

May 25, 2006

1. CAS Data**Country:** Bulgaria**CAS Year:** FY 2002**CAS Period:** FY2003 – FY2005**CASCR Review Period:** FY2003- FY2005**Date of this review:** May 25, 2006**2. Executive Summary**

The main objectives of the FY02 CAS were to (i) reduce poverty and raise living standards, and (ii) support Bulgaria's move towards EU accession. These were relevant objectives in view of Bulgaria's need to improve incomes and living standards and the widespread domestic support for EU accession. Poverty was reduced from 12.8% in 2001 to an estimated 6.4% in 2005, while the rate of unemployment decreased from 19.7% to 9.9% and GDP increased by an average of 5.1% per year from 2000 to 2005. Bulgaria and the EU have tentatively closed all 31 chapters of the *Acquis Communautaire*. However, further progress is needed in several areas, especially anti-corruption efforts, judicial reform, and crime control, and accession may be postponed from the current target year of 2007 to 2008. The CAS strategy to achieve its objectives was organized around three themes: (i) promoting competitive private sector-led growth, (ii) strengthening public administration and anti-corruption measures, and (iii) investing in human capital and strengthening social protection.

The CAS projected IBRD lending for FY03-05 at \$750 million, with \$450 million for three Programmatic Adjustment Loans (PALs) and \$300 million for 7 investment loans. All of the PALs were implemented on schedule, but only three investment loans were implemented (all in the first year of the CAS) for only \$118.4 million, as the government declined to accept further investment lending. Twelve AAA tasks were projected, of which 10 were implemented (although the focus was changed for two of these), while one slipped beyond the CAS period, and one was dropped. In addition, 16 new AAA tasks were added. Most of these were to address operational issues related to adjustment and other lending while others were designed to help resolve EU accession issues.

The outcome of 83.3 % of loans (by number) exiting the portfolio during FY03-05 was rated satisfactory by IEG, with Institutional Development Impact (IDI) rated substantial for 66.7%, and sustainability likely for 83.3%. These ratings were on a par with ECA averages but better than Bank-wide averages. According to QAG ratings, only one of the eight ongoing projects is rated at risk.

A QAG review of 10 AAA products found them to be of good quality, but that they would have benefited from strengthened in-country discussion and dissemination.

Seven IFC loans for Bulgaria were approved during the CAS period but are not discussed in the CASCR.

The CASCR concludes that the two overall objectives of the CAS were met, and this Review concurs. The CASCR evaluates the implementation and outcome of the CAS more concretely in terms of the three CAS themes stated above. The CASCR rates implementation of the first two themes as having substantial achievement and the third theme as having only partial achievement. Similarly, this CASCR Review rates implementation of the first two themes as having substantial achievement but the last as having only modest achievement. Both the CASCR and this Review rate the outcome of the overall program as satisfactory and also rate overall Bank performance as satisfactory.

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The Bulgaria CAE (FY02) recommended that the Bank focus on the key areas for EU accession and where it has a clear comparative advantage, and, related to ongoing work, to (i) complete the ongoing public expenditure review in partnership with the Government to help build capacity to prioritize public investments; (ii) complete the poverty assessment update to help in targeting social assistance and inform strategy and policy design, and should also build government capacity for regular monitoring of poverty, and (iii) clarify the mandate and functions of different regulatory bodies. Each of these recommendations was included in the CAS and implemented with satisfactory results. However, a new poverty assessment update should have been implemented at the end of the CAS period (FY05) to better monitor results of the program.

For the future, the key lessons of this CASCR Review are that: (i) the Bank should refrain from pursuing lending operations which are not fully supported by the government; (ii) some flexibility to modify the non-lending program is desirable to accommodate AAA work that may be needed for EU accession, but dissemination should be built into all AAA tasks which has not always been the case in the past; (iii) care should be taken not to backload any future DPLs; and (iv) a review of IFC programs should be included in a CASCR for countries with active IFC programs. Difficult policy areas, such as education and health, should be addressed upfront to ensure that feasible and timely programs can be formulated and implemented.

3. CASCR Summary

Overview of CAS Relevance:

- The main objectives of the FY02 CAS were to: (i) reduce poverty and raise living standards, and (ii) support Bulgaria's move towards EU accession. The CAS was organized around the following themes to achieve these objectives: (a) promote competitive private sector-led growth; (b) strengthen public administration and anti-corruption initiatives; and (c) invest in human capital and strengthen social protection.
- The key issues:
 - These objectives directly supported the government's objectives, which were to move Bulgaria closer to EU accession, by: (i) sustaining economic growth through creation of an investment climate that promotes private sector investment, restructuring, and productivity, and (ii) reduce poverty and create employment through empowerment of the population, especially the poor, to participate in economic growth.
 - The objectives were relevant in view of Bulgaria's need to meet EU standards. The Government strategy was to base growth on private sector development, aided by a strengthened public administration, an anti-corruption program, and improved human capital and strengthened social protection. The EC has accepted Bulgaria as a candidate for membership but because further strengthening is needed in these areas and also in crime control, an area not directly addressed by the Bank, the EU has set 2007, or as may be more likely, 2008, as the target for accession.
 - The Bulgaria CAE (FY02) recommended that the Bank focus on areas which are important to EU accession and where it has a clear comparative advantage: (i) *Public Sector*. Complete the ongoing public expenditure review in partnership with the Government to help build capacity to prioritize public investments. Assess with other stakeholders the steps that have been taken to strengthen the public financial accountability institutions. (ii) *Poverty Alleviation*. Complete the poverty assessment update which should help in targeting social assistance and inform strategy and policy design, and should also build government capacity for regular monitoring of poverty. (iii) *Energy*. Reinforce the sustainability of recent institutional reforms by clarifying the mandate and functions of different regulatory bodies. These recommendations were accepted and implemented.

- Other issues:
 - The strategy and objectives of the CAS were generally realistic, especially those linked to implementation of the Programmatic Adjustment Loan (PAL) program to which the government fully ascribed. However, Bank management limited adjustment lending to 60% of the total lending program, and a number of the investment loans for FY04-05 did not appear to have full support by the government. The non-lending program proposed in the CAS was realistic;
 - Projected outcomes were realistic, especially macro indicators concerning growth (investment, fiscal balance, etc.) performance indicators in terms of triggers to stay in the Base CAS, as well as performance indicators for the PAL series of loans. Performance indicators were not required at that time for the CAS program as a whole.
 - The CAS strategy was fully consistent with government priorities, and it effectively complemented the government's program;
 - Lending and non-lending assistance programs were consistent with strategy;
 - Triggers for the base case, which included the PALs, were frequently defined in terms of "satisfactory progress" rather than specific achievements, leaving room for some ambiguity as to whether they were achieved or not.

Overview of CAS Implementation:

- Overall lending volumes fell short of CAS projections by a substantial amount. The CAS projected IBRD lending for FY03-05 of \$750 million, whereas actual IBRD lending came to US\$543.4 million (GEF and PCF lending was not projected in the CAS, but came to US\$17 million), an implementation rate of 72%. While 100% of projected lending was delivered in FY03, only 53% of projected lending was delivered in FY04/05.
 - The three programmatic adjustment loans were projected for \$150 million each, or a total of \$450 million. PAL I and III were implemented as projected. However, a \$25 million tranche of PAL II relating to the privatization of Bulgartabac was cancelled.
 - Seven investment loans were projected for a total of \$300 million. Only three were implemented for a total of \$118.4 million, all during the first year of the CAS, and none of the four investment loans projected for the last two years of the CAS were implemented. Dropped investment operations included Rural Finance, Education Modernization APL, Municipal/Community Social Services, and Forestry.
 - Concerning quality, of the six loans which exited the portfolio from FY03-05, outcomes of five (83.3%) were rated satisfactory, with 66.7% substantial IDI, and 83.3% likely sustainability. This record is on a par with that of ECA but better than Bank-wide averages (which are 79% satisfactory outcomes, 55% substantial IDI, and 78% likely sustainability). Of the ongoing portfolio, 1 out of 8 projects is rated at risk according to QAG ratings, slightly worse than "benchmark" countries of Eastern Europe (see Annex 4), and slightly higher than ECA (8.7%), but better than the Bankwide average of 16.8%. QAG assessments show that the deficiencies in supervision which had been observed in earlier projects have been corrected and rated supervision in ongoing projects satisfactory or highly satisfactory.
 - AAA implementation substantially exceeded planned AAA. Of the twelve AAA tasks projected FY03-05, eight were implemented as foreseen, two were implemented but with changed emphasis (proposed agriculture sector note was changed to a rural development assessment, and the proposed Transport Strategy Paper changed to Infrastructure and Energy Sector Review), while the CEM was only completed in FY06, and one task was dropped (Gender, Age, and Ethnicity Assessment).
 - In addition to these eleven AAA tasks, sixteen AAA tasks were added to the program and implemented during FY03-05. These tasks were generally well targeted to support priority reforms and projects. For example, the Infrastructure and Energy

Sector Strategy Review (FY03) informed PAL benchmarks, and a Public-Private Infrastructure Advisory Facility (PPIAF) task helped in the establishment of a Water Regulator. In addition to these AAA tasks, six (semi-annual) joint portfolio reviews were implemented.

- AAA tasks were generally well targeted. QAG evaluation of ten of the tasks assigned an overall rating of satisfactory to nine of them with good ratings for strategic relevance, internal quality and likely impact. However, it also found that dialogue and dissemination was not satisfactory for three of the tasks.
- The CAS included 14 triggers to stay in the Base Case (there was no high case). The 6 triggers pertaining to structural reform and the 3 triggers pertaining to social sustainability were defined in terms of "satisfactory progress" towards an objective. One trigger was waived which had called for the implementation of an action plan based on the previous CPAR. This was reasonable since Bulgaria decided to align its procurement system with EU standards. In addition, the two portfolio performance triggers for the base case were not met during the first two years of the CAS period, but Bank management decided to waive them in light of Bulgaria's strong performance vis-a-vis the other Base Case triggers which were met.
- There were no specific issues concerning safeguards or fiduciary matters

Overview of Achievement by Objective:

A. Overall Objectives:

1. Poverty reduction and improved living standards. Substantial Achievement.

The CAS proposed to monitor the following four overall outcomes, for which progress was satisfactory:

- (i) per capita national income growth. GDP per capita growth at 5.8% per year for 2002-2005 surpassed the goal (set out in the PAL program) of 4.5-5.0%.
- (ii) reduction in the share of long-term unemployment (defined as unemployed looking for a job for more than a year/all unemployed looking for a job). This actually increased from 63.2% in 2001 to 65.8% in 2002 and 66.3 % in 2003 before declining to 60.0% in 2004 and 60.2% in 2005.
- (iii) level of total unemployed. The level of total unemployment dropped from 19.7 percent of the labor force in 2001 to 11.8 percent in 2004 and to 9.9 percent for 2005, thus surpassing the goal (set out in the PAL program) of 12-14%.
- (iv) reduction in the poverty rate. The poverty rate is estimated to have declined from 12.8% in 2001 to about 6.4% in 2005, but this estimate is based on a model rather than direct evidence. While this was best that could be done in the absence of an updated survey or poverty assessment, conclusions about poverty reduction can only be tentative in the absence of more direct data.

2. EU Accession. Substantial Achievement.

Bulgaria is defined by the EU as an acceding country, with accession expected in 2007 or 2008. Negotiations have been tentatively closed on all 31 *acquis communautaire* chapters and the EU's 2005 Comprehensive Monitoring Report for Bulgaria notes that Bulgaria has reached a considerable level of alignment with the *acquis communautaire* in most policy areas and achieved a functioning market economy. The Report also notes that continuation of Bulgaria's current reform path should enable it to meet the competitive pressures of the EU and function well as a member state. However, it also notes some areas of concern where progress still needs to be made, including labor market flexibility, the current account deficit, public administration, justice systems, and the fight against corruption and crime. Continued

attention to these issues will be important in achieving accession.

B. Intermediate Objectives:

1. Promoting Competitive Private Sector-Led Growth – Substantial Achievement.

(i) The role of the state was rationalized as more than 80% of SOEs in which government had a majority control in 2002 were sold or liquidated. The major shortcoming was the failure to privatize Bulgartabak (causing the cancellation of the PAL II floating tranche). Energy intensity was reduced by 10 % from 2001 to 2004 with further reductions likely to have occurred in 2005. Energy prices are now at cost recovery levels. A new Energy Act consistent with EU energy directives introduced an improved legal and regulatory framework, and the institutional capacity of the Energy Regulatory Commission was improved, as recommended in the CAE. The railway sector was restructured with substantial institutional reforms which allowed operating subsidies to decline from 0.5% of GDP to 0.2 %. However, the railway labor force was only reduced by 13%, short of the target reduction of 20%. The telecommunications sector was successfully liberalized and 94% of households with telecom services have internet access. Progress was slower in modernizing the water sector. While a reduction was achieved in the water companies' operating ratio (the extent to which operating costs are covered by revenues) from 90% in 2002 to 88% in 2004, it is unlikely that the target of 86% at end 2005 was reached. A new Environmental Protection Act was implemented, but only seven environmental permits under the new framework had been issued by the end of 2004, and progress in issuing environmental permits will need to be sharply accelerated if goal of covering all relevant enterprises (approximately 225) is to be met by 2007. The proposed forestry project was not implemented. It would have addressed forestry restitution, forest fire protection, improved forest management and promoted the adoption of modern standards consistent with EU requirements (which was, however, achieved without the project).

(ii) Most centrally planned regimes for licensing, permission and registration were eliminated or modified. The regulatory quality for Bulgaria increased substantially according to World Bank Governance Indicators, as did the Government's business service delivery, according to the EBRD-World Bank *Business Environment and Enterprise Performance Survey* (BEEPS). The Commercial Code was amended to improve the insolvency regime and accelerate resolution of insolvency cases.

(iii) The Labor Code was not improved to allow for more flexibility in labor regulations (severance payments, etc.). Although this has been a PAL III trigger, it was replaced by a benchmark calling only for consultations, which was met.

(iv) The legal framework for lending was improved, banking reform completed, financial markets improved as was the regulatory framework for private pension funds. 98% of bank assets have been privatized, as has been 100% of the insurance sector. The legal framework has been strengthened against terrorist financing and money laundering. As the proposed FY04 Rural Finance Loan was dropped, the CAS objective of improving the rural financial system further was not achieved (which would have focused both on banks and non-banking institutions, supporting policy and institutional reforms, and dealing with the associated regulatory risks).

(v) For sustainability of growth, attention needs to be paid to credit expansion and the current account deficit. Credit to the private sector has increased from 15% of GDP in 2001 to an estimated 37% in 2004, and M2/GDP increased from 42% in 2001 to 53% in December 2004. Indeed, the IMF is concerned about the rapid increase in private sector credit and direct controls are being instituted to limit further growth. The current account deficit increased from 5.8% of GDP in 2004 to 11.6% of GDP in 2005. FDI inflows have facilitated the financing of this deficit to date and the IMF program with Bulgaria supports reforms to address this issue.

2. Strengthen Public Administration and Anti-Corruption Measures – Substantial Achievement.

(i) The public administration capacity for reform management was improved as 84 civil servants were added to staff of Minister responsible for public administration and Civil Service and the regional administrations. The competitiveness, depolitization, and merit pay of the civil service was strengthened, as 100% of new recruitment exercises for civil servants in 2004 was conducted through external recruitment process in accordance with new requirements, civil service pay increases exceeded private sector increases thereby reducing the gap between them, and increases for higher level civil servants were even higher thereby improving prospects for retaining key personnel. Some progress was made in rationalizing government structures based on extended functional reviews in seven ministries and six regional administrations. The FY03 Revenue Administration Reform Project supported a new revenue collection system which complies with EU accession requirements and facilitates private sector development. Service delivery improved with the introduction of competitive contracting for delivery of various public services (including construction supervisors and local water and garbage collection). Accountability and transparency were increased as anti-corruption public councils were established in 21 of 28 regional administrations. There has been a large increase in requests for public information which are being met. Smuggling and corruption were reduced in border trade with improvements supported by the Bank's Trade and Transportation Facilitation in SE Europe project. The percentage of businesses reporting customs bribes to be a problem decreased from 26% to 16%, according to the BEEPs survey.

(ii) Public expenditure management is improving. Performance indicators and targets for pilot ministries were published in the 2005 budget. A Medium Term Fiscal Framework (MTFF) was developed with the 2005 budget and is being refined with the objective to use the MTFF as the basis for the 2007 budget. Procurement mechanisms are being reformed to meet EU criteria. Multi year budgeting introduced is being introduced and budgeting for recurrent expenditure and capital investment are being integrated.

(iii) Accountability of the judiciary was to be improved with the formation of a standing commission in the Supreme Judicial Council to address corruption within the judiciary. However, according to BEEPs, the percentage of businesses reporting a problem with the functioning of the judiciary has declined only slightly from 2002 to 2005.

3. Investing in Human Capital and Strengthening Social Protection – Modest Achievement

(i) Little has been done to improve the governance, efficiency, quality, and equity of the education system. Public expenditure on education increased despite a shrinking school age cohort and overall budget constraints. Further, even with the shrinking school age cohort, student/teacher ratios increased. Non-attendance rates for 7-18 year olds from the poorest quintile decreased by 20 percentage points from 2001 to 2003. An objective was for 40% of Roma students to be integrated into mainstream schools. Desegregation of Roma schools was adopted in 2005 as state policy, to be implemented over a ten-year period, so this objective will not be met until well after the CAS period. Note that the Education Modernization APL Phase II project proposed in the CAS was one of the dropped projects.

(ii) Concerning health care, life expectancy has increased. A national tobacco control program was implemented and funded by earmarking one percent of the tobacco excise tax. Administrative costs of the National health Insurance Fund were limited to three percent of total expenditures. However, the proposed restructuring of the Health Ministry and the development of a sector strategy were not achieved. Bulgaria has not made much progress in dealing with ownership and management of hospitals, financial sustainability of its health insurance system, defining the role and development of private supplementary health insurance, and defining the role of social assistance in health care.

(iii) Regarding pension reform, legislation was enacted to establish a benefits indexation formula, including maximum and minimum benefits, and other measures to improve fiscal sustainability of the pension system. Social assistance programs were improved, partly based on the Bank's FY02 Poverty Assessment, as the share of funds channeled to the poorest quintile increased from 60% to 75% for the Guaranteed Minimum Income (GMI) program and increased from 47% to 54% for energy subsidies. The Child Welfare Loan (initiated prior to the CAS period and due to close in FY06) assisted in reducing the number of institutionalized children by promoting family and community based alternatives.

Achievement of CAS Objectives			
Objectives	CASCR Rating	IEG Rating	Explanation / Comments
I- Overall Objectives:			
A- Poverty Reduction and improved living standards	Achieved	Satisfactory	There is some evidence of poverty reduction but no hard data. Other evidence (such as reduced unemployment) is important in justifying a rating of "Satisfactory".
B- Progress towards EU Accession	Achieved	Satisfactory	
II- Intermediate Objectives			
A- Promoting Competitive Private Sector-Led Growth	Achieved	Satisfactory	While there were some shortfalls (privatization of Bulgartabac, meeting targets to reduce energy intensity, railroad employment, and reform labor code), these are offset by progress in a number of areas including the overall program to privatize SOEs, reform telecommunications, support private sector development, and other reforms.
B- Strengthen Public Administration and Anti-Corruption Measures	Achieved	Satisfactory	Although the intermediate objectives under this CAS were achieved, this is still an area which has been identified by the EU as needing further progress.
C- Investing in Human Capital and Strengthening Social Protection	Partly Achieved	Moderately Unsatisfactory	Shortfalls in key areas such as education and health indicate a rating of "moderately unsatisfactory".

Comments on Bank Performance:

- The Bank's strategy and interventions were relevant. However, the strategy was not realistic in that 40% of proposed lending was investment lending of which the government accepted only 39% (by value), reportedly due to a lack of consensus between the Ministry of Finance and line ministries. In any case, there was not a clear understanding between the Bank and the government on the country's borrowing priorities.
- AAA was adequate and covered a large number of key areas, including a number of tasks added during CAS implementation. These additions were well-designed and supported

- lending operations as well as supporting progress in key areas needed for EU accession. However, QAG noted that dissemination was not adequate for a number of AAA products;
- AAA was fully consistent with and supportive of lending, especially for a range of issues addressed by the PALs;
 - Supervision was of high quality. The PAL program was implemented on schedule and with generally good results. Project outcomes for projects exiting the portfolio were in line with ECA averages and above average Bankwide. The quality of the ongoing portfolio is slightly higher than average for ECA but lower than the Bankwide average.
 - Donor coordination needs further strengthening with the government needing to take a more active role, in conjunction with the EU;
 - Adequate attention appears to have been given to safeguard and fiduciary issues.

4. Overall IEG Assessment

Outcome:	<i>Satisfactory</i>
Bank Performance:	<i>Satisfactory</i>
<p>The outcome of the program is rated satisfactory based on the substantial achievement of the overall CAS objectives and of two of the three intermediate objectives. Bulgaria has clearly benefited from the implementation of the CAS program.</p> <p>Bank performance is rated as satisfactory based on the identification and intensive supervision of adjustment lending and the well-targeted AAA program.</p>	

5. Assessment of CAS Completion Report

- The CASCR covers progress towards meeting the CAS objectives quite thoroughly and is consistent with the material as presented in the CAS. The CASCR has a strong focus on outcomes and for most objectives clearly states what was achieved and what was not achieved. Performance indicators, while lacking in the CAS, are a strong feature of the PALs and the CASCR draws on this to give a good picture of progress under the assistance program.
- The CASCR notes that the Government was not in favor of investment lending, but does not fully explain how the program was formulated with such a large investment lending component which was not wanted by the government. Management has noted that the problem arose due to lack of consensus between the line ministries and the Ministry of Finance. The CASCR could have discussed this more clearly with a view to avoiding any recurrence in the future.
- The CASCR should have reviewed IFC's program for Bulgaria.
- IEG is in agreement with lessons of CASCR, especially concerning the importance of better monitoring indicators in CASs and the need for better dissemination of AAA products.

6. Findings and Lessons

- The Bank should refrain from including lending operations in a CAS which are not fully supported by the Government as being of high priority and should obtain firm commitments in developing the lending program.
- Dissemination should be built into the design of AAA products to ensure that full value is derived from each activity.
- Backloading politically difficult components of DPLs may reduce the incentive for the government to pursue important reforms. The education and health components of the PALs had largely disappointing outcomes which may have resulted from being overshadowed by the other components of the PALs. Bringing these reform agendas to the fore in future DPLs may be useful in building a strong constituency for such reforms.

Annex Table 1. Planned and Actual Lending for Bulgaria, FY03-05

Annex Table 2. Planned and Actual Analytical and Advisory Work, FY03-05

Annex Table 3: IEG Project Ratings for Bulgaria, FY03-05

Annex Table 4: Portfolio Status Indicators by FY00-05

Annex Table 5: IBRD/IDA Net Disbursements and Charges Summary Report for
Bulgaria(US\$ Million))

Annex Table 6: Total Net Disbursements of Official Development Assistance and Official
Aid CY 2000-2004 (US\$ million)

Annex Table 7: Economic and Social Indicators, 2000 – 2005

Annex Table 8: Bulgaria - Millennium Development Goals

Annex Table 1. Planned and Actual Lending for Bulgaria, FY03-05

IBRD, GEF, and PCF Lending

Project Name	Proposed FY	Approved FY	Proposed Amount		Approved Amount		Objective
			IBRD	GEF and PCF	IBRD	GEF and PCF	
Social Investment and Employment Promotion (SIEP)	2003	2003	50.0		50.0		c
District Heating	2003	2003	30.0		34.2		a
Programmatic Adjustment Loan I (PAL I)	2003	2003	150.0		150.0		a
Revenue Administration Reform ^{1/}	2004	2003			34.2		b
GEF Medium Size Project for Wetlands Conservation ^{2/}	2003	2002		n/a			-
Subtotal FY03			230.0	n/a	268.4	-	
Revenue Administration Reform ^{1/}	2004	2003	40.0				c
PAL II	2004	2004	150.0		125.0 ^{3/}		a
Rural Finance	2004	Dropped ^{4/}	60.0				a
<i>Additional</i>							
<i>PCF Wood Residue to Energy</i>						1.8	a
Subtotal FY04			250.0	-	125.0	1.8	
Education Modernization APL Phase II	2005	Dropped	30.0				c
PAL III	2005	2005	150.0		150.0		a
Municipal/Community Social Services	2005	Dropped	60.0				c
Forestry	2005	Dropped	30.0				a
GEF Energy Efficiency	2005	2005		n/a		10.0	a
GEF Forestry	2005	Dropped		n/a			a
PCF Afforestation	2005	Dropped		n/a			a
<i>Additional</i>							
<i>GEF Medium Size Project for Lake Pomorie</i>						0.9	a
<i>PCF District Heating</i>						4.3	a
Subtotal FY05			270.0	n/a	150.0	15.2	
Total FY03-05			750.0	n/a	543.4	17.0	

1/ Advanced from FY04 to 2003

2/ Advanced to FY02

3/ Net of \$25 million 2nd tranche cancellation

4/ Replaced by Rural Development (\$50 million for FY06 delivery), which was then dropped.

Objectives: a/ Promoting Competitive Private Sector-Led Growth; b/ Strengthening Public Administration and Anti-Corruption Initiatives; c/ Mitigating the Social Impact of Restructuring and Delivering Social Services More Effectively.

Source: Bulgaria CAS 2003, CASCR 2006, and WB Business Warehouse as of March 10, 2006.

Annex Table 2. Planned and Actual Analytical and Advisory Work, FY03-05

CAS PLANS (May 31, 2002)		COMPLETION REPORT	
Planned Product		Status	
FY2003			
Pension Reform Note		Completed in FY04	
Environmental Sequencing Study ¹		Completed in FY04	
National Energy Efficiency Study		Actual	
Service and Fiscal Decentralization Note ²		Actual	
Country Financial Accountability Assessment		Actual	
		<i>Completion advanced from FY04: IDF for Integration of Ethnic Minorities</i>	
		<i>Completion advanced from FY05: Energy TA for EU Accession</i>	
		<i>Additional Actual Products:</i>	
		Infrastructure and Energy Strategy Review	
		Telecom Regulator Capacity Enhancement TA	
		PPIAF – New Gas Distribution Networks	
		FSAP Follow-Up TA	
		Public Debt TA	
		Sofia City Development Strategy	
		ROSC Accounting and Auditing Assessment	
FY2004			
CEM Update – Fiscal Impact of EU Accession ³		Completed in FY06	
Private Sector Assessment TA		Actual	
Transport Strategy Paper		<i>Replaced by FY03 Infrastructure and Energy Strategy Review</i>	
IDF: Integration of Ethnic Minorities		<i>See FY03 above</i>	
		<i>Additional Actual Products:</i>	
		Country Procurement Assessment Report	
		Survey on Rural Development Needs	
		Financing for Water and Wastewater Sector	
		Motorways Study	
		Cities of Change TA	
		JSDF: Child Dev. in Disadvantaged Communities	
FY2005			
Gender, Age and Ethnicity Assessment		Dropped	
Agriculture Sector Note		<i>Replaced by FY04 Rural Dev. Assessment</i>	
Energy TA for EU Accession		<i>See FY03 above</i>	
		<i>Additional Actual Products:</i>	
		Greening Assigned Amount Units (Hot Air) Study	
		Road Investment Financing Options Policy Note	
		Water Workshop TA	
		PPIAF: Establishment of Water Regulator	

1 Product title changed to Environmental Sequencing Strategies for EU Accession.

2 Product title changed to Issues in Intergovernmental Relations.

3 Product title changed to CEM – Policies for Growth.

Source: Bulgaria CASCR 2006, Business Warehouse, IRIS, and Integrated Controller's System

Annex Table 3A: IEG Project Ratings for Bulgaria, FY03-05

Project ID	Approval FY	Exit FY	IEG Outcome	IEG Sustainability	IEG ID Impact
WATER COMPANIES REST	1994	2003	MODERATELY SATISFACTORY	LIKELY	MODEST
ENV REM PILOT	1998	2003	SATISFACTORY	HIGHLY LIKELY	SUBSTANTIAL
PAL	2003	2003	SATISFACTORY	LIKELY	SUBSTANTIAL
EDUC MOD (APL #1)	2001	2004	UNSATISFACTORY	UNLIKELY	NEGLIGIBLE
ENV/PRIV SUPPORT SAL	2000	2004	SATISFACTORY	HIGHLY LIKELY	SUBSTANTIAL
PAL 2	2004	2005	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL

Annex Table 3B: IEG Project Ratings for Bulgaria and Comparators

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	Inst Dev Impact % Subst (\$)	Inst Dev Impact % Subst (No)	Sustainability % Likely (\$)	Sustainability % Likely (No)
Bulgaria	568.7	6	97.9	83.3	90.0	66.7	97.9	83.3
Benchmark countries ^{1/}	707.7	18	96.9	87.5	96.5	75.0	100.0	100.0
ECA	9,987.0	176	87.7	83.6	70.3	60.8	91.6	87.9
Bankwide average	63,010.3	781	83.0	78.5	60.9	54.7	83.3	78.0

^{1/} Includes Slovenia, Slovak Republic, Poland, Lithuania, Latvia, and Estonia. Excludes Hungary and Czech Republic.

Source: WB Business Warehouse Tables 4a.5 and 4a.6 as of March 10, 2006.

Annex Table 4: Portfolio Status Indicators by FY00-05

Country	Fiscal Year					
	2000	2001	2002	2003	2004	2005
<u>Bulgaria</u>						
# Proj	10	12	8	9	8	8
# Proj At Risk	0	0	0	2	1	1
% At Risk	0.0	0.0	0.0	22.2	12.5	12.5
Net Comm Amt (\$ million)	437.0	441.4	245.9	291.4	377.1	377.1
Comm At Risk (\$ million)	0.0	0.0	0.0	77.7	30.0	30.0
% Commit at Risk	0.0	0.0	0.0	26.7	8.0	8.0
<u>Slovak Republic</u>						
# Proj			2	3	4	5
# Proj At Risk			0	0	0	0
% At Risk			0.0	0.0	0.0	0.0
Net Comm Amt (\$ million)			200.8	206.3	104.3	110.7
Comm At Risk (\$ million)			0.0	0.0	0.0	0.0
% Commit at Risk			0.0	0.0	0.0	0.0
<u>Poland</u>						
# Proj	14	14	11	10	10	10
# Proj At Risk	1	0	1	1	2	0
% At Risk	7.1	0.0	9.1	10.0	20.0	0.0
Net Comm Amt (\$ million)	1,600.0	1,380.1	1,063.7	996.7	1,160.2	1,232.5
Comm At Risk (\$ million)	22.0	0.0	160.0	160.0	76.7	0.0
% Commit at Risk	1.4	0.0	15.0	16.1	6.6	0.0
<u>Croatia</u>						
# Proj	11	12	11	10	12	11
# Proj At Risk	2	2	0	0	5	0
% At Risk	18.2	16.7	0.0	0.0	41.7	0.0
Net Comm Amt (\$ million)	580.2	516.2	518.2	488.1	495.2	425.3
Comm At Risk (\$ million)	196.0	137.3	0.0	0.0	188.0	0.0
% Commit at Risk	33.8	26.6	0.0	0.0	38.0	0.0
<u>Benchmark countries ^{1/}</u>						
# Proj	44	38	32	30	25	20
# Proj At Risk	4	1	1	2	3	0
% At Risk	9.1	2.6	3.1	6.7	12.0	0.0
Net Comm Amt (\$ million)	2,361.3	1,930.8	1,579.1	1,488.4	1,478.2	1,459.0
Comm At Risk (\$ million)	214.1	36.2	160.0	162.0	96.7	0.0
% Commit at Risk	9.1	1.9	10.1	10.9	6.5	0.0
<u>ECA</u>						
# Proj	293	291	286	288	285	276
# Proj At Risk	53	36	56	22	50	24
% At Risk	18.1	12.4	19.6	7.6	17.5	8.7
Net Comm Amt (\$ million)	20,002.1	15,869.1	15,719.9	14,800.4	14,383.0	15,675.5
Comm At Risk (\$ million)	5,926.1	2,491.3	3,332.7	1,246.7	2,507.9	1,413.0
% Commit at Risk	29.6	15.7	21.2	8.4	17.4	9.0
<u>Bankwide average</u>						
# Proj	1,505	1,457	1,428	1,395	1,346	1,332
# Proj At Risk	231	184	272	218	228	224
% At Risk	15.3	12.6	19.0	15.6	16.9	16.8
Net Comm Amt (\$ million)	116,163.6	106,640.7	102,601.3	94,772.5	92,554.3	93,211.7
Comm At Risk (\$ million)	18,862.9	12,539.2	17,385.4	14,141.5	14,742.1	12,552.7
% Commit at Risk	16.2	11.8	16.9	14.9	15.9	13.5

^{1/} Includes Slovenia, Slovak Republic, Poland, Lithuania, Latvia, Hungary and Estonia. Excludes Czech Republic
Source: WB Business Warehouse Table 3a.4 as of March 10, 2006.

Annex Table 5: IBRD/IDA Net Disbursements and Charges Summary Report for Bulgaria(US\$ Million)

Fiscal Year	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
2000	243.8	24.3	219.6	0.3	0.0	219.2
2001	47.4	29.2	18.1	24.4	0.5	-6.7
2002	91.0	33.1	57.9	42.0	1.3	14.6
2003	188.5	43.9	144.7	41.1	2.6	101.0
2004	51.2	56.2	-5.0	38.2	1.4	-44.6
2005	190.3	94.6	95.7	39.6	1.5	54.6
Total (FY00-05)	812.3	281.4	530.9	185.6	7.2	338.1

Source: WB Loan Kiosk, Net Disbursements and Charges Report as of March 10, 2006

Annex Table 6: Total Net Disbursements of Official Development Assistance and Official Aid CY 2000-2004 (US\$ million)

Donors	Calendar Years				
	2000	2001	2002	2003	2004
Austria	0.88	8.11	9.41	11.49	9.94
Belgium	0.29	0.29	0.2	0.2	0.96
Canada	0.18	0.42	1.3	2.06	1.68
Czech Republic	-	0.18	0.23	0.07	0.05
Denmark	2.12	4.6	3.29	4.43	2.39
Finland	0.02	0.01	-	-	-
France	10.21	10.95	14.92	19.8	24.69
Germany	29.08	37.09	49.17	89.59	106.49
Greece	2.01	1.6	4.77	5.79	11.34
Hungary	-	-	-	0.16	0.16
Ireland	0.05	0.02	0.09	0.02	-
Italy	6.17	0.5	-	1.4	0.99
Japan	20.73	48.4	36.73	25.18	28.69
Korea	0.13	0.49	0.36	0.23	0.79
Lithuania	-	-	-	0	-
Luxembourg	0.09	0.05	0.16	0.01	0.01
Netherlands	0.67	4.31	7.92	5.96	3.5
Norway	0.01	0.07	0.53	0.77	1.16
Poland	0.46	0.35	0.37	0.35	0.31
Portugal	0.08	0.03	0.08	0.01	0.08
Slovak Republic	-	-	0.04	0.07	0
Spain	3.05	0.6	0.53	0.68	0.52
Sweden	0.25	0.15	0.21	0.22	0.8
Switzerland	7.44	11.19	5.43	9.98	10.88
Turkey	0.53	1.18	1.16	1.29	11.19
United Kingdom	4.55	5.25	6.95	3.87	2.95
United States	119.16	39.79	47.53	44.62	38.88
EBRD	0.08	2.02	2.88	2.34	2.52
EC	95.34	165.04	129.3	179.95	354.67
GEF	3.96	0.04	0.42	0.29	1.1
UNDP	0.83	0.65	0.7	0.68	0.64
UNTA	0.74	0.79	0.88	1.42	0.92
UNHCR	0.72	0.87	0.88	0.77	0.93
Other UN	0.02	0.03	0.27	0.07	0.04
UNFPA	0.07	0.13	0.16	0.19	0.27
Arab Countries	-	0.23	0.08	5.37	2.42
Other Bilateral Donors	1.2	0.59	0.55	0.44	0.47
DAC Countries	207.04	173.43	189.22	226.08	245.95
Multilateral	101.76	169.57	135.49	185.71	361.09
G7	190.08	142.4	156.6	186.52	204.37
EU Members	59.52	73.56	97.7	143.47	164.66
Non-DAC Bilateral Donors	2.32	3.02	2.79	7.98	15.39
ALL Donors	311.12	346.02	327.5	419.77	622.43

Source: OECD DAC Online database, table 2a. Destination of Official Development Assistance and Official Aid - Disbursements, as of March 9, 2006

Annex Table 7: Economic and Social Indicators, 2000 – 2005

Series Name	Bulgaria						Bulgaria	Croatia	Slovak Republic	Poland	EU-8	Lower middle income
	2000	2001	2002	2003	2004	2005p	Average 2000 - 2004/05					
Growth and Inflation												
GDP growth (annual %) ^{1/}	5.4	4.1	4.9	4.5	5.6	5.8	5.1	4.1	4.3	3.2	4.9	5.7
GNI per capita, Atlas method (current US\$) ^{1/}	1,600	1,680	1,790	2,120	2,740	..	1,986	5,577	5,197	5,255	6,161	1,324
GNI per capita, PPP (current international \$)	5,840	6,340	6,790	7,260	7,870	..	6,820	10,522	12,652	11,320	13,095	4,860
GDP per capita growth (annual %)	7.3	6.1	5.4	5.1	6.1	..	6.0	4.3	4.1	3.4	5.1	4.8
Inflation, consumer prices (annual %) ^{1/}	10.3	7.4	5.8	2.3	6.4	3.6	6.0	2.8	7.0	4.0	4.6	..
Composition of GDP (%) ^{1/}												
Agriculture, value added	14.2	13.7	12.4	11.9	11.1	10.3	12.3	8.6	4.0	3.3	4.2	12.5
Industry, value added	30.7	30.2	29.7	30.4	30.8	29.1	30.2	29.8	29.9	31.8	31.3	38.4
Services, etc., value added	55.1	56.1	57.9	57.7	58.1	60.6	57.6	61.6	66.1	64.9	64.6	49.1
External Accounts												
Exports of goods and services (% of GDP) ^{1/}	55.7	55.6	53.1	53.6	58.4	63.1	56.6	48.0	74.4	33.3	58.8	29.5
Imports of goods and services (% of GDP) ^{1/}	61.1	63.1	59.8	63.0	68.7	76.5	65.4	55.1	78.9	36.4	63.2	28.4
Current account balance (% of GDP) ^{1/}	-5.6	-7.2	-5.3	-9.3	-5.8	-11.6	-7.5	-5.1	-5.0	-2.7	-5.5	..
External debt (% of GNI)	91.3	79.0	75.0	68.9	66.1	..	78.6	70.4	56.7	41.0	53.9	44.1
Total debt service (% of GNI)	10.6	10.3	9.1	6.0	10.4	..	9.0	14.6	13.0	7.7	13.3	6.0
Total reserves in months of imports	5.1	4.8	6.0	6.2	6.5	..	5.7	4.8	4.6	5.0	3.7	8.1
Fiscal Accounts (% of GDP)												
Current revenue, including current grants ^{1/}	40.9	39.5	38.4	40.0	38.7	37.3	39.1	45.5	42.3	37.6	35.4	..
Overall budget balance, including grants ^{1/}	-0.6	-0.6	-0.6	0.0	1.2	1.2	0.1	-3.7	-5.8	-5.4	-3.0	..
Total revenue, excluding grants ^{2/}	37.9	36.4	35.6	36.9	38.0	37.5	37.1	..	..	..	..	..
Total expenditure and net lending ^{2/}	39.4	38.4	37.1	38.2	37.5	37.8	38.1	..	..	..	..	..
Overall Balance, excluding grants ^{2/}	-1.5	-2.0	-1.5	-1.3	0.5	-0.3	-1.0	..	..	..	..	..
Social Indicators												
Health												
Life expectancy at birth, total (years)	71.7	71.8	71.9	72.1	..	..	71.9	73.9	73.4	74.3	73.0	69.7
Immunization, DPT (% of children ages 12-23 months)	93.0	94.0	93.0	96.0	..	..	94.0	94.0	99.0	98.5	96.6	88.1
Improved sanitation facilities (% of population with access)	..	..	100.0	..	..	..	100.0	..	100.0	..	..	57.0
Improved water source (% of population with access)	..	..	100.0	..	..	..	100.0	..	100.0	..	..	80.9
Mortality rate, infant (per 1,000 live births)	13.3	14.4	13.3	12.3	..	..	13.3	6.5	7.5	7.0	7.2	33.3
Education												
School enrollment, preprimary (% gross)	66.6	70.4	75.5	..	..	..	70.8	44.5	83.7	49.6	75.9	37.2
School enrollment, primary (% gross)	101.3	99.4	100.3	..	..	..	100.3	95.8	101.7	99.6	101.1	114.6
School enrollment, secondary (% gross)	92.5	94.3	98.4	..	..	..	95.1	88.5	89.5	102.9	98.8	71.3
Population												
Population, total (million)	8.06	7.91	7.869	7.823	7.78	..	7.9	4.4	5.4	38.3	9.1	2,386.8
Population growth (annual %)	-1.8	-1.9	-0.5	-0.6	-0.6	..	-1.1	-0.2	0.0	-0.2	-0.3	0.9
Urban population (% of total)	68.8	69.1	69.5	69.8	70.2	..	69.5	58.6	57.3	61.8	64.0	47.0

1/ WB ECA Regional database

2/ IMF Country Report 05/169, May 2005.

Source: WB World Development Indicators (August 2005 update) for all indicators excluding those noted.

Annex Table 8: Bulgaria - Millennium Development Goals

	1990	1994	1997	2000	2003	2004
<u>Goal 1: Eradicate extreme poverty and hunger</u>						
Percentage share of income or consumption held by poorest 20%	..	..	..	6.7	..	..
Population below \$1 a day (%)	2	2	2	4.7	2	2
Population below minimum level of dietary energy consumption (%)	..	8	..	..	11	..
Poverty gap ratio at \$1 a day (incidence x depth of poverty)	0.5	0.5	0.5	1.4	0.5	0.5
Poverty headcount, national (% of population)	..	..	36	12.8	..	..
Prevalence of underweight in children (under five years of age)	..	..	..	..	..	..
<u>Goal 2: Achieve universal primary education</u>						
Net primary enrollment ratio (% of relevant age group)	86.1	..	95.6	92.7	90.4	..
Primary completion rate, total (% of relevant age group)	90.4	86	96.9	97.5	97.2	97.2
Proportion of pupils starting grade 1 who reach grade 5	90.6	..	..	..	..	..
Youth literacy rate (% ages 15-24)	..	..	..	98.2	..	..
<u>Goal 3: Promote gender equality and empower women</u>						
Proportion of seats held by women in national parliament (%)	21	..	13	11	26	26
Ratio of girls to boys in primary and secondary education (%)	99.3	..	97.8	97.5	97.4	..
Ratio of young literate females to males (% ages 15-24)	..	..	..	99.8	..	..
Share of women employed in the nonagricultural sector (%)	53	52.7	52.4	52.8	52.2	52.2
<u>Goal 4: Reduce child mortality</u>						
Immunization, measles (% of children ages 12-23 months)	99	93	93	89	96	96
Infant mortality rate (per 1,000 live births)	14.8	16.3	17.5	13.3	12.3	12.3
Under 5 mortality rate (per 1,000)	18.7	20.9	18.7	15.8	17.1	..
<u>Goal 5: Improve maternal health</u>						
Births attended by skilled health staff (% of total)	..	..	..	..	..	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	32	..	..
<u>Goal 6: Combat HIV/AIDS, malaria, and other diseases</u>						
Contraceptive prevalence rate (% of women ages 15-49)	..	..	42	..	..	..
Incidence of tuberculosis (per 100,000 people)	28.2	39.3	44.2	45.5	43.4	43.4
Number of children orphaned by HIV/AIDS	..	..	..	..	..	..
Prevalence of HIV, total (% of population aged 15-49)	..	..	..	..	0.1	0.1
Tuberculosis cases detected under DOTS (%)	..	..	..	22.9	81.4	81.4
<u>Goal 7: Ensure environmental sustainability</u>						
Access to an improved water source (% of population)	100	..	..	..	100	..
Access to improved sanitation (% of population)	100	..	..	..	100	..
Access to secure tenure (% of population)	..	..	..	..	..	..
CO2 emissions (metric tons per capita)	8.6	6.2	5.8	5.3	..	..
Forest area (% of total land area)	31.5	..	..	33.4	..	..
GDP per unit of energy use (2000 PPP \$ per kg oil equivalent)	2.1	2.3	2.1	2.6	2.7	..
Nationally protected areas (% of total land area)	..	..	..	..	4.5	4.5
<u>Goal 8: Develop a global partnership for development</u>						
Aid per capita (current US\$)	1.8	18.8	26.5	38.6	53	53
Debt service (% of exports)	19	13	14	13	8	8
Fixed line and mobile phone subscribers (per 1,000 people)	242	295.5	331.1	444.2	846.9	846.9
Internet users (per 1,000 people)	..	0.2	12	52.8	205.8	205.8
Personal computers (per 1,000 people)	..	14.2	21.7	44.3	51.9	..
Unemployment, youth female (% of female labor force ages 15-24)	..	..	..	29.4	..	..
Unemployment, youth male (% of male labor force ages 15-24)	..	..	..	39.8	..	..
Unemployment, youth total (% of total labor force ages 15-24)	..	..	..	35	..	..
<u>Other</u>						
Fertility rate, total (births per woman)	1.8	1.4	1.1	1.3	1.2	1.2
GNI per capita, Atlas method (current US\$)	2260	1250	1200	1600	2120	2740
GNI, Atlas method (current US\$) (billions)	19.7	10.5	10	12.9	16.6	21.3
Gross capital formation (% of GDP)	25.6	9.4	9.9	18.3	21.6	22.6
Life expectancy at birth, total (years)	71.6	71.2	70.4	71.7	72.1	72.1
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	98.2	..	..
Population, total (millions)	8.7	8.4	8.3	8.1	7.8	7.8
Trade (% of GDP)	69.8	90.7	111.9	116.8	116.2	126.1

Note: Figures in italics refer to periods other than those specified.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 targets: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 targets: Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015.

Goal 4 targets: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 targets: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015 and begun to reverse the spread of HIV/AIDS. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and program and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation. Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system. Address the special needs of the least developed countries. Address the special needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Source: World Development Indicators database, April 2005