

Data Sheet

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| USAID Mission: | Bulgaria |
| Program Title: | Private Sector Development |
| Pillar: | Economic Growth, Agriculture and Trade |
| Strategic Objective: | 183-0130 |
| Status: | Continuing |
| Planned FY 2005 Obligation: | \$7,120,000 AEEB |
| Prior Year Unobligated: | \$196,000 AEEB |
| Proposed FY 2006 Obligation: | \$6,790,000 AEEB |
| Year of Initial Obligation: | 1992 |
| Estimated Year of Final Obligation: | 2007 |

Summary: USAID assistance fosters the development of a competitive, transparent, and business-friendly environment that is conducive to job creation, private sector growth, and long-term prosperity. Activities include policy and advocacy strengthening, technical assistance for business and trade capacity building, financial intermediation, microfinance, and credit guarantee.

Inputs, Outputs, Activities:

FY 2005 Program: Improve Economic Policy and Governance (\$3,560,000 AEEB). USAID will launch the closing phase of its economic policy related assistance to support the reform efforts of the new Government of Bulgaria (GOB) that will come into power following the Parliamentary elections in the spring of 2005. This short-term program will focus on: 1) development of a business-friendly environment promoting consistent, market-oriented policies; 2) promotion of small and medium enterprises (SME); and 3) attracting investments and job creation. The Ministry of Economy, the Economic Growth Council, the Agency for Entrepreneurship, and Invest Bulgaria Agency will get direct assistance to develop sound and sustainable policy implementation mechanisms. In addition, USAID will continue to facilitate the GOB in streamlining commercial law by: 1) drafting and promoting legislation introducing a private bailiffs system, thus improving judgment enforcement; 2) legislative drafting and action planning for taking business registration out of the courts into a user-friendly administrative agency; and 3) piloting commercial dispute resolution through mediation by bringing together courts and business associations. In the energy sector, U.S. advisors will work with the State Energy Regulatory Commission (SERC) on energy sector secondary legislation and the adoption of a Uniform System of Accounts. USAID will help SERC with the district heating sector privatization and in tendering the natural gas distribution service territories. The SERC will benefit from specialized training on power market design, regulatory accounting practices, and regional electricity market issues. Overall, USAID assistant efforts will support the development of a competitive energy market in Bulgaria and its integration within the regional South East Europe market. Principal contractors: Bearing Point, Pierce Atwood, and TBD (all primes).

Increase Private Sector Growth (\$2,260,000 AEEB, \$37,000 AEEB carryover). USAID will continue to support SME, business and trade development through delivering technical assistance, and providing trade and finance facilitation to private companies and local Business Support Organizations (BSO). U.S. and local advisors will provide business services and industry-specific technical and managerial assistance that will improve the SME sector long-term growth and sustainability. In the labor market area, USAID will address the widening gap between employers' needs and the skills of the labor force by developing a National Internship Program, including an internet-based exchange platform for employers and students. USAID will work with key industries to identify workforce training needs and will develop certification programs to address them. Support to youth entrepreneurship in Bulgaria will continue to be a priority. The goal is to create strong public-private partnerships between schools and the business community to further support entrepreneurial training and student operated mini-enterprises. Principal contractors and grantees are: Volunteers for Economic Growth Alliance (prime), CARANA (prime), Junior Achievement Bulgaria (prime).

Strengthen the Financial Sector's Contribution to Economic Growth (\$1,300,000 AEEB and \$159,000 AEEB prior year recoveries). In FY 2005, USAID will work to strengthen the financial sector regulatory

institutions. Through advisory assistance and training, the anti-money laundering capacity of these institutions will be increased, as well as their ability to use an integrated supervision approach for conglomerates. Considerable efforts will be devoted to increase public awareness of the availability of diverse financial products, as well as the safeguards in place to protect consumers. USAID plans to implement a Development Credit Authority (DCA) loan guarantee program in FY 2005 to assist the two indigenous micro-lending institutions, created with AEEB funding, in attracting commercial bank credit and have allocated \$600,000 to cover the subsidy cost for this activity. Principal contractors and grantees are: Deloitte & Touche, Ustoi (a local NGO), Nachala Cooperative (all primes).

FY 2006 Program: Improve Economic Policy and Governance (\$1,150,000 AEEB). USAID will pursue innovative, market-oriented economic policy and investment promotion concepts to secure sustainable legacy mechanisms. In the area of commercial law, USAID will work for the effective implementation of the new legislative instruments passed with its support by providing legal expertise, training, institution building, and information technology assistance. Principal contractors: Bearing Point and TBD (primes).

Increase Private Sector Growth (\$2,240,000 AEEB). USAID will maintain its SME development efforts by involving local business consultants in technical assistance and enterprise delivery services. The establishment of university career centers as employment promotion legacy mechanisms will be considered. USAID will continue to support youth entrepreneurship in Bulgaria by attracting private sector interest and investment into entrepreneurial education at secondary schools. Same implementers as above.

Strengthen the Financial Sector's Contribution to Economic Growth (\$3,400,000 AEEB). USAID is considering the expansion of its DCA portfolio and anticipates transferring \$700,000 to DCA to launch a new facility for credit and investment facilitation in the SME sector. Additional support will strengthen the integrated supervision of the financial sector and its ability to combat money laundering. USAID may design Global Development Alliance initiatives to support legacy mechanisms in priority areas. Principal contractors and grantees: Deloitte & Touché (prime), Bulgarian Commercial Banks TBD (prime).

Performance and Results: In FY 2004, USAID substantially contributed to the sustained good macroeconomic performance of the country. USAID supported the GOB with the development of a National Investment Strategy and Invest Bulgaria 2004 guidebook, which is now broadly used to promote the country's potential for investment and economic development. USAID advisors assisted with the development of the new Law on Promotion of Investments, the Small and Medium Enterprises Act, and a new Energy Law, all adopted by the Parliament. Bulgaria greatly improved its competitiveness index to reach 59th place in the Global Competitiveness Report. The inflow of foreign direct investments grew rapidly demonstrating the improved economic environment and excellent country performance. USAID's micro-lending program continues to be the leading one in the country with more than 20 branch offices and over 7,000 active clients, of whom over 60% are women. The labor market continued to show positive trends with the unemployment rate falling to 11.7%. The banking sector operates in a well-regulated environment, consistent with international practices.

By program completion, Bulgaria will have an economy capable of coping with European Union competitive pressures and market forces. The business environment will be favorable enough to encourage the growth of the private sector. The regulatory system in the country will protect the financial markets from dangerous instability created by periodic shifts of the economic cycle as well as manipulation or abuse by corrupt enterprises and practices. These in turn will increase investors' confidence and will attract additional investment to the country. USAID will leave a maturing financial sector capable of efficiently mobilizing capital for economic growth and job creation.

US Financing in Thousands of Dollars

Bulgaria

| 183-0130 Private Sector Development | AEEB | DA | DCA | ESF |
|---------------------------------------|---------|-------|-------|-------|
| Through September 30, 2003 | | | | |
| Obligations | 81,264 | 4,620 | 1,875 | 2,120 |
| Expenditures | 73,534 | 4,598 | 767 | 2,055 |
| Unliquidated | 7,730 | 22 | 1,108 | 65 |
| Fiscal Year 2004 | | | | |
| Obligations | 8,542 | 0 | 0 | 0 |
| Expenditures | 9,608 | 0 | 231 | 64 |
| Through September 30, 2004 | | | | |
| Obligations | 89,806 | 4,620 | 1,875 | 2,120 |
| Expenditures | 83,142 | 4,598 | 998 | 2,119 |
| Unliquidated | 6,664 | 22 | 877 | 1 |
| Prior Year Unobligated Funds | | | | |
| Obligations | 196 | 0 | 0 | 0 |
| Planned Fiscal Year 2005 NOA | | | | |
| Obligations | 7,120 | 0 | 0 | 0 |
| Total Planned Fiscal Year 2005 | | | | |
| Obligations | 7,316 | 0 | 0 | 0 |
| Proposed Fiscal Year 2006 NOA | | | | |
| Obligations | 6,790 | 0 | 0 | 0 |
| Future Obligations | 0 | 0 | 0 | 0 |
| Est. Total Cost | 103,912 | 4,620 | 1,875 | 2,120 |

