2/	48.1	45.7	41.3	42.0	33.1	37.0	39.6	39.7	38.6
Of which: Current non-interest	38.7	32.2	27.2	22.5	25.4	32.7	35.8	35.7	34.8
Interest	9.3	13.5	14.1	19.5	7.8	4.3	3.8	4.0	3.7
External	1.0	1.3	2.8	2.7	2.4	3.1	2.9	3.1	2.9
Domestic	8.3	12.2	11.3	16.8	5.4	1.2	0.9	1.0	0.9
Primary balance	-1.5	7.7	8.5	9.2	5.3	5.3	2.8	3.0	2.9
Primary balance excluding BNB transfers	-4.7	3.9	6.7	8.0	5.2	5.2	2.5	2.5	2.3
Overall balance	-10.9	-5.7	-5.6	-10.3	-2.4	1.0	-0.9	-1.0	-0.9
Financing	10.9	5.7	5.6	10.3	2.4	-1.0	0.9	1.0	0.9
External financing (net)	-1.2	-0.5	-1.3	-2.8	-0.7	-0.6	1.2	-1.5	-0.3
Domestic financing (net)	12.1	6.3	7.0	13.2	0.1	-2.0	-2.5	1.2	-1.7
Banking system	11.0	5.5	4.9	12.1	0.3	-1.8	-2.5	1.2	-1.7
Nonbank	1.2	0.7	2.1	1.1	-0.2	-0.2	...	...	...
Privatization	...	...	...	...	3.1	1.6	2.2	1.3	0.6
GSM license and BCC divident (net)	...	...	...	...	...	...	...	...	2.3
Memorandum items									
Government social insurance contributions 3/									
(in millions of leva)	6.4	9.9	14.2	21.4	232.5	398.6	488.8	713.5	674.7
(in percent of GDP)	2.2	1.9	1.6	1.2	1.3	1.8	2.1	2.7	2.3
Nominal GDP (in millions of leva)	298.9	525.6	880.3	1,761.2	17,432.6	22,421.1	23,790.4	26,752.8	29,618.1

Source: Bulgarian Ministry of Finance.

1/ Consolidated government from 1998 includes extrabudgetary accounts.

2/ Excluding social insurance contributions paid by the general government on behalf of its employees.

Table A23. Bulgaria: General Government Revenue, 1993-2001 1/

	1993	1994	1995	1996	1997	1998	1999	2000	2001
					(In millions of leva)				
Total revenue 2/	111.3	209.9	314.1	558.4	5,352.8	8,514.5	9,200.7	10,351.6	11,162.8
Tax revenue 2/	86.5	167.1	257.9	464.6	4,546.8	6,676.7	6,991.8	7,993.7	8,515.8
Profit taxes	6.7	19.4	33.1	74.2	849.2	857.0	747.8	736.0	1,150.3
Nonfinancial enterprises	5.9	18.9	29.7	62.2	754.8	675.3	635.5	618.7	832.3
Financial enterprises	0.8	0.5	3.4	12.0	94.4	181.7	112.3	117.4	318.0
Income taxes	15.0	23.3	36.5	70.1	679.9	1,022.9	1,055.8	1,098.0	1,062.8
VAT/turnover taxes	10.4	38.6	59.3	116.9	1,048.8	1,832.5	1,926.9	2,359.0	2,454.4
Excise duties (inc.fuel fees)	11.3	18.0	23.2	26.4	362.1	674.2	691.2	1,037.7	1,106.8
Customs duties	9.1	14.8	21.4	38.2	363.6	443.0	258.6	220.7	195.4
Social insurance contribution:	30.1	46.8	69.8	121.7	1,176.4	1,644.1	1,883.3	2,230.3	2,310.2
Pension fund	25.7	40.0	59.5	108.3	1,059.8	1,486.1	1,562.9	1,628.6	1,658.9
Unemployment fund	4.4	6.8	10.3	13.4	116.6	158.0	147.9	151.0	162.1
Health Insurance fund	...	...	...	...	...	...	172.5	450.6	489.3
Other taxes	3.8	6.2	14.6	17.1	66.8	203.1	428.3	312.0	235.9
Nontax revenues	18.6	40.0	50.0	86.3	745.1	1,697.1	2,006.1	2,154.2	2,283.7
BNB transfers	9.5	20.0	15.9	22.4	34.0	6.2	89.7	136.7	174.6
Other	9.2	20.0	34.1	63.9	711.1	1,690.9	1,916.4	2,017.5	2,109.2
Assistance	...	...	...	...	60.9	140.6	202.9	203.7	363.2
Extrabudgetary funds 2/	6.2	2.8	6.1	7.5	...	...	...	...	...
					(In percent of GDP)				
Total revenue 2/	37.2	39.9	35.7	31.7	30.7	38.0	38.7	38.7	37.7
Tax revenue 2/	28.9	31.8	29.3	26.4	26.1	29.8	29.4	29.9	28.8
Profit taxes	2.2	3.7	3.8	4.2	4.9	3.8	3.1	2.8	3.9
Nonfinancial enterprises	2.0	3.6	3.4	3.5	4.3	3.0	2.7	2.3	2.8
Financial enterprises	0.3	0.1	0.4	0.7	0.5	0.8	0.5	0.4	1.1
Income taxes	5.0	4.4	4.1	4.0	3.9	4.6	4.4	4.1	3.6
VAT/turnover taxes	3.5	7.3	6.7	6.6	6.0	8.2	8.1	8.8	8.3
Excise duties (inc.fuel fees)	3.8	3.4	2.6	1.5	2.1	3.0	2.9	3.9	3.7
Customs duties	3.0	2.8	2.4	2.2	2.1	2.0	1.1	0.8	0.7
Social insurance contribution:	10.1	8.9	7.9	6.9	6.7	7.3	7.9	8.3	7.8
Pension fund	8.6	7.6	6.8	6.1	6.1	6.6	6.3	6.1	5.6
Unemployment fund	1.5	1.3	1.2	0.8	0.7	0.7	0.8	0.6	0.5
Health Insurance fund	...	...	...	...	...	...	0.8	1.7	1.7
Other taxes	1.3	1.2	1.7	1.0	0.4	0.9	1.8	1.2	0.8
Nontax revenues	6.2	7.6	5.7	4.9	4.3	7.6	8.4	8.1	7.7
BNB transfers	3.2	3.8	1.8	1.3	0.2	0.0	0.4	0.5	0.6
Other	3.1	3.8	3.9	3.6	4.1	7.5	8.1	7.5	7.1
Assistance	...	...	...	...	0.3	0.6	0.9	0.8	1.2
Extrabudgetary funds	2.1	0.5	0.7	0.4	...	...	...	...	...

Source: Bulgarian Ministry of Finance.

1/ Consolidated government from 1998 includes extrabudgetary accounts.

2/ Excluding social insurance contributions paid by the general government on behalf of its employees.

Table A24. Bulgaria; General Government Expenditure, 1993-2001 1/

	1993	1994	1995	1996	1997	1998	1999	2000	2001
				(In millions of leva)					
Total expenditure 2/	143.8	240.1	363.7	740.1	5,775.6	8,290.6	9,423.4	10,620.8	11,421.9
Total non-interest expenditure	115.8	169.3	239.5	395.9	4,421.0	7,335.2	8,525.3	9,537.5	10,316.2
Current non-interest expenditure	102.3	156.0	224.2	374.0	4,038.0	6,342.2	7,103.8	8,275.4	8,999.9
Compensation 2/	19.0	27.6	40.5	61.1	633.7	1,075.3	1,208.4	1,283.4	1,195.9
Wages and salaries	18.2	26.5	39.6	59.5	618.6	1,052.1	1,182.3	1,255.5	1,158.7
Scholarships	0.8	1.1	0.8	1.6	15.1	23.2	26.1	27.9	37.2
Maintenance/operating	19.5	33.6	48.1	86.2	1,074.8	1,525.8	1,790.0	2,105.2	1,949.2
Defense/security	12.0	19.0	31.7	53.1	618.8	941.5	998.9	884.6	956.8
Subsidies	6.5	7.2	9.3	14.3	189.2	443.5	391.2	295.3	292.1
Subsidies for health activities	...	...	...	...	...	...	...	...	416.7
Social expenditure	45.3	68.6	94.6	159.3	1,521.5	2,356.1	2,715.3	3,707.0	4,189.1
Pensions	32.8	51.3	70.6	122.1	1,077.4	1,803.9	1,953.4	2,536.5	2,702.0
Assistance	9.6	13.5	18.1	28.3	333.8	451.5	491.2	627.5	648.5
EU financed assistance	...	...	...	...	44.2	...	...	16.5	...
Unemployment	2.9	3.7	6.0	8.9	66.1	100.7	187.1	208.6	209.2
Other social security expenditure	...	...	...	...	...	...	83.5	220.5	225.3
Health Insurance fund	...	...	...	...	...	...	...	97.5	404.1
Extrabudgetary funds	7.8	5.3	5.3	9.3	...	...	...	...	...
Net lending	...	...	...	...	96.6	68.9	262.6	100.6	79.3
Capital expenditure (inc.state reserve gain and natural disasters)	5.7	8.0	10.0	12.6	286.3	924.1	1,158.9	1,161.5	1,237.0
Interest	28.0	70.8	124.2	344.2	1,354.6	955.4	898.1	1,083.3	1,105.7
External	3.1	6.6	24.6	47.5	418.8	692.2	690.2	818.2	852.6
Domestic	24.8	64.3	99.5	296.7	935.8	263.2	207.9	265.2	253.1
					(In percent of GDP)				
Total expenditure 2/	48.1	45.7	41.3	42.0	33.1	37.0	39.6	39.7	38.6
Total non-interest expenditure	38.8	32.2	27.2	22.5	25.4	32.7	35.8	35.7	34.8
Current non-interest expenditure	34.2	29.7	25.5	21.2	23.2	28.3	29.9	30.9	30.4
Compensation 2/	6.4	5.3	4.6	3.5	3.6	4.8	5.1	4.8	4.0
Wages and salaries	6.1	5.0	4.5	3.4	3.5	4.7	5.0	4.7	3.9
Scholarships	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Maintenance/operating	6.5	6.4	5.5	4.9	6.2	6.8	7.5	7.9	6.6
Defense/security	4.0	3.6	3.6	3.0	3.5	4.2	4.2	3.3	3.2
Subsidies	2.2	1.4	1.1	0.8	1.1	2.0	1.6	1.1	1.0
Subsidies for health activities	...	...	...	...	...	...	...	...	1.4
Social expenditure	15.1	13.0	10.8	9.0	8.7	10.5	11.4	13.9	14.1
Pensions	11.0	9.8	8.0	6.9	6.2	8.0	8.2	9.5	9.1
Assistance	3.2	2.6	2.1	1.6	1.9	2.0	2.1	2.3	2.2
EU financed assistance	...	...	...	...	0.3	...	...	0.1	...
Unemployment	1.0	0.7	0.7	0.5	0.4	0.4	0.8	0.8	0.7
Other social security expenditure	...	...	...	...	...	...	0.4	0.8	0.8
Health Insurance fund	...	...	...	...	...	...	...	0.4	1.4
Extrabudgetary funds	2.6	1.0	0.6	0.5	...	...	...	...	...
Net lending	...	...	...	...	0.6	0.3	1.1	0.4	0.3
Capital expenditure (inc.state reserve gain and natural disasters)	1.9	1.5	1.1	0.7	1.6	4.1	4.9	4.3	4.2
Interest									
External	9.4	13.5	14.1	19.5	7.8	4.3	3.8	4.0	3.7
Domestic	1.0	1.2	2.8	2.7	2.4	3.1	2.9	3.1	2.9
Domestic	8.3	12.2	11.3	16.8	5.4	1.2	0.9	1.0	0.9

Source: Bulgarian Ministry of Finance.

1/ Consolidated government from 1998 includes extrabudgetary accounts.

2/ Excluding social insurance contributions paid by the general government on behalf of its employees.

Table A25. Bulgaria: Summary of General Government Operations (GFS Definition), 1989-2001 1/

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 2/	2001 preliminary
						(In millions of leva)							
Total revenue and grants	26	27	59	84	114	228	345	644	6,181	8,342	9,056	10,362	11,399
Total revenue	26	27	59	84	114	228	344	630	6,087	8,215	8,864	10,162	11,036
Current revenue	25	26	59	84	114	223	342	628	5,991	8,138	8,720	10,027	10,933
Tax revenue	21	20	51	66	87	171	263	472	4,757	6,540	6,949	8,005	8,516
Nontax revenue	5	6	8	18	27	52	78	156	1,234	1,592	1,772	2,021	2,417
Capital revenue	0	1	0	0	1	5	3	2	96	77	144	135	103
Grants	0	0	0	0	0	0	1	4	95	127	192	200	363
Total expenditure and net lending	26	30	65	96	150	253	391	903	5,817	7,759	8,746	10,260	10,771
Total expenditure	25	29	63	95	148	256	390	901	6,240	8,055	9,016	10,532	11,343
Current expenditure	22	27	61	89	141	245	372	872	5,711	7,196	7,964	9,370	10,106
Of which: Interest expenses	1	2	9	14	29	77	129	353	1,440	953	893	1,083	1,106
Capital expenditure	2	1	3	6	7	11	19	29	528	859	1,052	1,162	1,237
Net lending	1	1	2	0	2	-2	1	3	-423	-296	-270	-272	-571
Primary balance	1	-1	3	2	-7	52	83	94	1,804	1,536	1,203	1,185	1,733
Overall balance	0	-4	-6	-12	-36	-25	-46	-270	365	583	310	102	628
Financing	0	4	6	12	36	25	46	270	-365	-583	-310	-102	-628
Net external financing	-1	0	4	3	-3	8	-7	-33	57	-148	273	-430	-122
Domestic financing	1	4	2	9	39	17	53	303	-421	-435	-583	328	-506
						(In percent of GDP)							
Total revenue and grants	64.5	59.9	44.9	41.8	38.2	43.5	39.2	36.6	35.5	37.2	38.1	38.7	38.5
Total revenue	64.5	59.9	44.8	43.2	38.2	43.5	39.1	35.8	34.9	36.6	37.3	38.0	37.3
Current revenue	64.4	58.0	44.7	43.2	38.0	42.5	38.8	35.7	34.4	36.3	36.7	37.5	36.9
Tax revenue	51.9	44.5	39.1	34.3	29.1	32.6	29.9	26.8	27.3	29.2	29.2	29.9	28.8
Nontax revenue	12.5	13.5	5.6	8.9	8.9	9.9	8.9	8.9	7.1	7.1	7.4	7.6	8.2
Capital revenue	0.2	1.9	0.1	0.0	0.2	1.0	0.3	0.1	0.5	0.3	0.6	0.5	0.3
Grants	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.2	0.5	0.6	0.8	0.7	1.2
Total expenditure and net lending	65.4	67.6	49.0	49.0	50.2	48.2	44.4	51.3	33.4	34.6	36.8	38.4	36.4
Total expenditure	62.3	64.4	47.9	49.0	49.5	48.6	44.3	51.1	35.8	35.9	37.9	39.4	38.3
Current expenditure	56.7	61.2	45.9	45.8	47.3	46.6	42.2	49.5	32.8	32.1	33.5	35.0	34.1
Of which: Interest expenses	3.7	5.3	6.5	6.9	9.8	14.6	14.6	20.1	8.3	4.3	3.8	4.0	3.7
Capital expenditure	5.6	3.2	2.0	3.1	2.2	2.0	2.1	1.6	3.0	3.8	4.4	4.3	4.2
Net lending	3.1	3.2	1.1	0.0	0.7	-0.4	0.1	0.1	-2.4	-1.3	-1.1	-1.0	-1.9
Primary balance	2.8	-2.5	2.3	1.2	-2.2	9.8	9.4	5.3	10.4	6.9	5.1	4.4	5.9
Overall balance	-0.9	-7.7	-4.2	-5.7	-12.0	-4.8	-5.2	-15.3	2.1	2.6	1.3	0.4	2.1
Financing	0.9	7.7	4.2	5.7	12.0	4.8	5.2	15.3	-2.1	-2.6	-1.3	-0.4	-2.1
Net external financing	-1.3	-0.8	2.8	1.4	-0.9	1.6	-0.8	-1.9	0.3	-0.7	1.1	-1.6	-0.4
Domestic financing	2.2	8.6	1.4	4.3	13.0	3.1	6.0	17.2	-2.4	-1.9	-2.5	1.2	-1.7

Sources: *Government Finance Statistics*; and Bulgarian Ministry of Finance.

1/ Data includes units of general government presented in the table "Bulgaria 918 Units of General government" published in the IMF GFS Yearbook.

2/ 2000 GFS data is revised. Social security contributions of Defence and Public Order and Safety (218.3 mln leva) are eliminated in general government, consolidated central government, central government and social security funds.

Table A26. Bulgaria: Consolidated Central Government Revenue (GFS Definition), 1989-2001 1/

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 2/	2001 preliminary
							(In millions of leva)						
Total revenue and grants	21.5	22.7	49.9	71.8	100.0	209.4	315.5	573.6	5,662.1	7,530.6	8,219.9	9,482.3	10,268.3
Total revenue	21.0	22.3	49.5	71.6	99.9	209.3	314.6	569.4	5,558.0	7,380.4	8,015.2	9,266.9	9,874.3
Current revenue	20.9	21.4	49.4	71.5	99.6	204.8	312.7	568.2	5,473.2	7,318.6	7,891.0	9,155.3	9,805.9
Tax revenue	16.1	15.7	42.1	55.2	75.2	157.0	243.0	424.4	4,303.4	5,822.6	6,100.7	7,140.8	7,683.1
Taxes on income and profits	7.3	6.4	18.9	15.1	12.6	29.6	52.7	107.7	1,222.0	1,104.7	1,028.6	1,044.6	1,277.0
Individuals	0.0	0.0	0.0	3.3	6.4	11.7	18.2	35.1	340.0	514.4	548.5	573.8	540.7
Corporate	7.3	6.4	18.9	11.8	6.2	18.0	34.4	72.6	882.0	590.3	480.1	470.7	736.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social and health insurance contributions	4.2	4.8	11.7	21.3	29.7	45.4	66.8	118.2	1,171.4	1,658.0	1,840.2	2,241.9	2,497.9
Employers	4.1	4.8	11.5	20.1	27.4	39.3	58.6	109.0	1,146.8	1,531.7	1,506.9	2,005.8	1,627.1
Self-employed	0.0	0.0	0.2	0.8	1.3	3.3	4.6	4.3	22.4	41.6	89.2	148.2	189.0
Other	0.0	0.0	0.1	0.4	1.0	2.9	3.6	4.9	2.2	84.7	244.1	88.0	681.8
Payroll taxes	0.1	0.1	1.0	3.0	4.3	6.4	9.4	12.4	116.7	0.0	0.0	0.0	0.0
Property taxes	0.0	0.0	0.0	0.0	0.0	0.4	0.5	0.1	0.0	0.0	0.0	0.1	0.1
Taxes on goods and services	4.2	3.9	8.4	10.2	18.2	57.7	87.0	146.9	1,424.3	2,526.1	2,634.2	3,510.1	3,581.8
Turnover taxes, VAT	1.8	1.6	3.7	5.1	6.9	39.3	62.9	118.8	1,050.0	1,835.9	1,926.9	2,359.0	2,454.4
Excises	2.5	2.2	4.7	5.1	11.3	18.4	24.1	28.0	374.3	674.1	691.2	1,131.3	1,106.8
Other taxes on goods and services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.0	16.2	19.8	19.8	20.6
Taxes on international trade	0.4	0.4	1.5	4.4	9.1	16.2	25.6	38.2	363.6	443.0	258.6	220.7	195.4
Import duties	0.3	0.4	1.0	3.5	7.7	12.4	19.5	29.1	351.4	440.5	258.5	220.6	195.4
Export duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.2	2.5	0.1	0.1	0.0
Other taxes on international trade	0.0	0.0	0.5	0.9	1.4	3.7	6.2	9.1	0.0	0.0	0.0	0.0	0.0
Other taxes	0.0	0.1	0.5	1.3	1.2	1.4	1.0	0.9	5.5	90.8	339.0	123.5	131.0
Nontax revenue	4.8	5.7	7.3	16.3	24.5	47.8	69.6	143.8	1,169.8	1,496.1	1,790.3	2,014.5	2,122.8
Capital revenue	0.1	0.9	0.1	0.0	0.3	4.5	2.0	1.2	84.9	61.7	124.1	111.6	68.4
Grants	0.5	0.5	0.5	0.2	0.1	0.1	0.9	4.1	104.1	150.3	204.8	215.4	394.0
							(In percent of GDP)						
Total revenue and grants	64.5	59.9	44.9	35.7	33.4	39.8	35.8	32.6	32.5	33.6	34.6	35.4	34.7
Total revenue	64.5	59.9	44.8	35.6	33.4	39.8	35.7	32.3	31.9	32.9	33.7	34.6	33.3
Current revenue	64.4	58.0	44.7	35.6	33.3	39.0	35.5	32.3	31.4	32.6	33.2	34.2	33.1
Tax revenue	51.9	44.5	39.1	27.5	25.1	29.9	27.6	24.1	24.7	26.0	25.6	26.7	25.9
Taxes on income and profits	28.2	23.1	20.9	7.5	4.2	5.6	6.0	6.1	7.0	4.9	4.3	3.9	4.3
Individuals	3.9	4.2	3.7	1.6	2.1	2.2	2.1	2.0	2.0	2.3	2.3	2.1	1.8
Corporate	18.4	14.0	13.9	5.9	2.1	3.4	3.9	4.1	5.1	2.6	2.0	1.8	2.5
Other	5.9	4.9	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social security contributions	10.5	10.7	8.7	10.6	9.9	8.6	7.6	6.7	6.7	7.4	7.7	8.4	8.4
Employers	10.5	10.6	8.5	10.0	9.2	7.5	6.7	6.2	6.6	6.8	6.3	7.5	5.5
Self-employed	0.0	0.0	0.1	0.4	0.4	0.6	0.5	0.2	0.1	0.2	0.4	0.6	0.6
Other	0.1	0.1	0.1	0.2	0.3	0.5	0.4	0.3	0.0	0.4	1.0	0.3	2.3
Payroll taxes	0.2	0.1	0.7	1.5	1.4	1.2	1.1	0.7	0.7	0.0	0.0	0.0	0.0
Property taxes	0.4	0.3	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	11.5	9.1	7.2	5.1	6.1	11.0	9.9	8.3	8.2	11.3	11.1	13.1	12.1
Turnover taxes, VAT	4.5	3.6	2.7	2.6	2.3	7.5	7.1	6.7	6.0	8.2	8.1	8.8	8.3
Excises	6.2	5.0	3.5	2.5	3.8	3.5	2.7	1.6	2.1	3.0	2.9	4.2	3.7
Other taxes on goods and services	0.8	0.5	1.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Taxes on international trade	0.9	0.9	1.1	2.2	3.0	3.1	2.9	2.2	2.1	2.0	1.1	0.8	0.7
Import duties	0.9	0.9	0.8	1.8	2.6	2.4	2.2	1.7	2.0	2.0	1.1	0.8	0.7
Export duties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Other taxes on international trade	0.0	0.0	0.4	0.4	0.5	0.7	0.7	0.5	0.0	0.0	0.0	0.0	0.0
Other taxes	0.3	0.3	0.4	0.6	0.4	0.3	0.1	0.1	0.0	0.4	1.4	0.5	0.4
Nontax revenue	12.5	13.5	5.6	8.1	8.2	9.1	7.9	8.2	6.7	6.7	7.5	7.5	7.2
Capital revenue	0.2	1.9	0.1	0.0	0.1	0.9	0.2	0.1	0.5	0.3	0.5	0.4	0.2
Grants	0.0	0.0	0.1	0.1	0.0	0.0	0.1	0.2	0.6	0.7	0.9	0.8	1.3

Sources: *Government Finance Statistics*; and Bulgarian Ministry of Finance.

1/ Data includes units of general government presented in the table "Bulgaria 918 Units of General government" published in the IMF GFS Yearbook.

2/ 2000 GFS data is revised. Social security contributions of Defence and Public Order and Safety (218.3 mln leva) are eliminated in general government, consolidated central government, central government and social security funds.

Table A27. Bulgaria: Consolidated Central Government Expenditure (GFS Definition), 1989-2001 1/

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 2/	2001 preliminary
							(In millions of leva)						
Total expenditure by functions (exc. net lending)	20.7	25.0	54.5	81.6	133.9	235.9	360.6	840.6	5,733.2	7,227.6	8,122.7	9,590.0	10,212.6
General public services	0.9	0.6	1.2	3.1	5.5	9.2	13.2	19.7	327.6	519.1	729.3	731.8	673.0
Defense	1.9	1.9	4.5	6.5	8.5	14.3	22.8	41.4	460.3	580.4	681.2	644.3	622.1
Public order and safety	0.4	0.4	1.7	3.6	5.2	9.1	15.6	24.2	279.5	452.9	532.8	509.2	553.9
Education	0.6	0.6	2.2	3.2	4.5	7.9	14.3	28.6	323.9	319.1	347.9	425.7	456.1
Health	0.4	0.4	1.6	3.0	4.5	6.6	12.1	23.1	326.7	341.6	409.9	524.1	984.9
Social security and welfare	4.5	5.5	18.2	27.6	44.2	66.0	91.3	157.1	1,552.3	2,343.8	2,689.1	3,461.4	3,622.1
Housing and other services	1.0	1.5	2.5	1.7	1.5	4.4	3.9	4.3	24.5	116.1	108.8	134.0	192.8
Recreational and cultural services	0.5	0.4	0.8	1.1	1.4	2.5	4.1	6.1	62.4	104.0	141.6	153.5	143.4
Fuel and energy	0.1	0.3	4.1	2.0	4.0	2.9	3.5	6.1	184.1	279.9	179.3	103.6	95.7
Agriculture, forestry, fishing, hunting	3.8	4.2	1.3	2.3	2.3	5.3	7.0	10.7	146.2	145.6	147.9	165.3	202.4
Nonfuels mining and mineral	2.2	2.1	0.3	1.5	1.7	2.4	2.3	2.6	23.7	18.1	0.6	0.0	0.0
Transport and communications	0.6	0.7	0.8	2.1	4.7	5.1	10.3	13.4	167.1	329.5	327.4	661.0	489.9
Other economic activities	1.5	3.0	2.3	0.6	1.1	1.3	2.5	94.5	413.5	196.5	151.6	130.2	369.2
Other (including natural disaster and interest)	2.2	3.4	12.9	23.4	44.8	99.0	157.7	408.8	1,441.5	1,481.1	1,665.3	1,945.9	1,807.0
Total expenditure and net lending by economic classifications	21.9	26.5	56.0	81.7	136.1	233.8	361.7	843.2	5,308.8	6,931.3	7,871.2	9,330.4	9,712.4
Total expenditure	20.7	25.0	54.5	81.6	133.9	235.9	360.6	840.6	5,733.2	7,227.6	8,122.7	9,590.0	10,212.6
Current expenditure	19.5	24.3	53.4	78.7	130.6	229.8	347.0	818.3	5,284.0	6,580.2	7,243.5	8,513.3	9,136.4
Wages and salaries	0.6	0.8	2.3	5.0	7.8	13.6	23.4	33.9	347.1	601.3	644.9	770.8	783.3
Operations and maintenance	6.3	8.1	15.1	18.9	24.7	42.3	61.9	128.6	1,399.5	1,678.3	2,067.7	2,363.1	2,088.4
Interest payments	1.5	2.4	8.8	13.9	29.2	76.4	128.7	353.3	1,439.3	952.0	892.6	1,073.3	1,095.6
Subsidies and other current transfers	11.2	13.0	27.2	41.0	68.9	97.4	133.1	302.5	2,098.1	3,348.6	3,638.3	4,524.5	5,169.1
Subsidies	5.9	6.5	4.9	4.0	8.8	8.1	10.8	107.0	234.3	392.7	388.5	254.6	542.6
Transfers to other levels of government	0.7	0.9	4.0	9.3	15.4	22.3	28.8	37.5	358.4	638.3	722.1	763.2	630.3
Transfers to households and NPOs	4.6	5.6	18.3	27.7	44.0	67.1	93.4	157.8	1,493.4	2,292.2	2,514.0	3,491.5	3,945.1
Transfers abroad	0.0	0.0	0.0	0.0	0.7	0.0	0.1	0.3	12.0	25.3	13.7	15.2	51.1
Capital expenditure	1.2	0.7	1.1	2.9	3.3	6.1	13.6	22.3	449.2	647.4	879.2	1,076.7	1,076.2
Net lending	1.2	1.5	1.5	0.1	2.2	-2.1	1.1	2.6	-424.4	-296.3	-251.5	-259.6	-500.2
							(In percent of GDP)						
Total expenditure by functions (exc. net lending)	65.5	67.5	51.1	40.6	44.8	44.9	41.0	47.7	32.9	32.2	34.1	35.8	34.5
General public services	2.8	1.9	1.3	1.5	1.8	1.7	1.5	1.1	1.9	2.3	3.1	2.7	2.3
Defense	4.8	4.1	3.3	3.2	2.8	2.7	2.6	2.3	2.6	2.6	2.9	2.4	2.1
Public order and safety	1.2	1.1	1.4	1.8	1.8	1.7	1.8	1.4	1.6	2.0	2.2	1.9	1.9
Education	4.9	5.1	5.2	1.6	1.5	1.5	1.6	1.6	1.9	1.4	1.5	1.6	1.5
Health	3.4	3.9	4.0	1.5	1.5	1.2	1.4	1.3	1.9	1.5	1.7	2.0	3.3
Social security and welfare	12.0	12.8	14.3	13.7	14.8	12.6	10.4	8.9	8.9	10.5	11.3	12.9	12.2
Housing and other services	5.6	5.1	2.7	0.8	0.5	0.8	0.4	0.2	0.1	0.5	0.5	0.5	0.7
Recreational and cultural services	1.8	1.3	1.0	0.5	0.5	0.5	0.5	0.3	0.4	0.5	0.6	0.6	0.5
Fuel and energy	0.1	0.7	3.0	1.0	1.3	0.6	0.4	0.3	1.1	1.2	0.8	0.4	0.3
Agriculture, forestry, fishing, hunting	9.7	9.2	1.0	1.1	0.8	1.0	0.8	0.6	0.8	0.6	0.6	0.6	0.7
Nonfuels mining and mineral	5.8	4.9	0.2	0.8	0.6	0.5	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Transport and communications	2.4	2.2	0.6	1.0	1.6	1.0	1.2	0.8	1.0	1.5	1.4	2.5	1.7
Other economic activities	4.0	6.8	3.3	0.3	0.4	0.2	0.3	5.4	2.4	0.9	0.6	0.5	1.3
Other (including natural disaster and interest)	7.0	8.5	9.8	11.7	15.0	18.8	17.9	23.2	8.3	6.6	7.0	7.3	6.1
Total expenditure and net lending by economic classifications	65.4	67.6	49.0	40.7	45.5	44.5	41.1	47.9	30.5	30.9	33.1	34.9	32.8
Total expenditure	62.3	64.4	47.9	40.6	44.8	44.9	41.0	47.7	32.9	32.2	34.1	35.8	34.5
Current expenditure	56.7	61.2	45.9	39.2	43.7	43.7	39.4	46.5	30.3	29.3	30.4	31.8	30.8
Wages and salaries	5.1	6.4	6.0	2.5	2.6	2.6	2.7	1.9	2.0	2.7	2.7	2.9	2.6
Operations and maintenance	20.5	22.2	15.7	9.4	8.3	8.0	7.0	7.3	8.0	7.5	8.7	8.8	7.1
Interest payments	3.7	5.3	6.5	6.9	9.8	14.5	14.6	20.1	8.3	4.2	3.8	4.0	3.7
Subsidies and other current transfers	27.5	27.3	17.8	20.4	23.0	18.5	15.1	17.2	12.0	14.9	15.3	16.9	17.5
Subsidies	15.9	15.1	4.3	2.0	3.0	1.5	1.2	6.1	1.3	1.8	1.6	1.0	1.8
Transfers to other levels of government	0.0	0.0	0.0	4.7	5.1	4.2	3.3	2.1	2.1	2.8	3.0	2.9	2.1
Transfers to non profit organization	11.6	12.3	13.5	13.8	14.7	12.8	10.6	9.0	8.6	10.2	10.6	13.1	13.3
Capital expenditure	5.6	3.2	2.0	1.4	1.1	1.2	1.5	1.3	2.6	2.9	3.7	4.0	3.6
Net lending	3.1	3.2	1.1	0.0	0.7	-0.4	0.1	0.1	-2.4	-1.3	-1.1	-1.0	-1.7

Sources: *Government Finance Statistics*; and Bulgarian Ministry of Finance.

1/ Data includes units of general government presented in the table "Bulgaria 918 Units of General government" published in the IMF GFS Yearbook.

2/ 2000 GFS data is revised. Social security contributions of Defence and Public Order and Safety (218.3 mln leva) are eliminated in general government, consolidated central government, central government and social security funds.

Table A28. Bulgaria: Summary of Central Government Operations (GFS Definition), 1989-2001 1/

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 2/	2001 preliminary
						(In millions of leva)							
Total revenue and grants	15	15	32	38	56	134	199	352	3,238	4,618	5,359	6,336	7,004
Total revenue	14	14	32	38	56	134	199	351	3,228	4,594	5,339	6,269	6,952
Current revenue	14	13	32	38	56	133	198	351	3,223	4,588	5,228	6,161	6,888
Tax revenue	12	10	29	30	41	102	160	287	2,729	3,990	4,018	4,805	5,132
Nontax revenue	3	3	3	8	15	32	38	64	494	598	1,210	1,355	1,756
Capital revenue	0	1	0	0	0	1	1	0	5	7	111	108	64
Grants	1	0	0	0	0	0	0	1	10	24	20	67	52
Total expenditure and net lending	15	18	32	46	82	150	235	514	3,099	3,711	4,563	5,219	5,355
Total expenditure	15	17	32	47	82	150	236	517	3,503	3,908	4,851	5,516	5,888
Current expenditure	14	16	31	45	79	146	231	510	3,347	3,562	4,350	4,725	5,008
Of which : Interest payments	1	2	9	13	28	71	124	326	1,328	843	890	1,057	1,094
Capital expenditure	1	1	1	2	2	4	5	6	155	345	501	791	880
Net lending	0	0	-1	-1	0	0	-1	-2	-404	-197	-288	-297	-533
Primary balance	1	0	10	5	3	55	88	163	1,467	1,750	1,686	2,173	2,743
Overall balance	0	-3	1	-8	-25	-16	-36	-163	139	908	796	1,117	1,649
Financing	0	3	4	11	34	34	57	191	151	-480	-958	-176	-166
Net external financing	-1	0	-3	-2	-4	-3	-12	-50	-206	-451	56	-528	-103
Domestic financing	1	3	7	14	38	37	69	241	356	-29	-1,014	352	-63
						(In percent of GDP)							
Total revenue and grants	37.6	32.5	23.8	19.1	18.8	25.5	22.6	20.0	18.6	20.6	22.5	23.7	23.6
Total revenue	36.3	31.5	23.6	19.1	18.8	25.5	22.6	19.9	18.5	20.5	22.4	23.4	23.5
Current revenue	36.1	29.6	23.5	19.1	18.7	25.4	22.5	19.9	18.5	20.5	22.0	23.0	23.3
Tax revenue	29.3	23.0	21.1	15.1	13.7	19.4	18.2	16.3	15.7	17.8	16.9	18.0	17.3
Nontax revenue	6.8	6.6	2.4	4.0	5.0	6.0	4.3	3.7	2.8	2.7	5.1	5.1	5.9
Capital revenue	0.2	1.9	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.5	0.4	0.2
Grants	1.3	1.0	0.3	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.2
Total expenditure and net lending	37.7	38.6	23.2	22.9	27.3	28.4	26.7	29.2	17.8	16.5	19.2	19.5	18.1
Total expenditure	37.4	37.7	23.9	23.5	27.4	28.5	26.8	29.3	20.1	17.4	20.4	20.6	19.9
Current expenditure	34.6	36.2	23.1	22.4	26.6	27.8	26.2	29.0	19.2	15.9	18.3	17.7	16.9
Of which : Interest payments	3.7	5.3	6.4	6.5	9.3	13.4	14.1	18.5	7.6	3.8	3.7	3.9	3.7
Capital expenditure	2.8	1.5	0.7	1.1	0.8	0.7	0.6	0.4	0.9	1.5	2.1	3.0	3.0
Net lending	0.2	0.9	-0.7	-0.6	-0.1	0.0	-0.1	-0.1	-2.3	-0.9	-1.2	-1.1	-1.8
Primary balance	3.6	-0.9	7.0	2.7	0.8	10.5	10.0	9.3	8.4	7.8	7.1	8.1	9.3
Overall balance	0.0	-6.1	0.6	-3.8	-8.5	-3.0	-4.1	-9.2	0.8	4.0	3.3	4.2	5.6
Financing	0.9	6.3	3.3	5.7	11.5	6.5	6.5	10.8	0.9	-2.1	-4.0	-0.7	-0.6
Net external financing	-1.3	-0.8	-2.2	-1.1	-1.3	-0.5	-1.3	-2.8	-1.2	-2.0	0.2	-2.0	-0.3
Domestic financing	2.2	7.1	5.5	6.8	12.8	7.0	7.9	13.7	2.0	-0.1	-4.3	1.3	-0.2

Sources: *Government Finance Statistics*; and Bulgarian Ministry of Finance.

1/ Data includes units of general government presented in the table "Bulgaria 918 Units of General government" published in the IMF GFS Yearbook.
2/ 2000 GFS data is revised. Social security contributions of Defence and Public Order and Safety (218.3 mln leva) are eliminated in general government, consolidated central government, central government and social security funds.

Table A29a. Bulgaria: Summary of Extrabudgetary Funds and Accounts (GFS Definition), 1992-2001 1/

	1992	1993	1994	1995	1996	1997	1998	1999	2000 2/	2001 preliminary
			(In millions of leva)							
Total revenue and grants	12	14	30	50	102	1,231	1,021	670	522	589
Total revenue	12	14	30	49	98	1,137	894	485	374	247
Current revenue	12	14	26	48	97	1,057	839	472	370	243
Tax revenue	4	4	10	16	20	407	175	243	94	53
Nontax revenue	8	9	16	31	78	650	664	230	276	189
Capital revenue	0	0	4	1	1	80	55	13	4	5
Grants	0	0	0	1	4	94	126	185	148	342
Total expenditure and net lending	11	16	25	45	191	924	1,003	650	714	470
Total expenditure	9	13	27	43	186	944	1,082	614	677	437
Current expenditure	9	12	24	35	170	653	790	334	418	260
Of which: Interest payments	1	1	6	5	27	111	109	2	16	0
Capital expenditure	1	1	2	9	16	291	292	280	258	178
Net lending	1	2	-2	2	5	-20	-78	37	37	33
Primary balance	2	0	11	9	-62	418	126	22	-177	120
Overall balance	1	-2	5	4	-89	307	17	20	-192	119
		(In percent of GDP)								
Total revenue and grants	6.0	4.7	5.7	5.6	5.8	7.1	4.6	2.8	2.0	2.0
Total revenue	6.0	4.7	5.7	5.5	5.6	6.5	4.0	2.0	1.4	0.8
Current revenue	6.0	4.7	5.0	5.4	5.5	6.1	3.7	2.0	1.4	0.8
Tax revenue	1.8	1.5	1.9	1.9	1.1	2.3	0.8	1.0	0.4	0.2
Nontax revenue	4.1	3.2	3.1	3.6	4.4	3.7	3.0	1.0	1.0	0.6
Capital revenue	0.0	0.0	0.8	0.1	0.1	0.5	0.2	0.1	0.0	0.0
Grants	0.0	0.0	0.0	0.1	0.2	0.5	0.6	0.8	0.6	1.2
Total expenditure and net lending	5.4	5.2	4.7	5.1	10.8	5.3	4.5	2.7	2.7	1.6
Total expenditure	4.7	4.4	5.1	4.9	10.6	5.4	4.8	2.6	2.5	1.5
Current expenditure	4.4	4.1	4.6	4.0	9.7	3.7	3.5	1.4	1.6	0.9
Of which: Interest payments	0.5	0.5	1.1	0.5	1.5	0.6	0.5	0.0	0.1	0.0
Capital expenditure	0.3	0.3	0.5	1.0	0.9	1.7	1.3	1.2	1.0	0.6
Net lending	0.7	0.8	-0.4	0.2	0.3	-0.1	-0.3	0.2	0.1	0.1
Primary balance	1.1	-0.1	2.1	1.0	-3.5	2.4	0.6	0.1	-0.7	0.4
Overall balance	0.6	-0.5	1.0	0.5	-5.0	1.8	0.1	0.1	-0.7	0.4

Sources: *Government Finance Statistics*; and Bulgarian Ministry of Finance.

1/ Data includes units of general government presented in the table "Bulgaria 918 Units of General government" published in the IMF GFS Yearbook.
2/ 2000 GFS data is revised. Social security contributions of Defence and Public Order ans Safety (218.3 mln leva) are eliminated in general government, consolidated central government, central government and social security funds.

Table A29b. Bulgaria: Summary of Social Security Institutions (GFS Definition), 1989-2001 1/

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 2/	2001 preliminary
							(In millions of leva)						
Total revenue and grants	4	5	12	21	30	45	67	120	1,193	1,892	2,191	2,625	2,676
Total revenue	4	5	12	21	30	45	67	120	1,193	1,892	2,191	2,625	2,676
Current revenue	4	5	12	21	30	45	67	120	1,193	1,892	2,191	2,625	2,676
Tax revenue	4	5	12	21	30	45	67	118	1,167	1,658	1,840	2,242	2,498
Of which: Contributions	4	5	12	21	30	45	67	118	1,167	1,658	1,840	2,242	2,498
Employers	4	5	11	20	27	39	59	109	1,142	1,527	1,507	2,006	1,627
Self-employed	0	0	0	1	1	3	5	4	22	42	89	148	189
Nontax revenue	0	0	0	0	0	0	0	2	26	234	350	383	178
Capital revenue	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0	0	0	0	0	0
Total expenditure and net lending	4	5	16	25	39	60	82	138	1,287	2,217	2,658	3,397	3,887
Total expenditure	4	5	16	25	39	60	82	138	1,287	2,238	2,658	3,397	3,887
Current expenditure	4	5	16	25	39	60	82	138	1,284	2,228	2,560	3,370	3,869
Of which: Goods and services	0	0	0	0	0	0	0	1	10	33	111	64	77
Transfers	4	5	16	25	39	59	81	137	1,272	2,195	2,448	3,305	3,793
Capital expenditure	0	0	0	0	0	0	0	0	3	10	98	28	18
Net lending	0	0	0	0	0	0	0	0	0	-21	0	0	0
Overall balance	0	0	-5	-4	-9	-14	-15	-18	-93	-326	-467	-772	-1,211
						(In percent of GDP)							
Total revenue and grants	10.5	10.7	8.7	10.6	9.9	8.6	7.6	6.8	6.8	8.4	9.2	9.8	9.0
Total revenue	10.5	10.7	8.7	10.6	9.9	8.6	7.6	6.8	6.8	8.4	9.2	9.8	9.0
Current revenue	10.5	10.7	8.7	10.6	9.9	8.6	7.6	6.8	6.8	8.4	9.2	9.8	9.0
Tax revenue	10.5	10.7	8.7	10.6	9.9	8.6	7.6	6.7	6.7	7.4	7.7	8.4	8.4
Nontax revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	1.0	1.5	1.4	0.6
Capital revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	10.4	11.0	12.1	12.4	13.0	11.3	9.3	7.8	7.4	9.9	11.2	12.7	13.1
Total expenditure	10.4	11.0	12.1	12.4	13.0	11.3	9.3	7.8	7.4	10.0	11.2	12.7	13.1
Current expenditure	10.4	11.0	12.1	12.4	13.0	11.3	9.3	7.8	7.4	9.9	10.8	12.6	13.1
Capital expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.1	0.1
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
Overall balance	0.1	-0.4	-3.5	-1.8	-3.1	-2.7	-1.7	-1.0	-0.5	-1.5	-2.0	-2.9	-4.1

Sources: *Government Finance Statistics*; and Bulgarian Ministry of Finance.

1/ Data includes units of general government presented in the table "Bulgaria 918 Units of General government" published in the IMF GFS Yearbook.

2/ 2000 GFS data is revised. Social security contributions of Defence and Public Order and Safety (218.3 mln leva) are eliminated in general government, consolidated central government, central government and social security funds.

Table A30. Bulgaria: Summary of Municipalities' Operations (GFS Definition), 1989-2001 1/

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 preliminary
						(In millions of leva)							
Total revenue and grants	5	6	15	25	34	48	67	111	1,011	1,666	1,820	1,959	2,037
Total revenue	5	5	11	15	19	25	38	73	652	1,027	1,098	1,122	1,364
Current revenue	5	5	11	15	18	25	38	72	641	1,012	1,078	1,098	1,314
Tax revenue	4	5	11	14	16	21	29	60	577	910	848	865	1,020
Nontax revenue	0	0	0	1	2	4	9	13	64	101	230	234	294
Capital revenue	0	0	0	0	0	1	1	1	11	16	20	24	50
Grants from OLNG and from abroad	1	1	4	9	15	22	29	38	358	638	722	836	673
Total expenditure and net lending	5	6	15	26	34	48	67	111	999	1,682	1,878	2,021	1,980
Total expenditure	5	6	15	26	34	48	67	111	998	1,682	1,877	2,021	2,036
Current expenditure	4	5	13	23	30	44	62	104	919	1,470	1,704	1,863	1,834
Capital expenditure	1	1	2	3	3	4	5	6	79	212	173	158	203
Net lending	0	0	0	0	0	0	0	0	1	0	0	0	-56
Overall balance	0	0	0	-2	0	-1	0	0	11	-17	-57	-62	57
Financing	0	0	0	2	0	1	0	0	-11	17	57	62	-57
Net external financing	0	0	0	0	0	0	0	0	0	0	96	0	-70
Domestic financing	0	0	0	2	0	1	0	0	-11	17	-39	62	13
From other levels of government	0	0	0	1	0	0	0	0	0	3	19	12	15
Banking system	0	0	0	1	0	0	0	0	-11	11	-58	-10	-2
Nonbanking system	0	0	0	0	0	0	0	0	0	3	1	60	0
						(In percent of GDP)							
Total revenue and grants	13.4	12.9	11.2	12.2	11.4	9.1	7.6	6.3	5.8	7.4	7.7	7.3	6.9
Total revenue	11.5	10.8	8.3	7.6	6.2	4.8	4.4	4.2	3.7	4.6	4.6	4.2	4.6
Current revenue	11.5	10.8	8.3	7.6	6.1	4.7	4.3	4.1	3.7	4.5	4.5	4.1	4.4
Tax revenue	11.1	9.9	8.1	6.8	5.4	3.9	3.3	3.4	3.3	4.1	3.6	3.2	3.4
Nontax revenue	0.4	0.9	0.2	0.7	0.7	0.8	1.0	0.7	0.4	0.5	1.0	0.9	1.0
Capital revenue	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Grants from other levels of government	1.9	2.0	2.9	4.7	5.1	4.2	3.3	2.1	2.1	2.8	3.0	3.1	2.3
Total expenditure and net lending	13.2	12.3	11.0	13.0	11.3	9.2	7.6	6.3	5.7	7.5	7.9	7.6	6.7
Total expenditure	13.2	12.3	11.0	13.0	11.3	9.2	7.6	6.3	5.7	7.5	7.9	7.6	6.9
Current expenditure	10.6	10.8	9.7	11.3	10.2	8.3	7.1	5.9	5.3	6.6	7.2	7.0	6.2
Capital expenditure	2.7	1.6	1.2	1.7	1.1	0.8	0.6	0.4	0.5	0.9	0.7	0.6	0.7
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2
Overall balance	0.2	0.6	0.3	-0.8	0.1	-0.1	0.0	0.0	0.1	-0.1	-0.2	-0.2	0.2
Financing	-0.2	-0.6	-0.3	0.8	-0.1	0.1	0.0	0.0	-0.1	0.1	0.2	0.2	-0.2
Net external financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	-0.2
Domestic financing	-0.2	-0.6	-0.3	0.8	-0.1	0.1	0.0	0.0	-0.1	0.1	-0.2	0.2	0.0
From other levels of government	0.1	-0.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Banking system	-0.3	-0.4	-0.3	0.4	-0.1	0.1	0.0	0.0	-0.1	0.0	-0.2	0.0	0.0
Nonbanking system	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0

Sources: *Government Finance Statistics*; and Bulgarian Ministry of Finance.

1/ Data includes units of general government presented in the table "Bulgaria 918 Units of General government" published in the IMF GFS Yearbook.

Table A31. Bulgaria: Monetary Survey, 1992-2001

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
					(In millions of leva)					
Broad money 1/	159	234	418	584	1,310	6,019	6,597	7,351	8,616	11,594
Lev money	118	187	282	425	649	3,395	4,013	4,475	5,174	6,630
Deposits	99	161	243	363	523	2,080	2,271	2,518	2,801	3,549
Currency	18	25	39	62	127	1,314	1,742	1,957	2,374	3,081
Foreign currency	41	48	136	159	661	2,624	2,584	2,876	3,442	4,964
Net foreign assets	-12	-23	49	71	158	4,851	5,272	5,994	7,019	9,245
Of which: BNB	7	-1	-18	12	-235	2,719	3,251	3,840	3,818	5,484
DMB 2/	-19	-22	66	59	393	2,132	2,021	2,155	3,201	3,760
Net domestic assets	171	257	369	513	1,152	1,167	1,325	1,357	1,597	2,349
Lev credit	122	204	269	411	651	1,036	1,359	1,076	1,610	1,877
Government	30	103	120	207	417	104	-222	-844	-719	-790
Non-government	92	101	149	204	235	932	1,581	1,920	2,329	2,666
Public enterprise 3/	74	76	112	98	95	336	300	216	144	129
Private sector 3/	18	25	38	106	139	595	1,281	1,703	2,186	2,827
FX credit	120	192	279	217	1,422	4,101	2,868	3,162	3,044	3,304
Government	59	90	157	62	485	1,538	732	1,000	1,207	1,232
Non-government	61	102	122	155	937	2,563	2,136	2,162	1,837	2,073
Public enterprise (SOE)	61	91	78	71	430	918	646	497	278	213
Private sector	n.a.	11	44	84	507	1,646	1,490	1,665	1,559	1,860
Other items net	-72	139	-179	-116	-921	-3,969	-2,902	-2,881	-3,058	-2,832
					(Percent change from previous year)					
Broad money	53.6	47.6	78.6	39.6	124.5	359.3	9.6	11.4	17.2	34.6
Lev money	71.1	58.6	51.0	50.9	52.7	423.0	18.2	11.5	15.6	28.1
Foreign currency deposits	18.8	16.2	186.5	16.4	316.4	296.8	-1.5	11.3	19.7	44.2
Real broad money	-14.4	-9.9	-19.5	5.1	-45.4	-29.2	7.7	4.2	5.2	28.3
Real lev money	-4.6	-3.2	-32.0	13.5	-62.8	-19.4	16.2	4.3	3.8	22.1
Real lev credit	-18.6	2.1	-40.6	14.9	-61.5	-75.5	29.0	-26.0	34.3	30.3
					(In millions of U.S. dollars)					
Foreign currency deposits	1,673	1,455	2,066	2,245	1,357	1,477	1,543	1,477	1,637	2,237
(In percent of broad money)	26	20	33	27	51	44	39	39	40	43
Net foreign assets	-491	-713	740	1,001	325	2,731	3,147	3,079	3,339	4,166
Of which: BNB	299	-28	-265	171	-481	1,531	1,941	1,972	1,816	2,471
DMB 2/	-790	-685	1,004	830	806	1,200	1,207	1,107	1,523	1,694
Foreign exchange credit	4,915	5,871	4,224	3,075	1,754	2,308	1,712	1,624	1,448	1,489
Government	2,424	2,765	2,375	881	832	865	437	513	574	555
Non-government	2,490	3,106	1,849	2,194	1,922	1,443	1,275	1,110	874	934
Public enterprise (SOE)	...	2,784	1,184	1,011	882	517	385	255	132	96
Private sector	...	323	665	1,184	1,040	926	890	855	742	838

Sources: Bulgarian National Bank; and staff estimates.

1/ In December 2000 corrected for a large deposit at the BNB related to the sale of Bulbank.

2/ Foreign liabilities of DMBs are adjusted to exclude debt of the government, using estimates prior to 1995.

3/ Introduction of a new Chart of Accounts in June 1995 reclassified credit from state enterprise to the private sector.

Table A32. Bulgaria: Foreign Assets of the Banking System, 1992-2002

		BNB International Reserves						Deposit Money Banks		Banking System	
		Gross reserves 1/	IMF purchases	Net reserves	Gross liabilities	Net foreign assets	Reserves less gold	Foreign assets 2/	Foreign currency deposits 3/	Foreign assets	Broad money
		(In millions of U.S. dollars)									
1992:	March	918	461	457	822	96	613	1,434	1,619	2,351	4,893
	June	1,118	527	591	916	202	813	1,503	1,512	2,621	5,179
	Sep.	1,409	631	778	1,032	376	1,104	1,698	1,656	3,106	6,088
	Dec.	1,240	590	649	941	299	935	1,516	1,462	2,755	6,255
1993:	March	1,182	643	539	991	191	877	1,390	1,475	2,572	6,215
	June	1,316	642	674	1,010	306	1,011	1,247	1,425	2,563	6,867
	Sep.	1,200	652	548	1,024	177	895	1,375	1,456	2,575	7,378
	Dec.	960	633	328	988	-28	655	1,331	1,455	2,291	7,156
1994:	March	941	650	291	1,034	-93	636	1,316	1,548	2,257	4,619
	June	1,434	854	580	1,270	164	1,124	1,576	1,748	3,010	5,874
	Sep.	1,052	978	73	1,406	-354	742	1,846	2,175	2,897	6,143
	Dec.	1,311	941	370	1,576	-265	1,002	1,659	2,066	2,970	6,332
1995:	March	1,437	961	476	1,634	-197	1,127	1,674	2,024	3,110	6,768
	June	1,809	900	909	1,577	232	1,500	1,381	2,055	3,190	7,537
	Sep.	1,743	799	944	1,464	279	1,434	1,554	2,267	3,297	7,982
	Dec.	1,546	717	829	1,374	171	1,236	1,426	2,245	2,972	8,255
1996:	March	953	630	323	1,277	-324	644	1,447	2,083	2,400	7,411
	June	883	566	316	1,209	-326	573	1,192	1,661	2,075	4,489
	Sep.	780	625	155	1,320	-540	471	1,235	1,525	2,015	3,594
	Dec.	793	585	208	1,274	-481	483	1,248	1,357	2,041	2,689
1997:	March	826	528	298	1,183	-357	517	1,331	1,311	2,157	1,940
	June	1,654	701	952	1,333	321	1,344	1,547	1,399	3,201	2,334
	Sep.	2,233	891	1,342	891	1,342	1,923	1,721	1,461	3,954	2,917
	Dec.	2,474	943	1,531	943	1,531	2,164	1,603	1,477	4,077	3,388
1998:	March	2,570	909	1,662	909	1,662	2,260	1,613	1,465	4,183	3,249
	June	2,612	1,043	1,569	1,043	1,569	2,303	1,640	1,469	4,252	3,340
	Sep.	2,484	982	1,502	982	1,502	2,180	1,901	1,589	4,385	3,624
	Dec.	3,056	1,117	1,939	1,117	1,939	2,760	1,688	1,542	4,937	3,938
1999:	March	2,780	1,118	1,662	1,118	1,662	2,497	1,510	1,423	4,372	3,439
	June	2,726	1,134	1,592	1,134	1,592	2,456	1,443	1,415	4,249	3,265
	Sep.	2,882	1,221	1,660	1,221	1,660	2,600	1,689	1,370	4,652	3,637
	Dec.	3,222	1,251	1,970	1,251	1,970	2,957	1,565	1,339	4,869	3,776
2000:	March	2,875	1,211	1,664	1,211	1,664	2,623	1,828	1,421	4,781	3,682
	June	3,145	1,316	1,829	1,316	1,829	2,893	1,836	1,445	5,067	3,702
	Sep.	2,959	1,318	1,641	1,318	1,641	2,728	2,101	1,448	5,147	3,757
	Dec.	3,460	1,325	2,135	1,325	2,135	3,215	1,977	1,517	5,526	4,420
2001:	March	3,080	1,286	1,794	1,286	1,794	2,847	2,204	1,632	5,376	4,282
	June	3,040	1,263	1,777	1,263	1,777	2,816	2,109	1,706	5,242	4,196
	Sep.	3,120	1,224	1,897	1,224	1,897	2,880	2,178	1,915	5,392	4,810
	Dec.	3,579	1,111	2,468	1,111	2,468	3,347	2,131	2,059	5,722	5,224
2002:	March	3,210	1,075	2,135	1,075	2,135	2,980	2,127	2,127	5,347	5,131

Sources: Bulgarian National Bank; and staff calculations.

1/ Gross reserves net of outstanding purchases from the IMF.

2/ Includes claims in non-convertible curency and other illiquid assets in addition to claims on nonresident banks.

3/ Foreign curency denominated time deposits of households, SOEs, and the private sector.

Table A33. Bulgaria: Composition of Broad Money, 1992-2002

		Currency outside banks	Demand deposits	Narrow money (MI)	Savings deposits	Time & other deposits 1/	Lev money	Foreign currency deposit	Broad money (M3)
					(In millions of leva)				
1992:	March	12	12	24	15	37	76	38	113
	June	13	12	25	15	45	84	35	119
	Sep.	16	16	32	16	53	100	38	138
	Dec.	18	20	38	20	59	117	36	153
1993:	March	17	15	33	20	73	126	39	165
	June	20	17	37	21	87	145	38	183
	Sep.	23	21	44	22	100	166	41	207
	Dec.	25	23	48	28	110	187	48	234
1994:	March	27	23	50	28	121	199	101	300
	June	30	25	55	30	136	221	94	315
	Sep.	33	30	64	31	148	243	133	376
	Dec.	39	37	75	41	166	282	136	418
1995:	March	37	35	71	44	199	314	134	448
	June	47	30	76	40	246	362	136	498
	Sep.	54	36	90	43	256	389	154	543
	Dec.	62	46	108	58	259	425	159	584
1996:	March	57	36	93	56	271	420	164	584
	June	70	42	112	55	273	440	258	698
	Sep.	85	57	143	52	281	476	351	827
	Dec.	127	110	237	82	331	649	661	1,310
1997:	March	266	197	463	91	507	1,061	2,089	3,150
	June	553	331	884	100	622	1,606	2,405	4,011
	Sep.	967	607	1,574	162	810	2,545	2,579	5,124
	Dec.	1,314	953	2,267	227	901	3,395	2,624	6,019
1998:	March	1,285	769	2,054	238	979	3,272	2,686	5,958
	June	1,416	743	2,160	254	973	3,386	2,659	6,045
	Sep.	1,463	745	2,209	259	937	3,405	2,659	6,064
	Dec.	1,742	1,014	2,756	292	965	4,013	2,584	6,597
1999:	March	1,567	832	2,399	307	963	3,670	2,591	6,261
	June	1,479	799	2,278	312	914	3,504	2,679	6,184
	Sep.	1,687	887	2,574	341	999	3,913	2,757	6,669
	Dec.	1,957	1,039	2,997	388	1,091	4,475	2,876	7,351
2000:	March	1,824	1,053	2,877	406	1,117	4,400	3,138	7,538
	June	1,875	1,011	2,886	410	1,105	4,401	3,177	7,578
	Sep.	2,110	1,162	3,273	427	1,199	4,899	3,484	8,383
	Dec.	2,374	1,259	3,632	452	1,090	5,174	4,116	9,291
2001:	March	2,225	1,330	3,555	472	1,156	5,184	4,298	9,482
	June	2,427	1,407	3,834	489	1,179	5,502	4,176	9,679
	Sep.	2,601	1,429	4,030	511	1,281	5,822	4,481	10,303
	Dec.	3,081	1,584	4,665	549	1,417	6,630	4,964	11,594
2002:	March	2,862	1,520	4,382	567	1,442	6,391	5,113	11,504
					(In percent of broad money)				
1991:	March	10.9	15.8	26.7	21.9	13.8	62.3	37.7	100.0
	June	11.1	14.0	25.1	18.0	19.0	62.0	38.0	100.0
	Sep.	11.4	15.6	27.0	14.8	22.7	64.5	35.5	100.0
	Dec.	11.5	14.6	26.1	15.4	25.1	66.6	33.4	100.0
1992:	March	10.4	10.7	21.1	12.9	32.9	66.9	33.1	100.0
	June	10.7	10.4	21.0	12.3	37.4	70.8	29.2	100.0
	Sep.	11.6	11.5	23.1	11.4	38.4	72.8	27.2	100.0
	Dec.	11.9	12.8	24.7	13.2	38.7	76.6	23.4	100.0
1993:	March	10.5	9.2	19.8	12.3	44.2	76.3	23.7	100.0
	June	11.0	9.1	20.2	11.5	47.6	79.3	20.7	100.0
	Sep.	11.3	9.9	21.2	10.8	48.3	80.3	19.7	100.0
	Dec.	10.7	9.9	20.6	12.0	47.0	79.7	20.3	100.0
1994:	March	8.9	7.8	16.7	9.4	40.4	66.5	33.5	100.0
	June	9.6	7.8	17.4	9.5	43.3	70.2	29.8	100.0
	Sep.	8.8	8.1	16.9	8.3	39.4	64.6	35.4	100.0
	Dec.	9.2	8.8	18.0	9.8	39.6	67.4	32.6	100.0
1995:	March	8.1	7.7	15.8	9.7	44.5	70.1	29.9	100.0
	June	9.4	5.9	15.3	8.1	49.4	72.7	27.3	100.0
	Sep.	10.0	6.5	16.5	7.9	47.2	71.6	28.4	100.0
	Dec.	10.6	7.9	18.5	9.9	44.4	72.8	27.2	100.0
1996:	March	9.8	6.1	15.9	9.6	46.4	71.9	28.1	100.0
	June	10.1	6.0	16.1	7.8	39.1	63.0	37.0	100.0
	Sep.	10.3	6.9	17.3	6.3	34.0	57.6	42.4	100.0
	Dec.	9.7	8.4	18.1	6.2	25.2	49.5	50.5	100.0
1997:	March	8.6	6.3	14.9	2.6	14.8	32.4	67.6	100.0
	June	13.8	8.3	22.0	2.5	15.5	40.0	60.0	100.0
	Sep.	18.9	11.8	30.7	3.2	15.8	49.7	50.3	100.0
	Dec.	21.8	15.8	37.7	3.8	15.0	56.4	43.6	100.0
1998:	March	21.6	12.9	34.5	4.0	16.4	54.9	45.1	100.0
	June	23.4	12.3	35.7	4.2	16.1	56.0	44.0	100.0
	Sep.	24.1	12.3	36.4	4.3	15.5	56.1	43.8	100.0
	Dec.	26.4	15.4	41.8	4.4	14.6	60.8	39.2	100.0
1999:	March	25.0	13.3	38.3	4.9	15.4	58.6	41.4	100.0
	June	23.9	12.9	36.8	5.1	14.8	56.7	43.3	100.0
	Sep.	25.3	13.3	38.6	5.1	15.0	58.7	41.3	100.0
	Dec.	26.6	14.1	40.8	5.3	14.8	60.9	39.1	100.0
2000:	March	24.2	14.0	38.2	5.4	14.8	58.4	41.6	100.0
	June	24.7	13.3	38.1	5.4	14.6	58.1	41.9	100.0
	Sep.	25.2	13.9	39.0	5.1	14.3	58.4	41.6	100.0
	Dec.	25.5	13.5	39.1	4.9	11.7	55.7	44.3	100.0
2001:	March	23.5	14.0	37.5	5.0	12.2	54.7	45.3	100.0
	June	25.1	14.5	39.6	5.1	12.2	56.9	43.1	100.0
	Sep.	25.2	13.9	39.1	5.0	12.4	56.5	43.5	100.0
	Dec.	26.6	13.7	40.2	4.7	12.2	57.2	42.8	100.0
2002:	March	24.9	13.2	38.1	4.9	12.5	55.6	44.4	100.0

Sources: Bulgarian National Bank.

1/ Other deposits consist of lev-denominated import and restricted deposits, plus money market instruments denominated in lev.

Table A34. Bulgaria: Nominal Interest Rates and Exchange Rates, 1992-2002

		BNB basic rate		DMB lending rate		Time deposit rate		Time deposit	Lev per U.S. dollar	
		Monthly	Annual	Monthly	Annual	Monthly	Annual	U.S. dollar	End-month	Month average
		(In percent, lev denominated unless otherwise noted)								
1992:	Mar.	4.5	69.6	5.3	85.2	4.2	64.5	...	23.2000	23.6000
	Jun.	4.5	69.6	5.3	85.2	4.2	64.6	...	23.0000	23.1000
	Sep.	3.6	52.5	4.4	68.4	3.1	44.9	...	22.6000	22.3000
	Dec.	3.4	49.7	4.2	64.6	3.2	45.3	...	24.5000	24.8000
1993:	Mar.	4.3	64.8	5.2	82.9	3.9	57.4	...	26.5000	26.6000
	Jun.	4.0	60.7	4.9	78.4	3.4	49.2	...	26.7000	26.6000
	Sep.	3.7	54.1	4.6	71.7	3.2	45.6	...	28.0000	27.6000
	Dec.	4.3	66.4	5.2	83.7	3.6	53.6	...	32.7000	32.0000
1994:	Mar.	4.9	77.9	5.7	95.2	4.0	60.8	...	64.9000	47.2000
	Jun.	5.2	83.0	5.9	99.9	4.2	64.0	...	53.7000	54.4000
	Sep.	5.8	97.5	6.4	111.0	4.5	69.0	...	61.2000	61.3000
	Dec.	6.0	101.2	6.7	117.8	4.6	72.3	...	66.0000	65.5000
1995:	Mar.	6.0	101.2	6.8	119.5	4.7	72.7	...	66.2000	66.0000
	Jun.	4.3	66.4	5.1	81.2	2.9	41.4	...	66.1000	66.1000
	Sep.	2.8	39.8	3.6	53.2	1.9	25.3	...	0.0680	0.0680
	Dec.	2.8	39.8	3.5	51.4	1.9	25.3	...	70.7000	70.3000
1996:	Mar.	4.0	59.9	4.6	71.5	2.6	35.3	...	0.0788	0.0779
	Jun.	9.0	181.3	9.8	205.4	5.0	78.8	...	0.1555	0.1431
	Sep.	11.4	264.1	12.1	292.1	5.4	87.5	...	0.2300	0.2246
	Dec.	15.0	435.0	15.8	480.8	9.9	211.8	...	0.4874	0.4612
1997:	Jan.	15.2	443.5	16.1	502.3	10.5	231.0	4.8	1.0219	0.6987
	Feb.	16.5	525.0	17.9	622.1	10.9	247.6	4.8	2.0455	2.3872
	Mar.	18.0	628.8	19.3	727.0	10.9	247.6	5.0	1.5887	1.6601
	Apr.	13.4	351.7	15.0	436.7	8.3	161.5	4.7	1.4678	1.5462
	May	5.1	81.4	5.9	98.3	3.0	43.0	5.0	1.5681	1.5526
	Jun	3.0	42.7	3.8	56.4	1.5	19.7	4.9	1.7186	1.6685
	Jul.	0.7	8.5	1.1	14.4	0.3	4.2	4.2	1.8438	1.7881
	Aug.	0.5	5.8	0.9	11.0	0.2	2.8	3.9	1.8090	1.8442
	Sep.	0.5	6.3	1.0	12.7	0.2	3.0	3.9	1.7628	1.7919
	Oct.	0.5	5.6	0.9	11.2	0.3	3.1	3.9	1.7190	1.7592
	Nov.	0.5	5.6	1.0	12.5	0.2	3.0	3.9	1.7670	1.7311
	Dec.	0.6	7.0	1.1	13.9	0.3	3.0	4.1	1.7765	1.7760
1998:	Jan.	0.5	6.6	1.2	14.9	0.2	3.0	4.0	1.8092	1.8121
	Feb.	0.5	5.9	1.1	14.4	0.2	2.9	3.9	1.8202	1.8149
	Mar.	0.4	5.5	1.1	13.8	0.2	2.8	3.9	1.8340	1.8264
	Apr.	0.4	5.5	1.1	14.6	0.2	2.8	3.8	1.7980	1.8179
	May	0.4	5.4	1.2	15.4	0.2	2.7	3.9	1.7824	1.7756
	Jun.	0.4	5.3	1.1	14.3	0.2	2.7	3.8	1.8102	1.7906
	Jul.	0.4	5.3	1.1	13.9	0.2	3.0	3.8	1.7690	1.7992
	Aug.	0.4	5.3	1.0	13.2	0.3	3.3	3.9	1.7918	1.7890
	Sep.	0.4	5.2	1.1	13.4	0.3	3.3	3.8	1.6732	1.7076
	Oct.	0.4	5.3	1.1	14.1	0.3	3.3	3.7	1.6475	1.6389
	Nov.	0.4	5.4	1.1	14.1	0.3	3.3	3.7	1.7026	1.6792
	Dec.	0.4	5.2	1.1	13.5	0.3	3.3	3.8	1.6751	1.6703
1999:	Jan.	0.4	5.2	1.1	14.4	0.3	3.3	3.6	1.7181	1.6846
	Feb.	0.4	5.1	1.1	13.7	0.3	3.3	3.5	1.7751	1.7453
	Mar.	0.4	5.0	1.1	14.6	0.3	3.3	3.5	1.8207	1.7973
	Apr.	0.4	4.8	1.1	13.8	0.3	3.3	3.5	1.8456	1.8279
	May	0.4	4.6	1.0	13.3	0.3	3.3	3.4	1.8705	1.8425
	Jun.	0.4	4.5	1.1	13.8	0.3	3.3	3.5	1.8937	1.8847
	Jul.	0.4	4.9	1.0	12.4	0.3	3.3	3.5	1.8289	1.8899
	Aug.	0.4	4.9	1.1	13.8	0.3	3.2	3.5	1.8498	1.8447
	Sep.	0.4	4.8	1.1	13.6	0.3	3.2	3.5	1.8339	1.8631
	Oct.	0.4	4.5	1.1	13.4	0.3	3.2	3.5	1.8711	1.8266
	Nov.	0.4	4.5	1.1	13.5	0.3	3.2	3.5	1.9370	1.8922
	Dec.	0.4	4.6	1.0	12.4	0.3	3.2	3.5	1.9469	1.9356
2000:	Jan.	0.4	4.4	1.0	12.5	0.3	3.2	3.5	1.9976	1.9303
	Feb.	0.3	3.5	0.9	11.9	0.2	2.8	4.3	2.0134	1.9890
	Mar.	0.3	3.5	0.8	9.5	0.3	3.3	4.4	2.0474	2.0276
	Apr.	0.3	3.7	1.1	13.6	0.3	3.1	4.5	2.1528	2.0680
	May	0.3	3.6	1.1	13.8	0.2	2.9	4.7	2.1024	2.1588
	Jun.	0.3	3.7	1.0	12.5	0.3	3.3	4.7	2.0467	2.0608
	Jul.	0.3	3.8	0.9	11.0	0.2	3.0	4.6	2.1160	2.0817
	Aug.	0.3	3.6	1.0	12.7	0.3	3.4	4.6	2.1961	2.1636
	Sep.	0.3	4.0	0.9	11.7	0.3	3.3	4.7	2.2314	2.2469
	Oct.	0.3	4.2	1.0	13.3	0.3	3.2	4.6	2.3237	2.2871
	Nov.	0.4	4.6	0.9	11.2	0.3	3.5	4.8	2.2522	2.2841
	Dec.	0.4	4.7	1.0	12.2	0.3	3.5	4.8	2.1019	2.1745
2001:	Jan.	0.4	4.6	1.1	14.2	0.3	3.1	4.2	2.1046	2.0855
	Feb.	0.3	4.2	1.0	12.5	0.3	3.2	4.1	2.1149	2.1223
	Mar.	0.3	4.3	0.8	10.6	0.3	3.1	4.0	2.2145	2.1513
	Apr.	0.4	4.4	0.8	9.7	0.3	3.2	3.6	2.1676	2.1928
	May	0.4	4.5	0.8	10.7	0.3	3.1	3.3	2.3064	2.2351
	Jun.	0.4	4.6	1.0	12.2	0.3	3.3	3.1	2.3064	2.2925
	Jul.	0.4	4.6	0.9	11.7	0.5	3.4	2.9	2.2350	2.2730
	Aug.	0.4	4.7	1.0	12.1	0.3	3.8	2.8	2.1357	2.1734
	Sep.	0.4	4.8	0.9	11.8	0.2	3.0	2.3	2.1420	2.1464
	Oct.	0.4	4.7	0.8	9.8	0.2	2.9	2.1	2.1631	2.1594
	Nov.	0.4	4.8	0.9	11.9	0.2	2.5	1.8	2.1981	2.2020
	Dec.	0.4	4.8	1.0	13.2	0.3	3.4	1.7	2.2193	2.1903
2002:	Jan.	0.4	4.9	0.8	10.1	0.2	2.7	1.7	2.2645	2.2149
	Feb.	0.4	4.7	0.8	9.8	0.2	2.9	1.6	2.2608	2.2480
	Mar.	0.4	4.5	0.8	9.7	0.2	2.4	1.7	2.2419	2.2337
	Apr.	0.3	4.2	0.8	10.1	0.3	3.1	1.6	2.1712	2.2096
	May.	0.3	4.0	0.8	9.6	0.2	3.0	1.6	2.0836	2.1418

Sources: Bulgarian National Bank; and staff estimates.

Table A35. Bulgaria: Real Interest Rates and Uncovered Interest Differentials, 1992-2002

		Lev time deposit rate		CPI	CPI inflation		Real time deposit rate		Annual interest on	Lev per U.S. dollar	Uncovered interest differential 4/	
		Monthly	Annual	index	Monthly	Annual 1/	Monthly	Annual	U.S. dollar deposits 2/	Appreciation 3/	Monthly	Annual
		(In percent)										
1992:	Mar.	4.2	64.5	505	4.8	153.6	-0.6	-6.6	4.4	-2.8	1.0	12.7
	Jun.	4.2	64.6	617	6.9	87.6	-2.5	-26.1	4.0	0.7	4.7	72.9
	Sep.	3.1	44.9	664	2.5	76.2	0.7	8.4	3.3	1.7	4.1	61.9
	Dec.	3.2	45.3	787	5.8	79.0	-2.5	-26.4	3.6	-7.6	-0.7	-8.5
1993:	Mar.	3.9	57.4	930	5.7	95.2	-1.8	-19.4	4.7	-7.7	1.1	14.1
	Jun.	3.4	49.2	1060	4.4	68.3	-1.0	-11.3	4.7	-0.6	3.0	42.4
	Sep.	3.2	45.6	1139	2.4	33.5	0.7	9.0	4.7	-4.8	1.5	19.9
	Dec.	3.6	53.6	1290	4.2	64.3	-0.6	-6.5	5.1	-14.3	-1.8	-19.3
1994:	Mar.	4.0	60.8	1504	7.5	84.7	-1.1	-12.9	5.6	-49.6	-9.0	-67.9
	Jun.	4.2	64.0	2055	4.1	249.1	-6.1	-53.0	5.7	21.0	-1.0	-11.8
	Sep.	4.5	69.0	2416	11.0	90.9	-1.1	-11.5	5.4	-12.3	-0.1	-0.9
	Dec.	4.6	72.3	2862	5.0	97.1	-1.1	-12.6	5.9	-7.3	1.9	24.7
1995:	Mar.	4.7	72.7	3168	3.4	50.0	1.0	12.0	5.7	-0.1	3.9	58.8
	Jun.	2.9	41.4	3247	0.5	10.4	1.8	23.7	6.2	-2.9	2.8	39.1
	Sep.	1.9	25.3	3461	4.8	29.1	-0.4	-4.2	5.9	-3.8	-1.4	-15.7
	Dec.	1.9	25.3	3749	2.5	37.7	-0.6	-7.5	6.6	-10.3	-2.5	-26.1
1996:	Mar.	2.6	30.7	4002	1.7	29.7	0.3	3.5	5.8	-65.7	-8.7	-66.5
	Jun.	5.0	69.5	5456	20.2	245.6	-6.4	-54.8	6.1	-52.8	-47.3	-100.0
	Sep.	5.4	81.4	9355	18.7	764.3	-12.2	-79.0	5.6	-69.3	-29.3	-98.4
	Dec.	9.9	348.5	15420	26.9	638.1	-3.6	-35.5	4.8	-7.6	-46.7	-99.9
1997:	Mar.	10.9	242.4	85087	8.2	92613.2	-37.3	-99.6	4.9	-3.3	-66.2	-100.0
	Jun.	1.5	65.7	87544	1.6	12.1	-0.1	47.9	4.8	-3.1	-2.1	-22.0
	Sep.	0.2	3.7	98238	4.4	58.6	-3.9	-34.6	3.8	1.3	1.3	16.1
	Dec.	0.3	3.0	100106	0.2	7.8	0.1	-4.5	4.1	8.2	8.1	154.5
1998:	Mar.	0.2	2.4	103778	0.2	15.5	0.1	-11.3	4.1	-8.1	-8.2	-64.2
	Jun.	0.2	2.7	98880	-3.5	-17.6	3.9	24.6	4.3	-3.9	-4.0	-38.5
	Sep.	0.3	3.7	101643	3.2	11.7	-2.9	-7.2	4.0	3.3	3.2	46.1
	Dec.	0.3	3.3	101840	0.4	0.8	-0.1	2.5	3.9	-5.8	-5.9	-51.5
1999:	Mar.	0.3	3.2	102540	-1.0	2.8	1.3	0.4	3.8	-8.0	-8.0	-63.4
	Jun.	0.3	3.2	100073	-0.9	-9.3	1.2	13.8	3.7	-3.9	-3.9	-37.9
	Sep.	0.3	3.2	105794	1.5	24.9	-1.2	-17.4	3.7	3.3	3.2	46.3
	Dec.	0.3	3.2	108928	1.3	12.4	-1.1	-8.2	4.1	-5.8	-5.9	-51.6
2000:	Mar.	0.3	3.3	112324	-0.6	13.1	0.8	-8.7	4.4	-4.9	-5.0	-45.9
	Jun.	0.3	3.3	111762	0.1	-2.0	0.1	5.4	4.7	0.0	-0.1	-1.0
	Sep.	0.3	3.3	118525	2.4	26.5	-2.1	-18.4	4.7	-8.3	-8.4	-65.0
	Dec.	0.3	3.3	121384	1.4	10.0	-1.1	-6.1	4.8	6.2	6.0	102.0
2001:	Mar.	0.3	3.1	122600	0.1	4.1	0.2	-0.9	4.0	-5.1	-5.2	-47.0
	Jun.	0.3	3.3	122352	-0.1	-0.8	0.3	4.1	3.1	-4.0	-4.0	-38.5
	Sep.	0.2	3.0	124053	1.3	5.7	-1.0	-2.5	2.3	7.7	7.7	144.6
	Dec.	0.3	3.4	127238	0.6	10.7	-0.3	-6.6	1.7	-3.5	-3.4	-33.6
2002:	Mar.	0.2	2.4	127238	0.8	22.4	-0.6	-16.4	1.7	-1.0	-1.0	-10.9

Sources: Bulgarian National Bank; and staff estimates.

1/ Change in CPI over previous three months, in monthly and annualized terms.

2/ Annual interest rate on U.S. dollar time deposits, or annual rate on three-month LIBOR when this is not available.

3/ Monthly rate of appreciation in lev per U.S. dollar over previous three-month period.

4/ Differential in return on lev and U.S. dollar time deposits, based on three-month rate of exchange rate appreciation (positive if differential in favor of lev).

Table A36. Bulgaria: National Bank Balance Sheet, 1993-2002

	1993	1994	1995	1996	1997	1998				1999				2000				2001				2002
	Dec.	Dec.	Dec.	Dec	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
Reserve money	53	83	129	247	2174	2095	2074	2045	2387	2200	2163	2290	2722	2581	2611	2769	3021	2928	3085	3367	4033	3794
Currency in circulation	28	43	62	126	1314	1285	1416	1463	1742	1567	1479	1687	1957	1824	1875	2110	2374	2225	2427	2601	3081	2862
DMB reserves (net)	24	40	67	121	852	809	655	582	645	634	684	602	764	757	736	659	647	703	658	765	952	932
Required reserves (leva)	11	32	48	110	319	328	354	380	310	303	244	338	388	397	312	339	341	348	345	341	284	503
DMBs reserves (FX)	1	2	7	0	124	132	134	132	162	195	257	191	179	229	292	178	155	192	218	247	313	124
Excess reserves	4	2	1	14	10	6	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	27
Other	1	0	0	0	8	1	3	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0
Net foreign assets	-1	-18	-45	121	4880	5439	5577	5052	5425	5052	5035	5382	6151	6318	6619	7442	7862	8090	8362	8086	9245	8637
Net domestic assets	54	100	174	127	-2706	-3344	-3503	-3007	-3037	-2852	-2872	-3092	-3429	-3737	-4008	-4673	-4841	-5162	-5277	-4719	-5213	-4843
Government credit (net)	34	41	182	324	489	490	333	316	322	150	153	150	160	161	163	180	173	191	200	183	8	5
Claims on DMBs (FX)	10	19	19	113	182	129	117	110	109	104	103	94	94	94	94	90	57	57	37	37	20	20
Claims on DMBs (leva)	17	29	24	125	153	154	148	148	148	144	143	139	135	131	131	131	67	67	63	63	51	27
Other items net	-8	11	-52	-436	-3530	-4118	-4101	-3581	-3616	-3250	-3270	-3474	-3818	-4122	-4396	-5074	-5139	-5478	-5576	-5002	-5291	-4895
										(Percent change from previous year, or previous quarter from 1995 on)												
Memorandum items:																						
Contributions to reserve money growth																						
NFA	-18.1	-10.5	155.9	-369.7	43.6 #	11.5	2.5	-9.4	7.4	-6.9	-0.4	6.9	14.3	2.7	4.8	12.4	5.6	2.9	3.4	-3.3	14.3	-6.6
NDA	34.1	29.6	73.4	-27.3	51.4	23.6	4.7	-14.2	1.0	-6.1	0.7	7.7	10.9	9.0	7.3	16.6	3.6	6.6	2.2	-10.6	10.5	-7.1
Reserve money multiplier																						
Broad money	4.4	4.9	4.5	5.3	2.8	2.6	2.9	3.0	2.7	2.8	2.9	2.9	2.7	2.9	2.9	3.0	2.9	3.2	3.1	3.1	2.9	3.0
Lev money	3.5	3.3	3.3	2.6	1.6	1.6	1.6	1.7	1.7	1.7	1.6	1.7	1.6	1.7	1.7	1.8	1.7	1.8	1.8	1.7	1.6	1.7

Source: Bulgarian National Bank.

Table A37. Bulgaria: Liquidity Ratios and Capital Adequacy of Commercial Banks, 1998-2001

Commercial bank groups		1998	1999	2000				2001			
		Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Group I 1/	Primary liquidity, percent of deposits	...	14.2	13.2	12.9	9.7	9.0	8.8	9.5	10.1	13.0
	Secondary liquidity, percent of deposits	...	33.3	28.8	28.1	22.5	21.9	21.0	15.0	15.8	21.3
	Capital base, billions of leva	...	658.1	699.2	697.0	734.2	738.4	759.5	706.2	745.3	755.9
	Total risk component, billions of leva	...	1299.7	1413.2	1522.3	1698.7	1779.7	1 883.7	1938.0	1948.8	2045.8
	Total capital adequacy, percent	...	50.6	49.5	45.8	43.2	41.5	40.3	36.4	38.2	37.1
Group II 2/	Primary liquidity, percent of deposits	...	13.3	13.8	13.0	10.5	10.1	11.8	9.2	10.3	14.6
	Secondary liquidity, percent of deposits	...	44.0	38.4	35.6	30.6	31.5	38.3	26.5	26.2	33.3
	Capital base, billions of leva	...	176.4	234.4	243.4	248.9	258.4	306.5	315.6	348.7	352.2
	Total risk component, billions of leva	...	596.5	729.5	855.6	938.9	942.9	1253.9	1331.3	1474.8	1547.9
	Total capital adequacy, percent	...	29.6	32.1	28.5	26.5	27.4	24.4	23.7	23.6	22.3
Group III 3/	Primary liquidity, percent of deposits	...	18.4	14.2	14.4	11.1	15.5	9.1	9.1	9.6	15.2
	Secondary liquidity, percent of deposits	...	33.5	38.4	38.5	39.7	40.5	33.4	27.7	23.5	30.5
	Capital base, billions of leva	...	110.2	139.5	143.3	143.8	148.1	133.5	151.1	149.9	172.3
	Total risk component, billions of leva	...	504.0	586.6	648.7	732.8	695.2	667.6	701.6	741.1	774.6
	Total capital adequacy, percent	...	21.9	23.8	22.1	19.6	21.3	20.0	21.5	20.2	22.2
Group IV 4/	Primary liquidity, percent of deposits	...	18.2	14.4	14.6	12.0	16.2	12.9	13.1	17.9	15.0
	Secondary liquidity, percent of deposits	...	42.4	33.0	30.9	27.2	28.4	43.9	38.0	48.4	37.1
	Capital base, billions of leva	...	237.1	206.4	226.7	226.7	233.2	222.8	236.9	241.5	257.8
	Total risk component, billions of leva	...	428.2	395.2	429.4	448.4	448.5	426.3	428.6	454.8	542.9
	Total capital adequacy, percent	...	55.4	52.2	52.8	50.6	52.0	52.3	55.3	53.1	47.5
Group V 5/	Primary liquidity, percent of deposits	...	15.2	8.8	9.9	7.2	8.3	6.7	5.1	7.2	9.0
	Secondary liquidity, percent of deposits	...	16.8	11.8	14.0	11.3	9.1	8.4	7.6	10.0	9.9
Total for the banking system	Primary liquidity, percent of deposits	17.1	15.0	13.2	13.0	10.0	10.4	9.6	9.1	10.1	13.5
	Secondary liquidity, percent of deposits	57.4	35.2	31.3	30.6	26.4	26.0	27.2	19.9	20.3	25.5
	Capital base, billions of leva	1002.4	1181.8	1279.5	1310.4	1353.5	1378.0	1422.4	1409.9	1485.4	1538.2
	Total risk component, billions of leva	2728.2	2828.3	3124.5	3456.0	3818.9	3866.2	4231.6	4399.5	4619.6	4911.3
	Total capital adequacy, percent	36.7	41.8	41.0	37.9	35.4	35.6	33.6	32.0	32.1	31.3

Source: Bulgarian National Bank.

1/ Group I includes the following banks: United Bulgarian Bank; DSK Bank; and Bulbank.

2/ Group II includes: Expressbank; Biochim; Hebros Commercial Bank; and Bulgarian Post Bank.

3/ Group III includes: Municipal Bank; First Investment Bank; Raiffeisenbank, Bulgaria; BNP-Dresdnerbank, Sofia; and Central Cooperative Bank.

4/ Group IV includes: Neftinvestbank; Bulgarian-American Credit Bank; Eurobank; Unionbank; Corporate Commercial Bank; Demirbank; Tokuda Credit Express Bank; Rosseximbank; First East International Bank; International Commercial Bank; Teximbank; Bulgaria-Invest; Balkan Universal Bank; Promotional Bank; BRI Bank; and International Bank for Trade and Development.

5/ Group V includes: Hypovereinsbank, Bulgaria, Sofia Branch; ING Bank, Sofia Branch; Xiosbank, Sofia Branch; National Bank of Greece, Sofia Branch; T.C. Ziraat Bank, Sofia Branch; and Ionian and Popular Bank of Greece, Sofia Branch.

Table A38. Bulgaria: Quality of Credit Portfolio of Commercial Banks, 1998-2001

Commercial bank groups		1998 Dec.	1999 Dec.	2000 Mar.	2000 Jun.	2000 Sep.	2000 Dec.	2001 Mar.	2001 Jun.	2001 Sep.	2001 Dec.
						(In percent of loans)					
Group I 1/	Total (in billions of leva)	...	2239.1	2972.4	2992.1	3724.9	3618.1	3957.6	3995.5	3868.5	3810.4
	Standard (in percent)	...	94.4	95.2	95.9	96.7	97.0	96.9	96.5	96.5	97.0
	Watch (in percent)	...	2.6	2.3	1.3	1.2	1.0	1.3	1.6	1.5	1.2
	Substandard (in percent)	...	0.8	0.7	0.7	0.6	0.5	0.5	0.3	0.3	0.3
	Doubtful (in percent)	...	0.4	0.6	0.9	0.4	0.5	0.4	0.2	0.1	0.2
	Loss (in percent)	...	1.8	1.1	1.3	1.1	1.0	1.1	1.3	1.5	1.3
	Provisions (in percent)	...	5.6	4.2	4.4	4.3	4.0	4.0	4.2	4.0	4.0
Group II 2/	Total (in billions of leva)	...	1111.4	1553.2	1541.2	1796.8	1651.9	1954.9	2503.1	2608.5	2563.7
	Standard (in percent)	...	68.4	74.8	76.0	80.0	84.6	86.8	90.4	92.0	91.4
	Watch (in percent)	...	4.8	4.5	3.3	2.7	3.2	4.1	3.1	2.3	3.0
	Substandard (in percent)	...	1.0	0.7	0.8	0.3	0.8	0.8	0.8	0.6	0.8
	Doubtful (in percent)	...	1.4	2.3	2.2	1.5	0.8	1.2	0.7	0.7	0.4
	Loss (in percent)	...	24.4	17.7	17.7	15.5	10.6	7.1	5.1	4.4	4.3
	Provisions (in percent)	...	23.3	18.7	18.9	17.5	12.5	9.8	7.5	6.6	6.3
Group III 3/	Total (in billions of leva)	...	699.5	727.5	774.2	950.1	881.2	911.9	838.6	896.2	918.4
	Standard (in percent)	...	90.7	90.1	88.7	90.3	90.5	92.1	85.1	85.6	83.8
	Watch (in percent)	...	5.4	5.8	6.6	5.4	6.0	2.9	6.2	6.5	8.6
	Substandard (in percent)	...	0.9	0.7	0.7	0.9	0.5	2.1	2.1	2.1	1.7
	Doubtful (in percent)	...	0.5	0.8	1.4	1.5	0.9	0.9	3.5	1.3	1.7
	Loss (in percent)	...	2.6	2.6	2.7	2.0	2.1	2.0	3.0	4.5	4.2
	Provisions (in percent)	...	5.4	6.0	5.9	5.6	5.6	4.5	6.8	6.4	6.5
Group IV 4/	Total (in billions of leva)	...	554.8	556.1	579.5	597.3	551.9	506.2	356.1	391.1	457.4
	Standard (in percent)	...	81.8	86.8	87.4	81.2	80.3	80.0	75.9	79.5	82.0
	Watch (in percent)	...	4.2	4.7	4.7	8.9	10.1	8.1	11.3	10.1	9.1
	Substandard (in percent)	...	5.7	2.2	2.0	2.9	2.2	3.2	3.7	3.3	3.2
	Doubtful (in percent)	...	3.4	3.3	2.7	3.1	3.5	4.4	3.5	0.9	0.9
	Loss (in percent)	...	4.9	3.0	3.2	4.0	3.9	4.2	5.6	6.1	4.8
	Provisions (in percent)	...	10.9	6.4	7.1	8.9	8.8	10.1	11.0	9.5	8.4
Group V 5/	Total (in billions of leva)	...	436.9	531.6	460.6	557.3	692.1	706.1	802.7	785.3	891.7
	Standard (in percent)	...	87.6	89.4	89.1	95.4	92.5	90.4	89.0	91.9	95.4
	Watch (in percent)	...	10.8	8.7	8.0	2.0	1.6	2.5	5.6	3.5	0.9
	Substandard (in percent)	...	0.7	1.1	2.0	1.6	5.1	5.9	4.3	3.5	0.7
	Doubtful (in percent)	...	0.0	0.0	0.0	0.4	0.2	0.0	0.0	0.0	2.0
	Loss (in percent)	...	0.9	0.8	0.9	0.7	0.6	1.1	1.0	1.1	0.9
	Provisions (in percent)	...	4.9	2.3	4.1	2.8	4.1	4.6	4.7	4.2	4.1
Total	Total (in billions of leva)	5945.9	5041.7	6341.0	6347.6	7626.3	7395.1	8036.5	8495.9	8549.6	8641.5
	Standard (in percent)	86.6	86.2	88.4	88.9	90.6	91.8	92.3	92.0	92.8	93.1
	Watch (in percent)	3.6	4.4	4.0	3.2	2.7	2.8	2.7	3.3	2.9	2.9
	Substandard (in percent)	1.9	1.4	0.9	0.9	0.8	1.2	1.4	1.1	1.0	0.8
	Doubtful (in percent)	0.6	0.9	1.2	1.4	1.0	0.8	2.8	0.8	0.4	0.6
	Loss (in percent)	7.3	7.2	5.5	5.6	4.8	3.4	2.8	2.7	2.9	2.7
	Provisions (in percent)	...	10.0	8.0	8.3	7.8	6.5	5.9	5.7	5.3	5.2

Source: Bulgarian National Bank.

1/ Group I includes the following banks: United Bulgarian Bank; DSK Bank; and Bulbank.

2/ Group II includes: Expressbank; Biochim; Hebros Commercial Bank; and Bulgarian Post Bank.

3/ Group III includes: Municipal Bank; First Investment Bank; Raiffeisenbank, Bulgaria; BNP-Dresdnerbank, Sofia; and Central Cooperative Bank.

4/ Group IV includes: Neftinvestbank; Bulgarian-American Credit Bank; Eurobank; Unionbank; Corporate Commercial Bank; Demirbank; Tokuda Credit Express Bank; Rosseximbank; First East International Bank; International Commercial Bank; Teximbank; Bulgaria-Invest; Balkan Universal Bank; Promotional Bank; BRI Bank; and International Bank for Trade and Development.

5/ Group V includes: Hypovereinsbank, Bulgaria, Sofia Branch; ING Bank, Sofia Branch; Xiosbank, Sofia Branch; National Bank of Greece, Sofia Branch; T.C. Ziraat Bank, Sofia Branch; and Ionian and Popular Bank of Greece, Sofia Branch.

Table A39. Bulgaria: Consolidated Income Statement of the Banking System, 2000-01

	1999	2000				2001			
	Mar.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
	(in thousands of leva, cummulative)								
Interest Income	106,654	127,147	269,568	427,476	600,982	163,567	336,002	509,521	686,760
on Banks and Other Financial Institutions	28,093	35,064	78,274	133,657	193,142	54,220	104,876	152,265	187,062
on Loans and Advances to Non-Financial Institutions and other Clients	67,658	81,416	169,906	261,699	367,608	100,468	213,620	330,407	464,655
Income on Investment Securities	10,903	10,667	21,388	32,120	40,232	8,879	17,506	26,849	35,043
Interest Expense	35,365	40,831	86,609	135,616	186,539	50,770	105,481	159,385	211,685
on Deposits by Banks and Other Financial Institutions	7,070	6,677	15,213	23,509	32,102	8,084	9,859	14,003	21,128
on Deposits by Non-Financial Institutions and Other Clients	25,423	31,314	64,969	101,280	138,615	25,423	50,289	77,585	102,710
on Borrowings	2,872	2,840	6,427	10,827	15,822	2,872	2,424	17,955	23,053
Net Interest Income	71,289	86,316	182,959	291,860	414,443	112,797	230,521	350,136	475,075
Net Interest and Trading and Revaluation Income	105,963	141,714	256,953	471,808	681,816	268,316	400,773	577,635	743,621
Of which: Trading and Revaluation Profit/Loss	43,081	66,509	92,316	283,006	332,007	40,757	81,137	120,683	177,897
Less: Provisions for Credit Losses	8,408	11,111	18,322	103,058	64,634	-114,762	-89,115	-106,816	-90,649
Operating Income/Loss Before Tax and Extraordinary Items	55,457	81,323	142,246	296,798	403,178	197,675	244,003	349,927	409,222
Other Non-Interest Income	36,026	35,433	90,709	141,178	190,321	45,040	92,286	146,290	206,661
Operating Income Before Expenses	141,989	177,147	347,662	612,986	872,137	313,356	493,059	723,925	950,282
Overhead Expenses	86,532	95,824	205,416	316,188	468,959	115,681	249,056	373,998	541,060
Net Profit/Loss	71,707	70,837	121,916	238,811	282,701	157,588	203,302	274,876	319,375
Revaluation Extraordinary Gain/Loss	50,575	21,601	26,808	53,303	14,285	18,835	34,802	26,103	33,834
Profit/Loss Before Taxation	106,032	102,924	169,054	350,101	417,463	216,510	278,805	376,030	443,056

Source: Bulgarian National Bank.

Table A40. Balance Sheet of the Deposit Money Banks, 2000-01

	2000				2001			
	March	June	September	December	March	June	September	December
	(In thousands of leva)							
Assets								
Cash in vault and funds in current account with BNB	871,569	864,897	751,164	736,961	775,886	764,690	892,264	1,287,012
Due from Banks and OtherFinancial Institutions	3,342,187	3,188,322	4,223,983	3,895,202	4,391,826	4,582,249	4,286,146	4,049,424
Securities in Trading Portfolio	1,063,517	1,117,736	1,167,447	1,061,816	1,265,748	1,117,686	1,268,379	1,521,307
Securities in Investment Portfolio	608,368	594,620	515,721	436,999	471,925	447,431	504,138	520,636
Loans Extended to the Budget	4,370	7,507	5,619	3,445	5,870	4,023	91,972	5,772
Loans Extended to State Enterprises	244,273	201,676	130,318	117,034	122,139	130,020	121,422	148,273
Loans Extended to Private Enterprises	1,717,416	1,878,921	2,111,145	2,332,882	2,434,243	2,586,954	2,818,212	3,159,490
Loans Extended to Individuals and Households	507,715	544,639	560,411	568,893	607,421	705,015	776,429	832,330
Loans Extended to Non-financial Institutions and Other Clients	2473774	2632743	2807493	3022254	3169673	3426012	3808035	4145865
Earning Assets	7,487,846	7,533,421	8,714,644	8,416,271	9,299,172	9,573,378	9,866,698	10,237,232
Assets for Resale	12,823	12,282	14,936	8,483	9,722	18,215	17,735	14,509
Interest Receivable and Other Assets	220,525	206,907	214,439	205,058	290,017	315,891	218,710	220,758
Fixed Assets	351,981	369,254	379,047	406,747	418,481	431,807	445,094	461,018
Total Assets	8,944,744	8,986,761	10,074,230	9,773,520	10,793,278	11,103,981	11,440,501	12,220,529
Of Which Pledged Assets	283,275	304,243	558,966	517,871	540,238	671,420	771,941	676,915
Liabilities and Capital								
Deposits by Banks	535,554	507,985	737,278	583,591	733,658	562,954	608,893	698,569
Deposits by Other Financial Institutions	168,000	177,074	125,812	142,921	163,051	183,730	187,052	208,782
Deposits by Non-financial Institutions and Other Clients	5,896,406	5,952,667	6,643,183	6,389,689	7,156,667	7,680,627	8,029,474	8,648,342
Total Deposits	6,599,960	6,637,726	7,506,273	7,116,201	8,053,376	8,427,311	8,825,419	9,555,693
Short Term Attracted Funds	56,077	85,106	130,432	199,735	113,047	164,535	159,423	169,454
Interest Payable and Other Liabilities	713,287	629,498	751,125	684,622	683,604	754,120	635,653	530,516
Long-Term Attracted Funds	186,147	201,878	222,095	272,800	292,260	262,375	256,771	308,989
Subordinated Debt	0	0	0	0	1,169	1,196	1,149	1,171
Total Liabilitites	7,555,471	7,554,208	8,609,925	8,273,358	9,143,456	9,609,537	9,878,415	10,565,823
Capital	1,009,300	1,042,600	1,072,128	1,105,289	1,249,686	1,071,299	1,118,802	1,206,408
Reserves	379,973	389,953	392,177	394,873	400,136	423,145	443,284	448,298
Capital and Reserves	1,389,273	1,432,553	1,464,305	1,500,162	1,649,822	1,494,444	1,562,086	1,654,706
Total Liabilities and Own Funds	8,944,744	8,986,761	10,074,230	9,773,520	10,793,278	11,103,981	11,440,501	12,220,529
Credit Substitudes	616,660	634,480	734,339	761,774	879,617	946,950	1,061,705	1,077,686
Derivatives	906,362	679,785	408,699	377,175	697,023	928,666	474,531	452,190
Off-Balance Sheet Liabilities	1,523,022	1,314,265	1,143,038	1,138,949	1576640	1,875,616	1536236	1,529,876

Source: Bulgarian National Bank.

Table A41. Bulgaria: Summary Balance of Payments, 1997-2001
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001
CURRENT ACCOUNT	1,046	-61	-652	-701	-878
Trade Balance	321	-381	-1,081	-1,175	-1,566
Exports (f.o.b.)	4,809	4,193	4,006	4.812	5,099
y-o-y growth (percent)	2.6	-12.8	-4.5	20.1	6.0
Imports (f.o.b.)	-4,488	-4,574	-5,087	-5,988	-6,665
y-o-y growth (percent)	-1.7	1.9	11.2	17.7	10.8
Services, net	845	373	314	505	546
Income, net	-357	-283	-185	-321	-344
of which: Interest Payments of the Centr. Government	...	...	-433	-438	-457
of which: Income to Direct Investors	...	...	39	-107	-150
Current Transfers	237	230	300	290	486
CAPITAL AND FINANCIAL ACCOUNT	156	-33	747	839	1,275
Capital Transfers	0	0	-2	25	0
Foreign Direct Investment, net	507	537	802	1,003	641
of which: privatization receipts	421	155	227	366	38
Portfolio Investment, net	133	-241	-199	-179	82
Other Investment, net 1/	-119	-29	193	59	281
General Government, net	7	-206	-105	-216	-308
Domestic Money Banks, net	-474	9	67	-383	-75
Other Private Sector, net	349	168	231	658	664
Errors and Omissions	-364	-300	-45	-70	271
OVERALL BALANCE	1,203	-95	96	137	398
FINANCING	-1,203	95	-96	-137	-398
Change in Gross International Reserves (increase: -) 1/	-1,640	-461	-527	-409	-300
Use of Fund Credit (purchase: +)	397	129	162	136	-169
Purchases	397	312	286	275	138
Repurchases	0	-183	-124	-139	-301
Exceptional Financing, net	40	426	270	136	71
Financing Gap (gap: +)	0	0	0	0	0
MEMORANDUM ITEMS					
Gross International Reserves 2/	2,474	3,056	3,222	3,460	3,579
in months of prospective gnfs imports	5.0	5.6	5.0	4.9	4.6
Current account in percent of GDP	10.1	-0.5	-5.0	-5.6	-6.5
Trade account in percent of GDP	3.1	-3.0	-8.3	-9.3	-11.6
FDI (net) in percent of the current account deficit	...	874	123	143	73
Gross external debt	10,409	10,892	10,914	11,202	10,616
in percent of GDP	100.4	85.5	84.2	88.9	78.3
public	9,574	9,991	9,454	9,311	8,650
private	835	901	1,459	1,891	1,966
External Debt Service of the Central Government 3/	...	...	638	639	1102
GDP	10,365	12,738	12,956	12,605	13,553

Sources: Bulgarian Authorities, and Fund staff estimates.

1/ excluding valuation changes.
2/ historical figures include valuation changes.
3/ includes the largest share of obligations to the IMF.

Table A42. Bulgaria: Current Account, 1997-2001

(In millions of U.S. dollar)

	1997	1998	1999	2000	2001
Current Account	1046	-61	-652	-701	-878
Goods, services, and income, net	810	-291	-951	-991	-1364
credit	7222	6288	6061	7310	7876
debit	-6412	-6579	-7012	-8301	-9240
Goods, net	321	-381	-1081	-1175	-1566
credit	4809	4193	4006	4812	5099
debit	-4488	-4574	-5087	-5988	-6665
Services, net	845	373	314	505	546
credit	2202	1788	1788	2175	2425
Transportation	590	452	522	631	697
Travel	1093	966	932	1074	1201
Other services	520	369	335	469	527
debit	-1357	-1415	-1474	-1669	-1880
Transportation	-528	-530	-649	-732	-804
Travel	-385	-519	-526	-538	-569
Other services	-444	-366	-299	-399	-507
Income, net	-357	-283	-185	-321	-344
credit	211	307	266	323	352
Monetary authorities	61	108	87	104	101
General government	23	71	77	74	73
Banks	74	73	61	69	69
Other sectors	53	55	41	76	109
debit	-567	-590	-451	-644	-696
Monetary authorities	-31	-45	-44	-6	-4
General government	-467	-433	-394	-448	-448
Banks	-24	-51	-28	-24	-126
Other sectors	-47	-61	16	-167	-117
Current transfers, net	237	230	300	290	486
credit	276	262	329	354	586
General government	129	71	80	74	177
Other sectors	146	191	248	280	409
debit	-39	-32	-29	-64	-100
General government	-1	-11	-13	-19	-41
Other sectors	-38	-20	-16	-45	-59

Source: BNB.

Table A43. Bulgaria: Trade Volumes and Prices, 1997-2000

(Percentage changes in US dollar indices)

	1997	1998	1999	2000	2001
Export value	2.6	-12.8	-4.5	20.1	6.0
Export price 1/	-7.2	-3.6	0.7	6.4	-2.8
Export volume	10.6	-9.5	-5.2	12.9	9.1
Import value	-1.7	1.9	11.2	17.7	10.8
Import price 1/	-4.2	-14.0	4.6	16.3	-1.6
Import volume	2.6	18.5	6.3	1.2	12.6
Terms of trade	-1.5	5.1	-3.7	-8.5	-1.2
Memorandum items:					
Exports of goods:					
Volume growth in Bulgaria's export markets 2/	11.3	4.9	0.5	12.2	1.8
Volume growth in Bulgaria's exports	10.6	-9.5	-5.2	12.9	9.1
Change in Bulgaria's market share	-0.7	-13.8	-5.6	0.6	7.1
Imports of goods:					
Real GDP growth in Bulgaria	-6.9	3.5	2.4	5.8	4.1
Volume growth in Bulgaria's imports	2.6	18.5	6.3	1.2	12.6
Change in foreign suppliers' share of Bulgarian marke	10.1	14.5	3.8	-4.3	8.2

Sources: Data provided by the Bulgarian authorities; IMF *World Economic Outlook* and IMF staff estimates.

1/ For 1997 and 1998 Bulgarian export (import)-weighted average change in non-fuel commodities prices, export unit values for manufactured goods of industrialized economies, and fuel commodities' price, all in U.S. dollar terms; for 1999 - BNB.

2/ Bulgarian export-weighted average change in partners' (all countries) real imports of goods (including oil) in U.S. dollar terms.

Table A44. Bulgaria: Commodity Composition of Exports, 1997-2001

	In U.S. dollar million					In percent of total Exports				
	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001
Consumer goods	1354	1303	1343	1439	1712	28.2	31.1	33.5	29.8	33.6
Food	280	235	195	157	196	5.8	5.6	4.9	3.3	3.8
Tobacco	122	57	38	32	19	2.5	1.4	0.9	0.7	0.4
Beverages	141	142	92	76	69	2.9	3.4	2.3	1.6	1.4
Clothing and footwear	444	535	665	790	1018	9.2	12.8	16.6	16.4	20.0
Medicines and cosmetics	190	153	148	164	160	3.9	3.6	3.7	3.4	3.1
Furniture and household appliances	77	88	101	105	133	1.6	2.1	2.5	2.2	2.6
Others	100	93	105	115	118	2.1	2.2	2.6	2.4	2.3
Raw materials	2358	1935	1683	2134	2073	49.0	46.1	42.0	44.2	40.7
Iron and steel	494	394	264	388	350	10.3	9.4	6.6	8.0	6.9
Other metals	419	302	284	493	423	8.7	7.2	7.1	10.2	8.3
Chemicals	292	194	151	199	200	6.1	4.6	3.8	4.1	3.9
Plastics and rubber	156	135	122	126	129	3.3	3.2	3.0	2.6	2.5
Fertilizers	172	79	37	95	87	3.6	1.9	0.9	2.0	1.7
Textiles	218	189	138	144	183	4.5	4.5	3.4	3.0	3.6
Raw materials for the food industry	99	149	196	133	152	2.1	3.6	4.9	2.8	3.0
Wood products, paper and paperboard	119	126	131	135	127	2.5	3.0	3.3	2.8	2.5
Cement	51	25	27	33	28	1.1	0.6	0.7	0.7	0.6
Raw tobacco	37	51	64	45	39	0.8	1.2	1.6	0.9	0.8
Others	300	290	269	343	353	6.2	6.9	6.7	7.1	6.9
Investment goods	706	673	613	552	623	14.7	16.0	15.3	11.4	12.2
Machines and equipment	199	197	214	215	234	4.1	4.7	5.3	4.5	4.6
Electrical machines	80	63	58	62	73	1.7	1.5	1.4	1.3	1.4
Vehicles	83	92	47	23	32	1.7	2.2	1.2	0.5	0.6
Spare parts and equipment	124	104	92	110	139	2.6	2.5	2.3	2.3	2.7
Others	220	216	202	143	144	4.6	5.1	5.0	3.0	2.8
Total non energy commodities	4418	3911	3638	4125	4408	91.9	93.3	90.8	85.5	86.5
Mineral fuels, oils and electricity	391	283	368	699	689	8.1	6.7	9.2	14.5	13.5
Petroleum products	267	154	290	537	454	5.6	3.7	7.2	11.1	8.9
Others	123	128	78	162	235	2.6	3.1	2.0	3.4	4.6
TOTAL EXPORTS /FOB/	4809	4193	4006	4825	5096					

Source: BNB.

Table A45. Bulgaria: Direction of Trade, 1997-2001 1/

(In percent of total)

	1997		1998		1999		2000		2001	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Developed countries	58.9	47.4	64.0	56.0	66.3	59.1	68.2	53.7	71.1	53.2
Of which:										
Austria	1.1	2.5	1.7	2.8	1.7	3.0	1.5	2.3	1.7	2.0
Belgium	1.6	1.2	3.6	1.8	4.4	1.7	6.0	1.3	5.6	1.5
France	2.8	3.3	3.4	4.5	4.5	5.2	4.8	4.9	5.6	6.0
Germany	9.6	11.9	10.6	13.9	9.9	14.9	9.2	13.9	9.6	15.3
Greece	8.3	4.1	8.8	5.9	8.6	5.7	7.8	4.9	8.8	0.0
Italy	11.9	7.3	13.1	7.7	13.9	8.4	14.7	8.5	15.0	9.6
Japan	0.7	0.7	0.8	0.8	0.6	1.2	0.4	1.0	0.3	1.1
Netherlands	1.5	1.9	1.9	2.1	2.1	2.0	1.8	1.7	1.6	1.8
Spain	2.7	0.5	2.9	1.1	2.7	1.4	2.1	1.5	3.2	1.7
Turkey	9.1	2.0	8.0	2.6	7.3	3.0	10.3	3.3	8.1	3.8
United States	2.7	3.8	2.6	4.0	3.7	3.5	3.9	3.0	5.5	2.6
United Kingdom	2.7	2.6	2.6	2.4	2.5	2.4	2.4	2.1	2.6	2.5
Developing countries	41.1	52.6	36.0	44.0	33.7	40.9	31.8	46.3	28.9	46.8
Of which:										
Czech Republic	0.4	1.3	0.4	1.9	0.4	1.8	0.4	1.9	0.5	2.4
Hungary	0.5	0.9	0.8	0.8	0.6	0.9	0.6	0.9	0.7	1.1
Macedonia	1.7	0.5	1.8	0.7	2.6	0.5	2.3	0.4	2.2	0.3
Poland	0.6	1.2	1.3	0.9	0.7	1.4	0.6	1.4	0.6	1.5
Romania	1.3	0.9	1.2	1.2	1.4	1.3	1.7	3.5	2.5	2.4
Russia	7.8	28.4	5.3	20.0	4.7	20.1	2.5	24.0	2.3	19.9
Serbia/Montenegro	2.1	0.7	1.8	0.7	4.1	0.3	7.6	0.4	4.2	0.3
Ukraine	2.9	3.5	2.6	3.5	1.7	2.6	1.2	2.9	1.2	3.2
Total	100	100	100	100	100	100	100	100	100	100
Memorandum items:										
European Union	43.9	38.0	50.5	45.4	52.1	48.4	51.6	44.3	54.8	49.4
CEFTA members 2/	3.3	5.0	4.9	5.6	4.4	6.4	3.8	8.7	4.8	7.6

Source: BNB.

1/ Imports and exports recorded according to the date at which goods cross the border.
2/ Includes Czech Republic, Hungary, Poland, Romania, Slovak Republic, and Slovenia.

Table A46. Bulgaria: Commodity Composition of Imports, 1997-2001 1/

	In U.S. dollar millions					in percent of total imports				
	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001
Consumer goods	474	707	945	994	1279	9.8	14.3	17.1	15.3	17.7
Food, drinks and tobacco	123	190	165	175	197	2.5	3.8	3.0	2.7	2.7
Furniture and household appliances	57	88	143	148	187	1.2	1.8	2.6	2.3	2.6
Medicines and cosmetics	89	131	170	190	257	1.8	2.7	3.1	2.9	3.6
Clothing and footwear	103	150	176	191	267	2.1	3.0	3.2	2.9	3.7
Automobiles	26	41	145	145	190	0.5	0.8	2.6	2.2	2.6
Others	75	107	147	145	180	1.6	2.2	2.7	2.2	2.5
Raw materials	1940	2008	1843	2145	2526	40.0	40.5	33.4	33.0	35.0
Ores	167	198	168	216	248	3.4	4.0	3.0	3.3	3.4
Iron and steel	94	119	92	132	147	1.9	2.4	1.7	2.0	2.0
Other metals	45	40	38	63	81	0.9	0.8	0.7	1.0	1.1
Textiles	481	492	494	588	723	9.9	9.9	9.0	9.1	10.0
Wood products, paper and paperboard	112	138	136	156	169	2.3	2.8	2.5	2.4	2.3
Chemicals	243	284	161	171	183	5.0	5.7	2.9	2.6	2.5
Plastics and rubber	144	186	220	243	285	3.0	3.7	4.0	3.7	3.9
Raw materials for the food industry	259	131	116	122	139	5.3	2.6	2.1	1.9	1.9
Raw skins	59	47	43	55	78	1.2	0.9	0.8	0.8	1.1
Raw tobacco	30	36	34	27	25	0.6	0.7	0.6	0.4	0.3
Others	305	337	342	372	448	6.3	6.8	6.2	5.7	6.2
Investment goods	822	1061	1492	1590	1794	16.9	21.4	27.1	24.5	24.8
Machines and equipment	354	379	595	610	613	7.3	7.6	10.8	9.4	8.5
Electrical machines	101	171	212	190	317	2.1	3.4	3.8	2.9	4.4
Vehicles	84	163	305	322	401	1.7	3.3	5.5	5.0	5.5
Spare parts and equipment	135	181	208	207	244	2.8	3.7	3.8	3.2	3.4
Others	148	167	173	262	219	3.1	3.4	3.1	4.0	3.0
Total non energy commodities	3236	3776	4280	4730	5600	66.7	76.2	77.6	72.7	77.5
Mineral fuels, oils and electricity	1618	1181	1235	1772	1624	33.3	23.8	22.4	27.3	22.5
Fuels	1563	1105	1179	1623	1441	32.2	22.3	21.4	25.0	19.9
Crude oil and Natural gas	1301	840	995	1440	1244	26.8	16.9	18.0	22.2	17.2
Coal	167	169	115	131	150	3.4	3.4	2.1	2.0	2.1
Others	95	97	68	51	46	2.0	2.0	1.2	0.8	0.6
Others	56	75	56	149	183	1.1	1.5	1.0	2.3	2.5
Total Imports, cif	4854	4957	5515	6501	7224					

Source: BNB.

Table A47. Bulgaria: Tourism Indicators, 1998-2001

	1998	1999	2000	2001	1999	2000	2001
					(percent change)		
Number of Tourist Arrivals	1,973	2,084	2,354	2,755	5.6	13.0	17.0
of which:							
European Union	605	672	797	1,008	11.1	18.6	26.5
of which:							
Greece	255	294	321	344	15.3	9.2	7.2
Germany	173	206	263	374	19.1	27.7	42.2
United Kingdom	68	53	52	69	-22.1	-2.1	32.9
Russia	...	...	106	131	...	...	23.9
Macedonia	...	...	658	643	...	...	-2.3
FR Yugoslavia	...	...	218	359	...	...	64.6
Travel receipts (in millions of US $)	966	932	1,074	1,201	-3.5	15.2	11.8
	(in percent of total)						
European Union	30.7	32.2	33.9	36.6			
of which:							
Greece	12.9	14.1	13.6	12.5			
Germany	8.8	9.9	11.2	13.6			
United Kingdom	3.4	2.5	2.2	2.5			
Russia	...	...	...	4.7			
Macedonia	...	...	...	23.3			
FR Yugoslavia	...	...	...	13.0			

Source: Ministry of Economy.

Table A48. Bulgaria: Financial Account, 1997-2001
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001
Financial Account	521	267	795	883	1004
Direct investment abroad	2	0	-17	2	-10
Direct investment in reporting economy	505	537	819	1002	651
Portfolio investment assets	-14	-129	-207	-64	-23
Equity securities	-9	-11	0	-8	-61
Debt securities	-5	-119	-207	-56	38
Portfolio investment liabilities	146	-112	8	-115	105
Equity securities	52	19	2	5	-9
Debt securities	94	-131	6	-120	114
Other investment assets	-54	222	22	-137	294
Trade credits	0	0	-1	121	0
Loans	139	17	11	-7	16
General Government	129	0	0		0
Banks	0	6	0	-7	0
Other sectors	10	11	11	0	16
Currency and deposits	-421	43	-48	-436	-162
General Government	0	0	0		0
Banks	-436	69	23	-487	-129
Other sectors	15	-27	-71	51	-33
Other forex deposits	256	155	74	195	464
Other assets	-28	8	-14	-10	-24
Other	0	0	0		0
Other investment liabilities	-65	-251	171	195	-13
Trade credits	16	9	80	29	0
Loans	-183	-178	73	58	-184
Monetary authorities	0	0	0		0
General Government	-122	-206	-105	-216	-308
Banks	-55	13	0	38	9
Other sectors	-5	14	178	237	116
Currency and deposits	16	-80	45	73	45
Other liabilities	85	-3	-26	34	126
Other	0	0	0	0	0

Source: BNB.

Table A49. Bulgaria: Foreign Direct Investment by Sector and Country of Origin, 1997-2001 1/

(In millions of U.S. dollars)

	1997	1998	1999	2000	2001 2/
Foreign direct investment by sector:					
Financial activities	...	64	119	443	63
Trade and repairs	...	177	124	90	72
Petroleum, chemical, rubber and plastic products	...	41	165	72	12
Mineral products	...	151	72	7	19
Telecommunications	...	23	14	15	177
Metallurgy	...	13	72	17	37
Mechanical products	...	21	18	65	17
Food products	...	32	33	12	43
Other sectors	...	98	202	281	249
Total	**...**	**620**	**819**	**1002**	**689**
Foreign direct investment by country of origin:					
Belgium	264	31	66	40	3
Germany	31	56	101	72	65
United States	47	39	50	37	41
Greece	16	3	15	241	214
Netherlands	11	41	28	17	22
Cyprus	21	109	109	-11	29
United Kingdom	16	59	48	23	16
Switzerland	31	7	13	15	2
Spain	50	57	3	1	19
Korea	23	2	3	7	3
Luxembourg	12	23	4	0	17
France	1	3	63	29	12
Austria	12	47	23	89	137
Turkey	10	24	39	20	4
Other countries	311	111	203	203	203
Total	**636**	**620**	**819**	**1002**	**689**
Inward direct investment 3/	505	537	819	1002	689
Equity capital	492	505	500	755	477
of which: from privatization	421	155	227	366	19
Other capital	13	-17	351	188	189
Reinvested earnings	0	50	-33	58	23

Sources: Data provided by the Bulgarian authorities; and staff estimates.

1/ As measured by the Bulgarian Foreign Investment Agency on the basis of contracted amounts and using nominal values for any amounts to be paid in the form of securities such as Zunk bonds.

2/ Preliminary estimates.

3/ As measured in the balance of payments on the basis of amounts remitted and using market values for any amounts paid in the form of securities such as Zunk bonds.

Table A50. Bulgaria: External Debt Stock, 1997-2001 1/

	By Debtors				
	1997	1998	1999	2000	2001
Total (A+B)	10409	10892	10914	11202	10616
A. Public Sector (I+II+III+IV)	9574	9991	9454	9311	8650
I. Government Debt (1+2)	8705	8964	8370	8234	7734
1. Loans	3647	3952	3392	3258	2755
2. Bonds	5058	5012	4977	4976	4979
II. Government-guaranteed Debt	384	505	582	632	725
1. Loans	384	505	582	632	725
III. Debt of Monetary Authorities	31	120	117	104	66
IV. Other Public Debt	453	402	386	340	125
Municipalities	0	0	27	26	20
1. Bonds	0	0	27	26	20
Commercial Banks (1+2)	265	310	201	107	9
1. Loans	265	281	170	100	3
2. Non-residents' Deposits	0	28	31	7	6
Companies (1+2+3)	47	45	80	115	94
1. Inter Company Loans	0	0	0	0	0
2. Other Loans	0	0	28	51	47
3. Trade credits	47	45	51	64	46
Other 6/	141	48	79	91	2
B. Private Sector (I+II)	835	901	1459	1891	1966
I. Commercial Banks (1+2+3+4)	*90*	*88*	*148*	269	306
1. Intra Company Loans	1	14	46	59	60
2. Other Loans	4	3	3	43	47
3. Bonds					
4. Non-residents' Deposits	85	71	99	167	199
II. Companies (1+2+3)	*744*	*813*	*1312*	1622	1660
1. Intra Company Loans	0	120	332	369	528
2. Other Loans	143	120	322	479	466
3. Trade credits	601	573	658	773	666
	By Creditors				
Gross External Debt Stock (A + B)	9760	10274	10204	11202	10616
A. Long-term Debt	8557	9276	9609	9752	9408
I. Official creditors	3272	4044	4045	3941	3421
1. International financial institutions	2242	2774	2891	3012	2751
International Monetary Fund	936	1115	1249	1322	1110
International Bank for Reconstruction and	540	712	897	918	950
European Union	286	422	402	428	344
Other international financial institutions	478	526	344	344	348
2. Bilateral	1030	1270	1154	930	670
Paris Club and nonrescheduled debt	878	1045	815	600	382
Other bilateral	152	225	339	329	288
II. Private creditors	5286	5232	5564	5810	5986
1. Brady Bonds	4977	4977	4977	4976	4759
2. Eurobonds	0	0	0	0	220
3. Other Bonds	81	35	27	26	20
4. Other treasury securities	141	48	79	91	2
5. To commercial banks	1	14	46	93	99
6. To companies	85	158	435	623	885
B. Short-term Debt	1203	999	595	1450	1208
I. Official creditors	768	500	0	0	0
II. Private creditors	435	499	595	1450	1208
1. To commercial banks	354	384	302	283	215
2. To companies	81	115	293	1167	993

Source: BNB.

Table A51. Bulgaria: External Debt Service, 1997-2001 1/

	Amortizations					Interest					Total				
	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001
GROSS EXTERNAL DEBT	457	665	561	655	987	440	530	485	515	526	897	1195	1045	1170	1513
A. Long term debt	376	560	451	474	784	431	469	460	511	520	807	1029	911	985	1304
I. Official creditors	308	496	371	407	667	154	182	177	196	191	463	678	548	604	858
1. International financial institutions	269	387	179	213	445	90	108	115	147	147	358	495	294	359	593
IMF	88	183	124	138	301	31	45	44	62	57	119	228	168	201	358
World Bank	15	21	22	33	39	29	34	38	45	45	44	55	60	78	84
European Union	154	162	0	0	62	0	0	0	0	19	154	162	0	0	82
Other IFI	11	22	33	41	43	12	17	21	40	26	23	40	54	80	69
2. Bilateral credits	40	109	191	195	222	65	74	62	50	44	105	183	254	244	266
Paris Club and Nonrescheduled Debt	32	98	165	154	187	58	60	51	40	35	90	158	217	194	222
Others	8	10	26	41	35	7	14	11	9	9	15	25	37	50	43
II. Private creditors	68	65	80	66	117	276	287	283	315	329	344	351	363	381	446
1. Brady Bonds	0	0	0	0	16	267	267	259	281	294	267	267	259	281	310
2. Bonds	51	53	36	0	5	8	4	1	11	7	59	57	37	11	13
3. To commercial banks	2	0	0	0	21	0	0	1	4	8	2	0	1	4	28
4. To companies	14	12	44	66	75	2	15	22	19	20	16	27	66	85	94
B. Short-term Debt	82	105	110	181	204	9	61	25	4	5	91	166	134	186	209

Source: BNB.

Table A52. Bulgaria: Currency Composition of Public External Debt, 1997-2001 1/
(In percent of medium- and long-term debt; end of period)

	1997	1998	1999	2000	2001
U.S. dollars	71.6	70.4	65.5	65.6	66.3
SDRs	10.8	10.8	13.8	13.6	12.8
Japanese yen	4.8	3.9	4.1	3.4	3.2
Swiss francs	1.1	1.0	0.6	0.4	0.3
Euro and Legacy Currencies	...	...	15.4	16.6	17.4
of which:					
Deutsche marks	4.8	7.0	5.7	5.8	...
Austrian schillings	1.6	1.5	1.1	0.8	...
French francs	0.5	0.5	0.3	0.2	...
ECU	4.2	4.0	...	...	...
Pounds sterling	0.3	0.2	0.2	0.1	0.1
Other currencies	0.4	0.7	0.4	0.2	...

Source: Bulgarian Ministry of Finance.

Table A53. Bulgaria: Convertible Currency Position with Developing Countries 1998–2001/

(In millions of U.S. dollars)

	Claims of Bulgaria				Claims on Bulgaria				Balance 2/			
	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
Afghanistan	43.1	44.1	44.9	45.5	0.1	0.1	0.1	0.1	43.0	44.0	44.8	45.4
Algeria	34.0	32.2	29.0	29.0	0.0	0.0	0.0	0.0	34.0	32.2	29.0	26.5
Angola	92.7	94.8	96.9	99.1	0.0	0.0	0.0	0.0	92.7	94.8	96.9	99.1
Bangladesh	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3
Congo	1.3	1.3	1.3	1.3	0.0	0.0	0.0	0.0	1.3	1.3	1.3	1.3
Egypt	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3
Ethiopia	55.9	56.1	56.1	55.9	0.6	0.6	0.6	0.6	55.3	55.5	55.5	55.3
Ghana	0.0	0.0	0.0	0.0	8.6	8.6	2.1	0.0	-8.6	-8.6	-2.1	0.0
Guinea	10.4	10.6	10.9	11.1	0.0	0.0	0.0	0.0	10.4	10.6	10.9	11.1
Guyana	1.0	1.0	1.1	1.2	0.0	0.0	0.0	0.0	1.0	1.0	1.1	1.2
India	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.1
Indonesia	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Iran	0.6	0.7	0.7	0.7	0.0	0.0	0.0	0.0	0.6	0.7	0.7	0.7
Iraq	1,419.1	1,447.2	1,476.9	1,506.6	0.0	0.0	0.0	0.0	1,419.1	1,447.2	1,476.9	1,506.6
Libya	52.1	52.6	53.1	53.6	0.0	0.0	0.0	0.0	52.1	52.6	53.1	53.6
Nicaragua	232.3	237.9	239.1	241.0	0.0	0.0	0.0	0.0	232.3	237.9	239.1	241.0
Nigeria	38.8	35.6	31.3	26.9	0.0	0.0	0.0	0.0	38.8	35.6	31.3	26.9
Mozambique	33.6	34.4	41.3	42.7	0.0	0.0	0.0	0.0	33.6	34.4	41.3	42.7
Pakistan	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Peru	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.0
Somalia	7.9	8.0	8.1	8.2	0.0	0.0	0.0	0.0	7.9	8.0	8.1	8.2
Syria	78.9	82.6	82.7	82.9	0.0	0.0	0.0	0.0	78.9	82.6	82.7	82, 9
Tanzania	26.5	27.3	27.3	26.1	0.3	0.3	0.3	0.3	26.2	27.0	27.0	25.8
Tunisia	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.0
Yemen	94.4	95.4	95.4	97.0	0.0	0.0	0.0	0.0	94.4	95.4	95.4	97.0
Zambia	5.5	5.7	5.7	5.7	0.0	0.0	0.0	0.0	5.5	5.7	5.7	5.7
Total	2,229.7	2,268.7	2,302.8	2,335.2	9.6	9.6	3.1	1.0	2,220.1	2,259.1	2,299.7	2,334.2

Source: Data provided by the Bulgarian authorities.

1/ Government credits and clearing and barter arrangements; end of period.
2/ A negative sign indicates a net debtor position of Bulgaria.

Table A54. Bulgaria: Import Tariffs, 1997-2002 1/

(In percent unless otherwise indicated)

	1997	1998	1999	2000	2001
All products:					
Minimum MFN tariff rate	0	0	0	0	0
Maximum MFN tariff rate	120	110	74	74	74
Simple average MFN tariff rate 2/	16.8	18.1	15.2	13.76	12.42
Number of tariff lines	9,374	10,901	10,765	10,538	10,499
Industrial products:					
Minimum MFN tariff rate	0	0	0	0	0
Maximum MFN tariff rate	40	40	35	30	30
Simple average MFN tariff rate 2/	15.5	15.3	12.6	11.0	10.0
Number of tariff lines	8,320	8,392	8,254	8,130	8,112
Agricultural products:					
Minimum MFN tariff rate	0	0	0	0	0
Maximum MFN tariff rate	120	110	74	74	74
Simple average MFN tariff rate 2/	27.6	27.5	24.6	24.0	21.9
Number of tariff lines	1,054	2,509	2,511	2,408	2,387
Memorandum item:					
Import surcharge	4	2	0	0	0

Sources: Data provided by the Bulgarian authorities; and staff estimates.

1/ Applied ad valorem tariffs as at 1 January each year.
2/ Excluding the ad-valorem equivalent of mixed tariffs.