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World Bank Group – Bulgaria Partnership Program Snapshot

October 2012

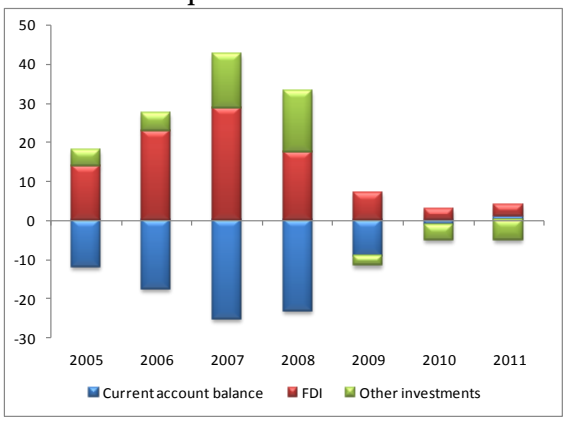
RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

Growth and External Performance

Bulgaria was among many countries impacted by the global financial crisis and the ensuing downturn in the United States and the European Union (EU). Until the onset of the crisis in 2009, Bulgaria enjoyed rapid GDP growth, averaging 6 percent per year during 2004–07. After a nearly 5 percent decline in growth in 2009, Bulgaria's economy was on the path to recovery, registering 1.7 percent growth in 2011. The deteriorating outlook in the Eurozone, however, has tempered this nascent recovery. Growth has decelerated since the second half of 2011 and was only 0.9 percent year-on-year in the first quarter of 2012. Exports that had been driving growth since 2009 slowed markedly and even declined in that same quarter. Recovery in consumption remained fragile, while investment picked up only recently after declining for three years in a row. Heightened uncertainty in the region and the still-growing unemployment in the country are likely to constrain consumption growth in 2012. With the Eurozone under recession, external demand is set to weaken further, thus delaying the rebound of investment. In its interim forecasts in February 2012, the European Commission (EC) projects Bulgaria's GDP growth to slow to 1.4 percent this year.

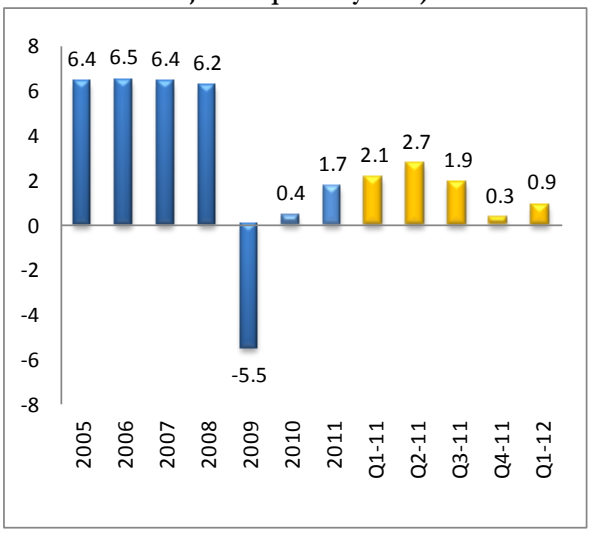
A rebound in exports and a further weakening of private capital inflows supported a welcome adjustment of external imbalances. The external current account turned into a surplus of 0.9 percent of GDP in 2011 from a deficit of 1 percent in 2010 (and a deficit of close to 9 percent in 2009). Trade balance fell to historic lows, as export growth accelerated to some 30 percent, reflecting robust external demand and increased metal and oil prices, mainly in the first half of 2011. In the first half of 2012, however, exports slowed to close to 3 percent year-on-year, while imports growth gathered speed. Thus, the current account deficit expanded to 1.2 percent of annual GDP. With overseas borrowing by banks and corporations diminishing, net capital inflows have remained negative since 2009. Banks were mainly repaying debts to their parent banks that had been extended during the boom times. Similarly, repayments on inter-company debt kept foreign direct investment (FDI) inflows relatively low—net FDIs in 2011 were close to 50 percent of their level in 2009. Low capital inflows contributed to a further decline in external debt, which stood at 90.1 percent of GDP in June 2012 (103 percent at end-2010).

External Current Account and its Financing, percent of GDP



Source: Bulgarian National Bank, 2012.

GDP Growth (percentage change, not seasonally adjusted quarterly data)

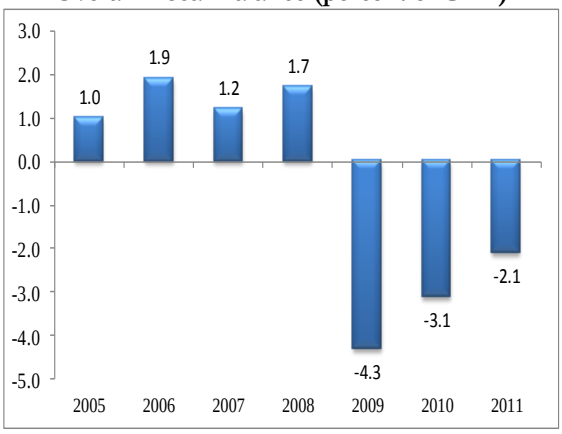


Source: National Statistical Institute 2012.

With cross-border funding from parent banks drying up and domestic demand still weak, credit grew marginally while bank portfolios worsened. Credit to the private sector grew by 4.3 percent year-on-year in June 2012, mainly on account of the corporate sector, while credit to households

has been declining since 2009. Deposits, especially from households, grew steadily, offsetting fully the falling deposits from nonresidents. At the same time, demand for credit remained low and the share of nonperforming loans increased from 6.4 percent in December 2009 to 16.9 percent in June 2012, although the pace of the increase has slowed since the start of 2011. The existing stringent prudential rules have kept banks well capitalized and liquid. The capital adequacy in Bulgaria in June 2012 was 16.7 percent, significantly higher than the required 12 percent in Bulgaria and the 8 percent in most of the EU countries. The Bulgarian National Bank (BNB) further strengthened banking supervision, as well as liquidity monitoring and the stress testing of banks. The exchange of information with parent bank supervisors has improved and a Financial Stability Unit has been established at the BNB.

Overall Fiscal Balance (percent of GDP)



Source: Eurostat, 2012.

Fiscal policy supported the exit of the excessive deficit procedures in 2012. The fiscal deficit in 2011 was reduced to 2.1 percent of GDP, close to half of its level in 2009. Revenues were severely affected by the crisis, much more in Bulgaria than in the rest of the EU. The adjustment in tax revenues was especially significant in Bulgaria, reflecting unchanged tax rates and a tax structure relying more on consumption taxes than in any other EU country. At the same time, a substantial tightening of expenditure has taken place in Bulgaria, while most of the other EU countries actually increased spending. Consolidation of spending was broad based and supported by a continuing freeze on wages and pensions that has been in place since 2010. Surpluses accumulated during the boom times have been used to finance the deficits since 2009, thus keeping low public debt levels. In 2011, Bulgaria's public debt was 16.3 percent of GDP (ESA95 definition), the second lowest debt-to-GDP ratio in the EU.

The implementation of the 2012 budget is proceeding well despite the worsening outlook. Prospects for achieving the planned budget deficit of 1.6 percent of GDP remain good. In July 2012, the budget even showed a small surplus on account of buoyant tax revenues and the swifter absorption of EU funds compared to 2011. Grant revenues, mainly from EU funds, almost doubled compared to the same period in 2011, which translated into higher capital expenditures. Despite recent improvements, however, the absorption of EU funds in Bulgaria remains one of the lowest in the EU.

Infrastructure: Stepping up Cooperation

To boost Bulgaria's competitiveness and foster economic growth, the Government of Bulgaria has made it a priority to better absorb, manage, and implement EU funds, particularly for infrastructure. This has emerged as a pressing challenge, given that Bulgaria ranks 120 out of 139 countries in quality of overall infrastructure according to the World Economic Forum *Global Competitiveness Report*. Bulgaria seeks to leverage EU funds with financing and support from international financial institutions (IFIs), such as the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and the World Bank. In 2010, the

World Bank signed a Memorandum of Understanding (MoU) with the Government of Bulgaria to step up cooperation in the development of Bulgaria's infrastructure, including

accelerating the maintenance of and investment in roads and railways. The MoU seeks to build on ongoing World Bank-supported projects, such as the rehabilitation of existing major road networks and improving the reliability and water supply quality in municipalities.

Roads and Municipal Infrastructure Development

Bulgaria started retrofitting its roads infrastructure to EU standards and requirements during the last decade. However, the continued underfunding of roads has left the country with a large backlog of road maintenance and investment. The Government pledged to improve the road network across the country and restore troubled motorway programs by accelerating absorption of EU funds and expanding cooperation with IFIs, including the World Bank. The World Bank-supported *Roads Infrastructure and Rehabilitation Project* aims to reduce road transport costs by improving the condition and quality of the roads network during the first years of EU accession. Under the project, a *Road Asset Management System* was developed and extensive training provided to Bulgarian experts. This system helps the Government monitor the road network and better plan and prioritize road maintenance.

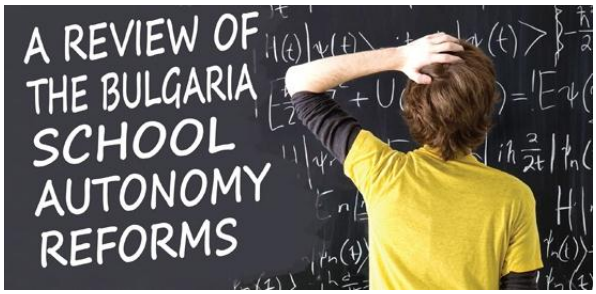
The World Bank-supported *Municipal Infrastructure Development Project* aims to assist local governments across the country in investment planning for the water sector and improving the reliability and quality of water provision in four municipalities. The project supports the preparation of regional master plans for water supply and sewerage systems and the completion of construction work on three dams that was interrupted about 20 years ago, along with the rehabilitation of a fourth dam. Upon project completion, more than 140,000 Bulgarians in four municipalities are expected to enjoy access to secure and reliable supplies of quality water.

Competitiveness, Education, and Inclusion

The series of World Bank reports on *Better Regulation* focus on Bulgaria's achievements in creating a favorable business environment, and offer recommendations on how to further strengthen regulatory and administrative reforms, including the regime of state fees.

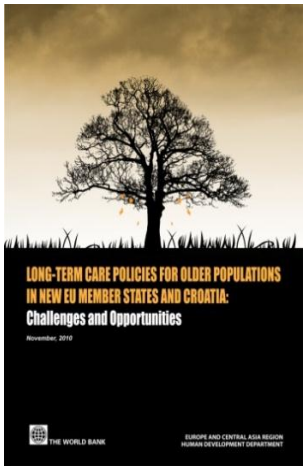
In February 2012, the World Bank launched the report *Going for Smart Growth: How Research and Innovation Can Work for Bulgaria*. The report reveals that Bulgaria spends only half a percentage of GDP on research and development (R&D) compared to an average of 2 percent in the EU. Although Bulgaria's exports increased in absolute and in per capita terms throughout the last decade (exports account for 60 percent of GDP), they continue to be dominated by products from traditional and mature industries, the report notes. In fact, only 3 percent of Bulgaria's exports are high-technology products—substantially below the EU27 average of 16 percent. The report concludes that to move up the value chain, innovation will be critical in industries in which Bulgaria has a comparative advantage.

The Second Trade and Transport Facilitation Project further builds on Bulgaria's commitment to facilitate trade by improving the capacity, efficiency, and quality of services at selected EU border crossings, with a particular focus on the Trans-European Transport Network. The project aims to improve the physical infrastructure of the border crossings; develop more efficient customs formalities, facilities, and procedures; improve communications and the sharing of relevant border crossing data; and streamline operational procedures at border crossing agencies. Transit time for trucks improved significantly between 2010 and 2012; it now takes 23 minutes for a truck to exit Bulgaria at the border with Serbia, compared to 57 minutes in 2010.



Sweeping decentralization reform of the education system in 2007–08 introduced per capita funding and delegated school budgets, produced impressive efficiency gains, and set the foundation for better adjustment to local education needs. The next step is to strengthen accountability, quality, and relevance in the education system. The deeper involvement of parents and municipalities in school decisions is seen as crucial to building on recent gains in education and ensuring stronger accountability mechanisms. These are the main conclusions of the World Bank report *A Review of the Bulgaria School Autonomy Reforms*. The report records reform achievements and highlights outstanding challenges, focusing on the need to improve quality, equity, and accountability for results.

The World Bank-supported *Social Inclusion Project* aims to improve the chances of children with marginalized backgrounds, including Roma children. The project will help children below the age of seven from poor and disadvantaged families, as well as children with disabilities, to prepare for school. Because of their social situation, many vulnerable children reach school age and go to school without the necessary preparation. They are thus not on equal footing with their peers and tend to drop out early. The project seeks to improve their



welfare by using early involvement mechanisms, safeguarding their health and education opportunities, and working with parents before the children reach school age. The project is expected to contribute to the sustainability of the school readiness program by supporting integrated social inclusion services that will subsequently be financed through the European Social Fund.

Bulgaria faces the most dramatic population decline among the new EU member states. It is set to lose a staggering 18 percent of its population, or 1.5 million people, between 2000 and 2025. This will have major implications for the labor market and lead to increased demand for long-term care services. This is made doubly challenging because there are fewer potential caregivers to care for more dependent people, while at the same time, a decreasing working-age population has to finance higher public expenditures on long-term care. Universal long-term care and better coordination are critical for aging countries, according to the World Bank

study *Long Term Care Policies for Older Populations in new EU Member States and Croatia: Challenges and Opportunities.*

The 2009–10 global economic crisis hit Bulgarian families mainly through the labor market, increasing unemployment and reducing working hours and wages for a large segment of the population. While the crisis also led to a significant drop in GDP in 2009, Bulgaria was able to mitigate the crisis' most severe impact on living standards, thanks to an adequate social protection policy. These are some of the conclusions in the World Bank report *"Bulgaria: Household Welfare during the 2010 Recession and Recovery,"* presented in February 2012. The report shows that the impact of the crisis has not substantially changed the poverty profile. Households with a higher risk of poverty are those (i) with unemployed or inactive heads; (ii) whose heads have no or only primary education; (iii) that are female-headed; (iv) with many children and/or of large size; and (v) of the Roma and Turkish minorities.

WORLD BANK GROUP PROGRAM IN BULGARIA

Program to Date

Bulgaria joined the World Bank Group in 1990, resulting in an engagement on a wide range of reforms. The World Bank supported government reforms that have: remedied past environmental damage; reduced the population's health risks; mitigated some of the costs of the transition and the 1995–96 crisis; supported a reduction in the fiscal costs of public debt, thus freeing resources to support spending in social sectors; and improved the business climate. Government-led reforms have also helped increase the annual inflows of FDI from less than US$100 million (per year) before 1997, to an average of over US$6 billion per year in 2003–08. The privatized banking sector is now well capitalized, well supervised, and profitable, providing better services for businesses. The insurance sector is also entirely privatized, while reforms in revenue administration resulted in improved revenue collection and lower compliance costs to firms.

The World Bank's program in Bulgaria to date comprises 45 International Bank for Reconstruction and Development (IBRD) operations, with a total original commitment of roughly US$3 billion equivalent, consisting of 15 adjustment loans (US$1.73 billion), 23 investment projects (US$1.12 billion), one debt reduction loan (US$125 million), four World Bank-managed Global Environment Facility (GEF) grants, and two World Bank-managed Prototype Carbon Fund (PCF) operations.

As of September 2012, the active portfolio of World Bank-financed projects consisted of four operations, with original commitments totaling US$351.1 million equivalent. In addition, two Institutional Development Fund (IDF) grants totaling US$0.6 million are being implemented.

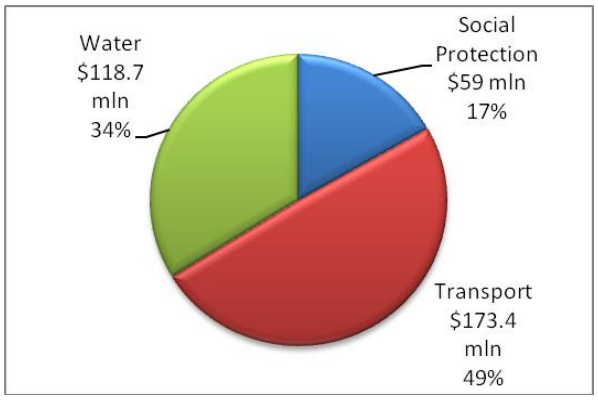
As of September 2012, the International Finance Corporation (IFC) had 37 projects (completed and ongoing) in Bulgaria with total commitments of over US$895 million. The single biggest IFC investment in the country is in renewable energy in the form of a loan for the construction of the largest photovoltaic park in Bulgaria. The 60 megawatt peak (MWp) park will help the country to achieve its goal for 16 percent renewable energy output of the total production of power by 2020. The IFC is also involved in a number of sizable investments in various projects in the manufacturing sector, oil and gas, financial markets, and agriculture.

The Multilateral Investment Guarantee Agency (MIGA) provided 10 guarantees between 1994 and 2006, for a total of US$232 million. The last MIGA guarantee year was in infrastructure (AES Maritza East 1 Power Plant) in 2006 for US$117.8 million. AES Maritza 1 is a major FDI project of €1.1 billion, which started in 2005 and is an integral part of Bulgaria's energy sector strategy.

Going Forward

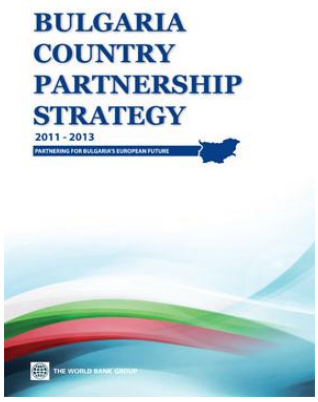
Building on Bulgaria's achievements, the World Bank Group has adapted its business model to support the country's goal of EU convergence. Its partnership with Bulgaria is based on a flexible framework that takes into account Bulgaria's priorities as an EU member state.

World Bank Portfolio: Bulgaria
Net Commitments by Sector (USD million)
(As of September 3, 2012)



Source: World Bank.

Accelerating EU integration and the convergence of living standards are the Government's key medium-term goals. Bulgaria's 2010–2015 National Reform Program maintains an overarching focus on boosting competitiveness to achieve the Europe 2020 strategy goals of smart, sustainable, and inclusive growth. The National Reform Program has four key priorities: boost growth, including through better infrastructure; promote competitive youth; create the best business environment in the EU; and build higher confidence in state institutions. In addition, the Government has identified the efficient utilization of EU funds as an opportunity to finance public investments and accelerate EU integration.



The *Country Partnership Strategy (CPS)*, endorsed by the World Bank's Board in May 2011, aims to support Bulgaria in strengthening institutions and policies to achieve sustainable and inclusive development. The CPS is tailored to Bulgaria's unique challenges within the European context and is firmly anchored in the National Reform Program goal of implementing the Europe 2020 strategy. The World Bank program is dominated by knowledge and advisory services, in response to the Government's interest in forging a knowledge partnership focused on innovation. It is complemented by a modest lending program that will concentrate on complex reforms and on activities that are not eligible for financing through grant resources under EU structural funds or lending by European institutions and IFIs. While the World Bank Group will provide global and regional knowledge and good practice in a tailored manner, it will also innovate and learn with and from Bulgaria for the benefit of other countries.

To achieve this objective, the CPS proposes a three-pillar framework of support. The first pillar will aim to provide knowledge and advisory support for policy reforms to implement select areas of the National Reform Program. Under the second pillar, the World Bank will seek to deliver knowledge and advisory support to strengthen institutions and capacity to accelerate the absorption of EU funds. The third pillar envisages the complementary and selective provision of financing. In addition, the Bank's existing portfolio of lending operations is being realigned to expand support for Bulgaria's EU funds absorption priority.

Knowledge and advisory services will increasingly be provided through fee-based service arrangements. A MoU between the Government of Bulgaria and the World Bank (see below) provides a framework for these arrangements. These fee-based services would focus on sector strategies and on strengthening institutional capacity in the areas of transport, water, and social inclusion, among others, to improve EU funds management and implementation in the current financing cycle of 2007–13. They would scale up World Bank-financed knowledge and advisory services and also support preparation for the next financing period of 2014–20.

In sum, the CPS proposes a new business paradigm, tailored to Bulgaria's unique challenges within the European context. It consists of a large program of knowledge and advisory services, intended to be increasingly delivered through fee-based services, complemented by a modest lending program.

A major milestone was marked in the implementation of the CPS with the signing of the MoU on January 22, 2012. The MoU represents an important shift in the 20-year partnership between Bulgaria and the World Bank toward a greater focus on knowledge and advisory services to boost Bulgaria's absorption of EU funds and support the National Reform Program. By coordinating closely with the EC and partnering with other IFIs such as the EIB and EBRD, the World Bank not only supports Bulgaria's reform priorities, but also aims to accelerate the absorption of some €7 billion in EU grants that Bulgaria has at its disposal in the current EU programming cycle. In the first phase, the World Bank will deliver, on a cost-recovery basis, knowledge and advisory services in the areas of roads, water, railways, innovation, business regulation, and social inclusion.

The first two service agreements for the provision of World Bank advisory services in the development of the National Strategy for Water Supply and Sanitation and the upgrading of Bulgaria's national innovation system were signed on July 26, 2012. The agreement for the provision of fee-based knowledge and advisory services for the road sector is under preparation.

The IFC will comprise an important element of the World Bank Group strategy in Bulgaria. It will focus its private sector investments on renewable energy and climate change-related infrastructure and industries and social sector private investments, and selectively in agriculture. In the short-term, the IFC will address the impact of the crisis in Bulgaria by supporting the recovery of the private sector and reducing job losses.

Map of Bulgaria

BULGARIA: MUNICIPAL INFRASTRUCTURE DEVELOPMENT PROJECT

Approved: November 24, 2009
Effective: April 30, 2010
Closing: December 31, 2015
Financing in million US Dollars*:

Financier	*Financing*	*Disbursed*	*Undisbursed*
IBRD Loan	118.7	5.0	113
Government of Bulgaria	29.6		
Total Project Cost	**148.3**		

*** As of August 31, 2012**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

As an EU member since January 1, 2007, Government priorities include the rehabilitation and construction of water supply and sewerage networks to improve service delivery and reduce health risks, as well as waste water treatment systems in line with the EU directives. The project supports the objectives of the current National Strategy for Water Supply and Sewerage Management and Development, which foresees as priority investments the completion of eight water supply dams that were under construction but stopped due to lack of funds. Three of the eight dams (Luda Yana, Neikovtsi, and Plovdivtsi) are included in this project, and the fourth (Studena) is included for rehabilitation. At the end of the project, more than 140,000 Bulgarians in four municipalities will have a secure and reliable supply of quality water.

The Project Development Objective:

The long-term development goal of the project is to provide an uninterrupted supply of water to the communities in the project area. The specific project objectives are to: (a) improve the reliability and quality of water provision to the communities in selected settlements in the project area; and (b) assist municipalities in improving investment-planning capacity. These objectives are in line with Bulgaria's National Strategy on the Environment (2005–2014), which has a goal to "provide good quality and sufficient quantity of water for various purposes."

Key Expected Results and Current Achievements:

There are three components to the project: (i) project implementation support and consultant services associated with project implementation; (ii) preparation of regional master plans for water supply and sewerage systems (ViK systems) to cover the territory of Bulgaria, except the territory of Sofia; and (iii) completion and rehabilitation of water treatment plants and water supply dams in Luda Yana, Neikovtsi, and Plovdivtsi dams, and rehabilitation of the Studena dam that is currently operational and supplies water to the town of Pernik.

The regional Master Plans and the prioritization of short- to medium-term sector investment plans will lead to investments (funded by the EU and other sources) that will help Bulgaria meet EU directives in the water and wastewater sector and facilitate Bulgaria's economic and social integration into the EU. Thus, the project will significantly assist Bulgaria in meeting its commitments made under the *acquis* on environment.

Project implementation got off to a slow start, as the project's scope and implementation arrangements were changed and restructured in May 2011. All contracts under Project Implementation Support are expected to be awarded by end-2012. The Master Plans Component (contracts for the preparation of Master Plans were signed in December 2011) is being effectively supervised and is proceeding well. Sixteen percent of project funds have now been committed, but disbursement is still very low. Construction for the first dam and water supply system (Plovidtsi) is expected for June 2013, with the start of Studena Dam rehabilitation to be followed shortly thereafter.

Project Components after Restructuring (completed in May 2011)	**(EUR million with VAT)**
Component 1: Project Implementation Support	7.78
Component 2: Preparation of Master Plans	16.20
Component 3: Completion and Rehabilitation of Dams and Water Treatment Plants	77.02
Total	**101.00**

Key International Partners:

Close collaboration on sector dialogue is maintained with the European Commission (EC), the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and JASPERS (Joint Assistance to Support Projects in European Regions).

BULGARIA: ROAD INFRASTRUCTURE REHABILITATION PROJECT

Key Dates:
Approved: June 26, 2007
Effective: December 13, 2007
Closing: June 30, 2013
Financing in million US Dollars*:

Financier	*Financing*	*Disbursed*	*Undisbursed*
IBRD Loan	122.5	79	40.1
Government of Bulgaria	73.5		
Total Project Cost	**196**		

*** As of August 31, 2012.**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Bulgaria has a road network of over 41,000 kilometers that reaches all communities, including 19,000 kilometers classified as national republican roads and more than 21,000 kilometers of municipal roads. Only 36 percent of the country's population lives in large cities. The rest live mainly in medium- and small-sized towns or in rural areas, often separated by sparsely populated mountainous areas, and are therefore very dependent on road transport for their livelihoods. About one-third of the national road network is estimated to be in poor condition; the poorest conditions are found on the secondary roads. Furthermore, a considerable portion of the core national road network still needs to be upgraded to European technical and safety standards. Each year, nearly 1,000 people die and roughly 10,000 are injured in road accidents, and some may be permanently disabled. With close to 140 deaths per one million inhabitants, Bulgaria's road fatality risk is two times higher than the EU average.

The Project Development Objective is to assist Bulgaria in reducing road transport costs by improving the condition and quality of its road network during the first years of EU accession. The project objectives will be achieved by: improving the condition of selected roads in the national road network; enhancing the capacity of the Roads Infrastructure Agency (RIA) to adopt efficient planning policies and effective management of maintenance, rehabilitation, and construction programs; and assisting Bulgaria in articulating a road safety strategy that identifies priority activities to improve road safety.

Key Expected Results and Current Achievements:

- **Road rehabilitation component:** The rehabilitation and repair of selected Class I, II, and III roads across the country, totaling about 307 kilometers. Construction work has been completed on 245 kilometers, and is ongoing on about 62 out of a total 307 kilometers. At the end of the project, the rehabilitation will cover roughly: 117 kilometers of Class I roads, 127 kilometers of Class II roads, and 63 kilometers of Class III roads.
- **Road asset management system:** Bulgaria now has a functioning Road Management System—developed under the project—with all the key elements: software, hardware, data, and, more importantly, trained Bulgarian experts in the road laboratory and in RIA's headquarters. The road management and data systems are used to develop budget-constrained programs for the maintenance and rehabilitation of roads for the entire national road network using up-to-date data, to evaluate the efficiency and effectiveness of road programs, and transparently monitor the condition of road infrastructure. In particular, the Road Asset Management System was developed and extensive training provided to Bulgarian experts. Pilot performance-based maintenance contracts were also prepared. International experience shows that the cost to maintain and preserve road infrastructure could be reduced by 15–40 percent if the road agency had technical systems in place to monitor the condition and level of usage of road infrastructure, and if performance-based maintenance contracts were used.
- **Roads safety:** The Government, with support from the Word Bank, conducted a Road Safety Management Capacity Review and developed a Road Safety Improvement Action Plan. In addition, the project provided extensive training to Bulgarian experts on road safety. The Roads agency has hired consultants to design solutions to improve traffic safety at 25 "black spot" locations and the work, envisaged under the this activity is expected to start soon.
- **Support for increased absorption of EU funds:** A highway adviser has been hired to provide advice and assistance for the full and timely utilization of EU funds in the road sector in Bulgaria.

Key Partners: The Road Infrastructure Agency (RIA), which is the project implementing entity; the Ministry of Regional Development and Public Works (MRDPW), which is the parent ministry of RIA; the Ministry of Transport (MOT), which is responsible for transport policy. Road safety dialogue involves the following stakeholders, in addition to RIA, MRDPW, and MOT: the Traffic Police (Ministry of Interior), the Ministry of Health, and the Ministry of Education.

Key International Partners are the European Commission (EC), the European Investment Bank (EIB), and the European Bank for Reconstruction and Development (EBRD).

BULGARIA: SOCIAL INCLUSION PROJECT

Key Dates:
Approved: November 04, 2008
Effective: April 16, 2009
Closing: October 31, 2013
Financing in million US Dollars*:

Financier	*Financing*	*Disbursed*	*Undisbursed*
IBRD Loan	59	11.7	38.9
Gov't of Bulgaria/ESF	108.4		
Communities	34.4		
Total Project Cost	**201.8**		

*** As of September 4, 2012.**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Bulgaria entered the EU with a per capita income at only 37 percent of the EU average. Since analyses showed that one of the main sources of poverty is intergenerational transfer, and in order to speed up the convergence of living standards and provide equal opportunities for children, the Government, with World Bank support, launched the *Social Inclusion Project*. The project aims at the early-age inclusion of children from disadvantaged and poor families.

The Project Development Objective is to help children below the age of seven from poor and disadvantaged families, as well as children with disabilities, to prepare for school. Because of their social situation, many vulnerable children reach school age and go to school without the necessary preparation. They are therefore not on an equal footing with their peers and frequently drop out of school early. The project will improve their welfare by using early involvement mechanisms, safeguarding their health and education opportunities, and working with parents before the children reach school age. The project will target low-income and marginalized families (including children with a disability and other special needs), and will contribute to the sustainability of the school readiness program by supporting the absorption of European Social Fund financing.

Key Expected Results and Current Achievements:

- Improvements in the school readiness of children under age seven from low-income backgrounds and with a disability, measured through improvements in cognitive skills, as assessed by gains in school-readiness assessment tools. (?)
- Improvements in child welfare, measured by the increased enrollment of children under age seven from low-income and marginalized households (including children with a disability) in mainstream preschool, kindergarten, and child care centers in participating municipalities. Improved coverage and quality of child care services to low-income children and children with a disability below the age of seven, measured by increases in (i) the number of parents having completed parenting skills sessions, (ii) the number of children newly placed into kindergarten or child care facilities through the project interventions (including children with disabilities), (iii) the rate of inflow of children from poor and marginalized families into institutional care, (iv) the number of new child care places created through the project, and (v) the number of kindergarten and child care facilities staff having received training.

A few months after project effectiveness, a change of the project management mechanism was required, so actual project implementation was delayed. However, implementation has recently gained speed, evidenced by increased disbursement. Seventy municipal microprojects have been approved for financing with construction work on the required social inclusion infrastructure underway or completed in most locations. The active implementation of services for these microprojects will begin later in 2012, with the full-fledged implementation of services expected to take place by mid-2013.

Key Partners:
The World Bank team works closely with (i) the Ministry of Labor and Social Policy of the Republic of Bulgaria, which is responsible for overall policy setting as well as for project management; (ii) Ministry of Finance of the Republic of Bulgaria, which is the main partner on all World Bank loans; and (iii) the Ministry of Education, Youth and Science, Ministry of Health, the State Agency for Child Protection, the Social Assistance Agency, and other institutions and nongovernmental organizations that are stakeholders in the early inclusion and child care policies and process.
Key International Partners include the European Union, through its respective offices responsible for overseeing the financing from the European Social Fund.

BULGARIA: SECOND TRADE AND TRANSPORT FACILITATION PROJECT

Key Dates:
Approved: March 21, 2007
Effective: June 05, 2007
Closing: December 31, 2013
Financing in million US Dollars*:

Financier	*Financing*	*Disbursed*	*Undisbursed*
IBRD Loan	50.9	25.5	25.6
Government of Bulgaria	17.7		
Total Project Cost	**68.6**		

*** As of September 05, 2012.**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

The Second Trade and Transport Facilitation Project builds on Bulgaria's commitment to facilitate trade by improving the capacity, efficiency, and quality of services at selected EU border crossings, with a particular focus on the Trans-European Transport Network.

The Project Development Objective

The project promotes the improved physical infrastructure of the border crossings; more efficient customs formalities, facilities, and procedures; improved communications and sharing of relevant border crossing data; and the streamlining of operational procedures of the border crossing agencies.

The project is divided into four components:

Component 1: Improvement of the physical capacity of, and the working conditions at, selected EU external border crossings

Component 2: Construction of the access road to the border crossing point at Kapitan Andreevo

Component 3: Enhanced sharing of border crossing data and streamlined operational procedures of border crossing agencies

Component 4: Capacity building and support to project implementation

Key Expected Results and Current Achievements:

- Border crossing time for trucks at the key border crossing points reduced by about 39 percent over the past year compared to the revised 2010 baseline
- Improved physical infrastructure of selected border crossings
- More efficient customs formalities due to modern equipment, facilities, and procedures
- Improved access to Kapitan Andreevo border crossing point, and less heavy traffic in the village of Kapitan Andreevo due to construction of new access road to the border
- Improved communications and sharing of relevant border crossing data, and streamlining the operational procedures of the border crossing agencies
- Stakeholders' capacity building

Key Partners:

The World Bank team works closely with (i) Ministry of Finance (MoF), where the project implementing team is located; (ii) National Customs Agency (NCA); (iii) Border Police Directorate (BPD), which has an active role in the project, especially on selected Border Crossing Points (BCP); (iv) Road Infrastructure Agency (RIA), in particular with regard to all matters concerning the access road to Kapitan Andreevo BCP; and (iv) Ministry of Regional Development and Public Works (MRDPW), the parent ministry of RIA.

Key International Partners: The European Commission (EC).