

Bulgaria

The Development Challenge: The transition from communism has been slow and troubled in Bulgaria. Despite the exceptional progress of the past five years, the country remains very poor by any European standard. Macroeconomic stability and democratic politics have not transformed yet into tangible economic and social improvements. Bulgarians are frustrated and angered by the influence of organized crime and endemic corruption. In a nut shell, democracy and market economy in Bulgaria are stuck in their adolescence.

The invitation to join NATO extended to the country on November 21, 2002 and the Roadmap for EU accession released by the Union in December are the two key events that will shape the development environment in the next 4-5 years. Acting already as a “de facto ally”, Bulgaria becomes even more important as an anchor of stability in the region and as a development model for its neighbors. By virtue of its geographic position the country has an important role in preventing gray arms transfers, supporting the war on terrorism, and in countering significant international criminal activities including trafficking in people, drugs and weapons. The growing international importance of Bulgaria to U.S. national interests makes it crucial for them to address development constraints while proving the country as a reliable NATO partner.

Within this international context, several alarming political trends have characterized Bulgaria for the past two years: a growing gap between popular expectations and the political elite's agenda, plunging trust in the public institutions, and general disengagement from public life. In addition to this mounting political apathy, the ruling majority is further troubled by internal disagreement and poor coordination among the state institutions. Major deficiencies in enforcing the rule of law exacerbate this plummeting public trust in the state institutions. The Bulgarian judiciary remains weak, poorly administered, under-funded, and low in morale. Crime and corruption continue to be major problems, with excessive discretionary power at all levels, over-bureaucratized and ineffective administrative systems, legislative gaps, weak law enforcement, and insufficiently developed oversight mechanisms. With regard to local governance, the significant policy advances in fiscal decentralization made during the past year remain to be translated into specific legislative measures and state budgets. While the Bulgarian Government remains committed to the reform, the pace is still slow. The upcoming municipal elections in late 2003 may further delay the process.

In economic terms, Bulgaria has managed to sustain solid macroeconomic performance and sound fiscal policies. Bulgaria has enjoyed sustained 4% average real GDP growth for five consecutive years. Annual cumulative inflation declined from 579% in 1997 to 2.5% as of November 2002. Despite these favorable macroeconomic trends, overall annual economic growth for 1990-2000 is still negative. Foreign direct investment in FY 2002 was disappointingly low, marking a 37% decrease relative to the same period in FY 2001. Though improving, the overall business climate is hindered by frequent changes in the legislative framework, excessive regulation, poor contract enforcement, lack of transparency, and other administrative barriers. Access to credit for the private sector, especially SMEs, is still low; and the capital market underdeveloped. On the external market, the economy's competitiveness remains relatively low, regardless of the EU's decision to recognize Bulgaria as a functioning market economy, albeit with reservations. While second stage economic reforms continue, the restructuring of key large-scale industries remains incomplete.

With a minimum monthly wage of \$50, an average working salary of \$134, and an average pension of \$50, Bulgaria has the lowest income level in Central and Eastern Europe. Although poverty has slightly decreased in the past years, GDP per capita is only one-half the Central European average and merely one-fourth of the EU average. Unemployment, officially estimated at 17%, is among the highest of all transition countries, with long-term joblessness accounting for 60% of the registered unemployed. Every third unemployed is a young person and every fifth is aged over fifty. This dramatic deterioration of the living standards has disproportionately affected certain vulnerable groups like the elderly, children, minorities, and women, while the existing social assistance system has failed to adequately respond to

their needs. Regional disparities are growing and the demographic decline exacerbating, as a result of declining birth rates, rising mortality, and continuing emigration.

National security is the overriding U.S. national interest in Bulgaria, embodied in the goals of counterterrorism, regional stability, international crime and drugs, economic prosperity and security, and democracy and human rights.

The USAID Program: Members of United States government agencies conducted a review of the USG assistance program to Bulgaria in Washington on December 12-13, 2002. The interagency group agreed upon assistance priorities, time frame and funding levels for SEED programs. It was agreed that Bulgaria would graduate from the SEED assistance in 2007, with the last year of funding in FY 2006, in expectation that Bulgaria will achieve its development goals and be invited to join the European Union then. The interagency group concluded that steady SEED assistance through FY 2006 (\$28 million/year) could raise Bulgaria's ability to sustain reforms and overcome pervasive corruption and serious gaps in law enforcement. The U.S. government's top priorities include: (1) rule of law, crime and anti-corruption; (2) economic growth and job creation; and (3) strengthening local government. Assistance in these areas is important to U.S. interests and will be tightly conditioned in order to further speed the pace of the reforms and guarantee the Government of Bulgaria's support. Selected lower priority programs like pension and health reforms will continue to preserve the investment to date. Modest assistance to disadvantaged minorities will be provided as well. USAID/Bulgaria is working on its recommendations for a graduation strategy that will restructure and re-package current activities and will consider the launching of new ones to address the agreed upon priorities. The document will be ready for review and approval in the spring of 2003. Meanwhile, the Mission is already reshaping its program to address the three top priorities, as defined during the December review. The Program Data Sheets follow the structure of the current strategic document and cover the seven strategic objectives for which USAID is requesting FY 2003 and FY 2004 funds. Nevertheless, the funding levels of the specific program categories address the newly defined and agreed upon USG assistance priorities in Bulgaria.

In FY2003 and FY2004, USAID will address deficiencies in the rule of law area by continuing its efforts to modernize the Bulgarian court administration, improve the professionalism of the judiciary, and increase the transparency of the public administration through enhancing the internal controls and investigative capacity within the central government. The Mission will seek to improve the Bulgarian business climate, boost economic growth, and contribute to job creation by improving the legal/regulatory environment, enhancing the competitiveness of priority industry clusters, facilitating trade, providing access to credit, and supporting public-private dialogue on strategies for private enterprise growth, leading to job creation and improved living standards in the country. USAID will launch a new program in FY 2003 that will assist the establishment of a sound energy legal framework and regulatory system. Recognizing the importance of fiscal and administrative decentralization, USAID will promote the adoption of a favorable framework providing local governments with the authority to match responsibilities. The Mission will also assist in the establishment of financial tools, resources and practices for the creation of a sound municipal finance base, while continuing to build the capacity of local administrations. To mitigate the adverse social impact of transition, the Mission will continue to support crucial reforms in the areas of labor market efficiency, healthcare financing, pension reform, and inclusion of vulnerable groups. FY2003 funds will be used to implement ongoing programs in rule of law, economic and democratic development, local government, environment and social sector as described in the FY2003 Congressional Budget Justification but under a different SO structure. USAID also intends to use FY2003 funds to carry out certain new activities in response to changing circumstances.

Other Program Elements: In addition to the resources requested in the Program Data Sheets the country will benefit from two programs managed by the EGAT Bureau. First, Bulgarian experts will participate in 10 long-term academic and four short-term programs in U.S. universities and over 100 trainees will attend short-term in-country trainings under the Eastern and Central Europe Scholarship Program. Second, the work under the Rule of Law Assessment program managed by the DCHA Bureau will help the Mission to fine tune its rule of law portfolio to better address the needs of the country. Representatives from Bulgaria will also participate in several E&E managed initiatives: the Regional Infrastructure Program for Water and Transportation; the Energy Regulators Regional Association; Balkan

Regional Electricity Markets; E&E Environmental Partnerships, to mention some of them. In addition, Bulgaria will be actively involved in a number of regional initiatives. The American University in Bulgaria continues to receive USG support.

Other Donors: The EU is the largest multilateral donor, offering nearly \$300 million per year for assistance via three pre-accession instruments: PHARE (institutions building, regulatory infrastructure development, and economic/social cohesion), SAPARD (agricultural and rural development), and ISPA (environment and transport infrastructure). The EU Accession Roadmap proposed this year envisions progressive increase in assistance towards 2006. Given that increased funding is subject to the country's absorptive capacity, Bulgaria might not be able to take full advantage of this opportunity. World Bank assistance to Bulgaria has been set at \$750 million for 2002 - 2005. It is expected that the first Program Adjustment Loan (PAL 1) will be approved in 2003, aimed to advance the structural, regulatory and institutional reform in the real sector. UNDP centers its Country Cooperation Framework on good governance, job creation, information technology, and environmental protection.

USAID is among the leading bilateral donors in Bulgaria, co-chairing the GOB-established donor coordination group on business environment. The Mission participates in all other topical working groups. Other major bilateral donors include the Swiss Government (natural resources management, social services, SMEs); Dutch Government (agriculture, industry and technology, energy and environment, transport and infrastructure, civil society); German Government (agriculture, SMEs); Japanese Government (infrastructure development), and the British Know-How Fund (public sector, civil society, financial markets, social welfare). While most bilateral donors have not officially tied their support to Bulgaria's EU accession date, their timing and priorities are in line with the major accession requirements.

Bulgaria
PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Asst. for E. Europe and the Baltic States	35,123	34,100	28,000	28,000
Total Program Funds	35,123	34,100	28,000	28,000

STRATEGIC OBJECTIVE SUMMARY

183-0130 Private Sector Development				
AEEB	5,675	7,575	7,500	7,430
183-0140 Financial Sector Development				
AEEB	9,123	5,100	2,960	2,950
183-0210 Vibrant Civil Society				
AEEB	5,230	3,700	3,750	4,000
183-0220 Rule of Law				
AEEB	2,315	4,000	3,200	3,500
183-0230 Local Gov't Strengthening & Municipal Development				
AEEB	4,255	3,675	3,100	2,950
183-0410 Special Initiatives				
AEEB	1,950	2,520	620	300
183-0420 Cross-Cutting Programs				
AEEB	3,150	3,325	1,700	1,700
TRANSFER				
AEEB	3,425	4,205	5,170	5,170

Mission Director,
Debra McFarland

Data Sheet

USAID Mission:	Bulgaria
Program Title:	Private Sector Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	183-0130
Status:	Continuing
Proposed FY 2003 Obligation:	\$7,500,000 AEEB
Prior Year Unobligated:	\$943,000 AEEB
Proposed FY 2004 Obligation:	\$7,430,000 AEEB
Year of Initial Obligation:	1992
Estimated Completion Date:	2007

Summary: USAID assistance focuses on the development of an improved business climate that attracts foreign investment, nurtures a vibrant private sector that creates jobs, and enhances Bulgaria's potential for international trade, thus enabling the country to achieve competitiveness and global market integration. Activities include policy and advocacy strengthening, technical assistance to SME and private enterprises in competitive industry sectors, financial intermediation, trade capacity building, microfinance, and credit guarantee.

Inputs, Outputs, Activities:

FY 2003 Program:

Improved Access to Credit (\$1,700,000 AEEB). USAID/Bulgaria will develop and negotiate a custom designed Agriculture Development Credit Authority (Loan Portfolio Guarantee) program for credit and investment facilitation in the agricultural sector. Another key assistance element of the guarantee facility will be the provision of technical assistance for business plan preparation and cash flow analyses in support of potential borrowers. In addition, USAID will continue the delivery of micro-lending services to micro and small entrepreneurs in an effort to reduce poverty, create new jobs, and increase income generation for self-employed people. Principal contractors/grantees are Opportunity International (prime) and Catholic Relief Services (prime).

Private Enterprises More Competitive (\$3,600,000 AEEB). Firm level assistance will be directed at promoting export growth, job creation, and increased competitiveness in targeted industry sectors such as Agriculture, Light Manufacturing, Information Technologies, and Tourism. Through technical assistance and business planning, USAID/Bulgaria will place a strong emphasis on SME and private sector development by pursuing follow-on activities especially related to trade capacity building, employment growth, and investment. Activities will also include a market-based approach that addresses areas of key importance for enhancing business competitiveness and improved economic performance. A coordinated set of targeted assistance will be designed to enable businesses to prosper, jobs to expand, incomes to rise, and quality of life to improve. Expert assistance will be focused towards export promotion, implementing international quality standards, improving marketing and production efficiency, increasing access to short-term and investment credit, and facilitation of joint ventures with Western companies. In addition, USAID/Bulgaria will continue its country specific competitiveness initiative and implementing its policy reform project. Assistance will be provided to improve the legal and regulatory environment by streamlining the existing business laws and regulations, strengthening the advocacy role of Bulgarian associations. These efforts will improve the business environment and create favorable climate for job creation and investment. Through targeted assistance to the trade unions in Bulgaria, USAID will continue support the tripartite dialogue in the country thus contributing to the efficiency of the labor market and increased employment. Prime contractors/grantees are the International Executive Service Corps, the University of Delaware, ACDI/VOCA, Management Systems International, and ACILS (all primes).

Improved Legal and Regulatory Environment (\$2,200,000 AEEB). Two new activities will be launched to address major barriers, which the current legal and regulatory framework poses. The Mission will undertake an expanded and more focused effort in the area of commercial law and regulatory reform, coupled with efforts to improve the Government's capacity to analyze policy options. Through technical assistance support will be provided to simplify registration and licensing requirements, both to lower unnecessary costs and also to reduce the opportunities for corruption. Further, another priority will be to enhance enforcement of contracts by reducing or eliminating opportunities for delay and blocking of cases, and by introducing the alternative dispute resolution. In the energy sector, USAID will initiate an activity that will assist the establishment of a sound energy legal framework and regulatory system. This system will be capable of enforcing and implementing market based tariffs, accounting practices and all related regulatory functions. Two new primes will be selected.

These activities were notified in the FY 2003 CBJ but under a different SO structure based on the assumption that a revised strategy would have been operational by FY 2003. However, the Mission continues to operate under the strategy approved in 1998.

FY 2004 Program:

Improved Access to Credit (\$2,330,000 AEEB). USAID will expand its micro-lending activities to increase incomes, create new jobs, and expand business opportunities throughout the country. The Agriculture loan guarantee program will continue to deliver critical technical assistance in business plan preparation and industry analyses.

Private Enterprises More Competitive (\$3,200,000 AEEB). USAID/Bulgaria will uphold its private sector development efforts and will streamline the delivery of technical assistance to SMEs and competitive industry sectors. Additionally, various programs will emphasize trade capacity building, job creation, export promotion, and investment facilitation.

Improved Legal and Regulatory Environment (\$1,900,000 AEEB). Activities in this area will focus on improving the scope and effectiveness of commercial law in general, as well as the legal and regulatory environment for the energy sector. Initiatives will be focused on enhanced contract enforcement, improved government capacity to analyze policy options and related laws and regulations, streamlined business advocacy, and transparent and effective legal policies to prevent corruption.

Performance and Results: USAID assistance has improved target businesses capacity for market-oriented product development, increased productivity and management skills, improved market information and access to foreign markets, business planning skills, and financial management. A large number of USAID-assisted companies are now generating employment in disadvantaged and poor regions, and more than half of the targeted firms are either woman-owned or woman-managed. Some direct results of USAID assistance are reflected in a 15.3% increase in exports of assisted companies, and in established business linkages worth more than \$15 million. Micro-finance activities continued to expand and address the credit needs of small entrepreneurs, which has been one of the major constraints to economic growth and employment in Bulgaria. USAID's economic policy reform project has: (i) worked with several key economic agencies and departments on organizational change and management designed to help such institutions to better achieve economic objectives, and (ii) provided training in strategic communication skills to the press relations corps of all Ministries, the Council of Ministers, as well as to individual departments. The USAID-supported program is now actively advising the newly created Council for Economic Growth - the primary forum for public-private policy dialogue and competitiveness. The policy reform program has also nurtured cluster development in Bulgaria's IT sector, by helping key private players create a strategic plan for the sector's growth. Through ABE/CEELI programs, USAID helped establish the institutional structure for Alternative Dispute Resolution with the Labor Conciliation Institute, which provides mediation services for labor disputes.

By helping private enterprises and improved business development in the country, USAID economic programs seek to create a more favorable environment in Bulgaria that is conducive to private sector growth. The ultimate objective of USAID assistance will be to help create more jobs, increased sales,

trade, and investments that, in due course, will lead to greater prosperity of Bulgaria and encourage global market integration.

US Financing in Thousands of Dollars

Bulgaria

183-0130 Private Sector Development	AEEB	DA	DCA	ESF
Through September 30, 2001				
Obligations	65,493	4,620	0	2,120
Expenditures	58,380	4,586	0	2,056
Unliquidated	7,113	34	0	64
Fiscal Year 2002				
Obligations	7,488	0	202	0
Expenditures	6,327	12	0	0
Through September 30, 2002				
Obligations	72,981	4,620	202	2,120
Expenditures	64,707	4,598	0	2,056
Unliquidated	8,274	22	202	64
Prior Year Unobligated Funds				
Obligations	943	0	0	0
Planned Fiscal Year 2003 NOA				
Obligations	7,500	0	0	0
Total Planned Fiscal Year 2003				
Obligations	8,443	0	0	0
Proposed Fiscal Year 2004 NOA				
Obligations	7,430	0	0	0
Future Obligations	0	0	0	0
Est. Total Cost	88,854	4,620	202	2,120

Data Sheet

USAID Mission:	Bulgaria
Program Title:	Financial Sector Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	183-0140
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,960,000 AEEB
Prior Year Unobligated:	\$237,000 AEEB
Proposed FY 2004 Obligation:	\$2,950,000 AEEB
Year of Initial Obligation:	1997
Estimated Completion Date:	2007

Summary: This program seeks to develop a more competitive and market-responsive financial sector in Bulgaria. Support for banking reform strengthens banking operations, prevents future crises, and establishes procedures for the supervision of banking operations. USAID also supports key pension and health care financing reforms necessary to reduce public financing and to provide an adequate social security system for pensioners and the general public. Financial sector stability and public confidence in the system create the basis for economic growth and political stability.

Inputs, Outputs, Activities:

FY 2003 Program:

Financial sector transparency and accountability (\$1,060,000 AEEB). In FY2002, USAID will focus on institutionalizing new bank reporting requirements to meet the newly adopted International Accounting Standards. Analytical skills of onsite and off-site banking supervisors will be developed based on the new standards. These standards also require revision of internal processes that reflect improved data availability, including development of evaluation ratios, the revision of supervision manuals, and the update of the early warning system to detect negative trends within a particular bank. The deposit insurance activity will develop the Deposit Insurance Fund's oversight of trustees of failed banks, a responsibility recently added to the Fund by the Bank Insolvency Act. USAID will provide support to privatize the last remaining State-owned bank, thus successfully concluding the bank privatization effort. USAID also will provide technical assistance to the Ministry of Transport which is in the process of granting concessions at the Varna and Burgas airports. In addition, USAID will continue to support the institutional strengthening of the International Banking Institute, to build a generation of bankers better prepared to manage banks and originate credit. Principal contractor/grantee is: Barents Group of Bearing Point (prime).

Labor market efficiency and pension reform (\$1,100,000 AEEB). USAID will assist the Ministry of Labor implement new legislation, strengthen pension system regulations and improve the investment regimes and custodial banking provisions. At the request of the Ministry, USAID will expand the public education campaign to inform Bulgarians about their rights and obligations under the new pension systems, as well as to educate employers on their payment obligations. USAID's pension reform program will provide assistance to the Ministry to improve pension contribution collections. The labor market program component will develop analytical tools necessary to design sound policies for labor markets, unemployment, and related social assistance. Assistance will be provided to the National Social Security Institute to design new computerized processes that enable nationwide registration of labor contracts to ensure social contribution payments. Principal contractor/grantee is: Carana Corporation (prime).

Health finance and reform (\$800,000 AEEB). USAID will provide technical assistance to (a) health policymakers to achieve a cohesive mechanism for financing health services; (b) the National Health Insurance Fund and the Ministry of Health, in defining and costing services covered under the compulsory health insurance, to ensure financial responsibility; and (c) the Ministry of Health to increase effectiveness of inpatient health care, emphasizing accessibility, timeliness, and quality. Technical assistance will seek

to broaden public understanding of health sector reforms. USAID will assist the Parliamentary Health Commission, National Health Insurance Fund, and Ministry of Health to institutionalize National Health Accounts based on the OECD method for estimating total health expenditure and revenues. USAID will provide legal advice to the Ministry to enhance existing laws that affect the financing and provision of health care services, furthering the development of compulsory and voluntary insurance programs. Principal contractor/grantee is: Barents Group (prime).

FY 2004 Program:

Financial sector transparency and accountability (\$950,000 AEEB). The FY 2004 focus will be strengthening the bank supervision capacity of the Central Bank and furthering development of the Deposit Insurance Fund's oversight of trustees of failed banks. USAID may provide limited support to the International Banking Institute for training of the new generation of Bulgarian bankers. In non-bank privatization, continued assistance will be provided to the Ministry of Transport to finalize the concessions at the Varna and Burgas airports.

Labor market efficiency and pension reform (\$1,100,000 AEEB). Work in FY 2004 will focus on the consolidation of pension reform. USAID will continue to strengthen the pension regulator and the National Social Insurance Institute's capacity to enforce payment of social contributions. Assistance to improve the Ministry of Labor's analytical and monitoring skills will continue.

Health finance and reform (\$900,000 AEEB). In FY 2004, the Health Project will continue to focus on implementing new improved, health care-financing mechanisms, particularly in the hospital sector, and on improving the efficiency of the inpatient care sector.

Performance and Results: USAID assisted with concluding one more bank privatization. USAID was instrumental in improving the banking regulatory process and in strengthening the capacity of Bulgarian bankers. With USAID support, a new Bank Insolvency Act was passed. Under USAID leadership, comprehensive amendments to the Law on the Public Offering of Securities were passed by Parliament. A Corporate Governance Manual based on the OECD corporate governance principles was created and distributed to 360 public companies. USAID advisors developed and installed an on-line, real-time capital market surveillance system for the Bulgarian National Securities Commission. Also, amendments to the Social Code were presented to Parliament, to improve the security of the pension savings of the population and harmonize pension legislation. With USAID assistance, the legal framework for voluntary health insurance has been created. The Health project has designed a comprehensive communication strategy, under which a National Health Clearing House was established.

These activities will result in a more competitive and market-responsive private financial sector, which will stimulate Bulgaria's economic growth. Banking operations will improve and consumer confidence will grow yielding increased deposits. The potential for future banking crises, frauds and financial crimes will be greatly reduced. Public costs of providing pensions and health care will be reduced and Bulgarian citizens will benefit with more stable and secure social protection. Financial sector stability and public confidence in the system serve as the basis for economic growth and will be conducive to political stability.

US Financing in Thousands of Dollars

Bulgaria

	AEEB	ESF
183-0140 Financial Sector Development		
Through September 30, 2001		
Obligations	42,511	1,656
Expenditures	31,052	1,654
Unliquidated	11,459	2
Fiscal Year 2002		
Obligations	5,439	0
Expenditures	9,521	0
Through September 30, 2002		
Obligations	47,950	1,656
Expenditures	40,573	1,654
Unliquidated	7,377	2
Prior Year Unobligated Funds		
Obligations	237	0
Planned Fiscal Year 2003 NOA		
Obligations	2,960	0
Total Planned Fiscal Year 2003		
Obligations	3,197	0
Proposed Fiscal Year 2004 NOA		
Obligations	2,950	0
Future Obligations	0	0
Est. Total Cost	54,097	1,656

Data Sheet

USAID Mission:	Bulgaria
Program Title:	Vibrant Civil Society
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	183-0210
Status:	Continuing
Proposed FY 2003 Obligation:	\$3,750,000 AEEB
Prior Year Unobligated:	\$1,105,000 AEEB
Proposed FY 2004 Obligation:	\$4,000,000 AEEB
Year of Initial Obligation:	1992
Estimated Completion Date:	2007

Summary: USAID seeks a broad-based, representative, pluralistic, and democratic political culture in Bulgaria through supporting anti-corruption and ethnic integration efforts; strengthening non-governmental organizations (NGOs); and promoting transparent legislative processes and viable independent media. Activities include: technical assistance to introduce anti-corruption practices; community funds and social enterprise NGO development; ethnic integration initiatives; media training on reform issues; and targeted Parliamentary assistance activities.

Inputs, Outputs, Activities:

FY 2003 Program:

Anti-corruption program (\$2,250,000 AEEB). Within the Open Government Initiative, USAID will 1) support the GOB Anti-Corruption Commission, National Audit Office, Public Procurement Directorate, Public Internal Financial Control Agency, and two pilot ministries to improve their internal controls, 2) introduce anti-corruption practices, and 3) enhance transparency of the government procurement process. Thirteen NGO projects will be implemented in the area of anti-corruption, consisting of public awareness, advocacy, monitoring, and civil investigations of corruption allegations. Principal contractors/grantees are: DPK Consulting (prime) and Coalition 2000 (sub).

Conflict prevention/ethnic integration (\$600,000 AEEB). Forty-two community development projects to improve economic, educational and social opportunities for the Roma minority will be implemented in three targeted locations. They will create more than 100 new jobs for unemployed Roma and engage more than 1600 children in activities, thereby preventing school drop-outs. GOB will be assisted in development of an ethnic integration program. Principal contractor/grantee is: Partners-Bulgaria (prime).

Community funds and social enterprises (\$600,000 AEEB). The newly-founded community funds will receive training to mobilize local resources. Twenty-three social service NGOs will acquire training and technical assistance to develop social enterprises. Principal contractor/grantee is: Counterpart International (prime).

Advocacy and public awareness through media (\$200,000 AEEB). In FY 2003, USAID will concentrate on advocacy and public awareness activities for the inclusion of vulnerable groups into society in the areas of rule of law, decentralization of government, anti-corruption, increased effectiveness of the legislature, and resolution of ethnic tensions. Over 150 journalists will be trained in the USAID-supported Broadcast Training Center and on-site in seven regions of the country. The implementation of the anti-terrorism and anti-corruption investigative journalism fellowship programs will continue. Principal contractor/grantee is: IREX (prime).

Transparent political processes (\$100,000 AEEB). USAID will continue to fund the Parliamentary Internship Program to support legislative research for the Parliament.

FY 2004 Program:

Anti-corruption program (\$2,250,000 AEEB). USAID will continue ongoing efforts to improve accountability and transparency. On the NGO side, USAID will support (a) policy reform, public awareness, and corruption monitoring activities of Coalition 2000 and (b) grassroots anti-corruption activities of 13 local NGOs.

Ethnic integration (\$850,000 AEEB). The ethnic integration program may expand to new towns with significant minority populations to address economic, education, and social issues of the Roma minority. The GOB ethnic integration program design will be completed.

Community funds and social enterprises (\$600,000 AEEB). The Community Fund program will continue to receive training and technical assistance to address sustainability issues, by attracting more local resources. It may be expanded to more municipalities. Social service NGOs will receive grants to implement their business plans.

Transparent political processes (\$150,000 AEEB). USAID will continue to fund activities which enhance the transparency of the political process, including the Parliament.

Advocacy and public awareness through media (\$150,000 AEEB). USAID plans to continue advocacy and public awareness efforts to improve inclusion of vulnerable groups into society.

Performance and Results: As a result of the anti-corruption awareness campaign of the USAID-supported Coalition 2000, the Bulgarian public decreased its tolerance for corrupt practices. The fight against corruption became a priority issue for the political leadership and a Government Anti-Corruption Commission was established. USAID assistance has increased the capacity of 13 leading NGOs to provide technical and financial assistance to the civil society sector. In 2002, USAID addressed donor dependency of the NGO sector by establishing three community funds to engage the private sector, local government, and citizens. The program provided assistance to 23 social services NGOs to develop businesses that advanced the goals of these NGOs. USAID helped achieve important legal changes such as tax amendments to decrease tax burdens on NGOs and to stimulate donations. Fact-based, professionally-produced TV reporting has emerged in Bulgaria as a direct result of the USAID-funded Broadcast Training Center. Under the Ethnic Integration program, 17 projects were completed, and 42 more initiated to address social, educational, and economic problems of the Roma minority in three pilot cities with large Roma populations. The program established 2 multi-ethnic Conciliation Commissions to resolve local issues. Legislative assistance in 2002 resulted in support for the newly elected Parliament through a members' orientation conference, the publication of a parliamentary handbook, and training of the administration. The Parliamentary Internship Program gained recognition from new members of Parliament and committee chairs for the high quality of its legislative research assistance.

By the end of its program, USAID expects to see increased tolerance, employment, and school attendance of ethnic minorities in key locations with significant minority populations. A comprehensive ethnic integration program will have been implemented. A network of sustainable Community Funds programs will have been established. Social service NGOs will be providing sustainable services to vulnerable populations. Highly qualified media experts will actively advocate for reform. The TV Broadcast Training Center will offer sustainable services to private media. In anti-corruption, USAID expects increased transparency and accountability of target Bulgarian government institutions and enhanced public awareness through civil society watch-dog mechanisms.

US Financing in Thousands of Dollars

Bulgaria

	AEEB	ESF
183-0210 Vibrant Civil Society		
Through September 30, 2001		
Obligations	22,601	2,464
Expenditures	17,084	2,464
Unliquidated	5,517	0
Fiscal Year 2002		
Obligations	5,807	0
Expenditures	6,087	0
Through September 30, 2002		
Obligations	28,408	2,464
Expenditures	23,171	2,464
Unliquidated	5,237	0
Prior Year Unobligated Funds		
Obligations	1,105	0
Planned Fiscal Year 2003 NOA		
Obligations	3,750	0
Total Planned Fiscal Year 2003		
Obligations	4,855	0
Proposed Fiscal Year 2004 NOA		
Obligations	4,000	0
Future Obligations	0	0
Est. Total Cost	37,263	2,464

Data Sheet

USAID Mission:	Bulgaria
Program Title:	Rule of Law
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	183-0220
Status:	Continuing
Proposed FY 2003 Obligation:	\$3,200,000 AEEB
Prior Year Unobligated:	\$663,000 AEEB
Proposed FY 2004 Obligation:	\$3,500,000 AEEB
Year of Initial Obligation:	1999
Estimated Completion Date:	2007

Summary: The USAID Rule of Law program is comprised of: advocating for legal reform and access to justice; modernizing the judiciary by creating effective court administration/case management systems; and establishing professional standards for judges and court administrators. The program also supports establishing the National Institute of Justice as the public institute responsible for training judges and court administrators.

Inputs, Outputs, Activities:

FY 2003 Program:

Court administration and case management (\$1,200,000 AEEB). Assistance in modernizing the Bulgarian judiciary will focus on improving court administration/case management processes and procedures; formulating policy; promulgating regulations; providing judicial training; and solidifying the investments in model pilot courts. The pilot courts will introduce case-management software and establish improved administrative systems. At the same time, USAID will work to improve court operations by providing systematic assistance for regular court administration work. A problem identification survey will be completed to provide further support for the project. The Ministry of Justice will receive assistance to implement the Action Plan for its Judicial Reform Strategy. Collaboration will continue with the Ministry's Information Technology Department to conduct a national conference to reach agreement on automation systems' compatibility and standards. The project will complete a national court automation assessment survey. Based on this survey and lessons learned from the pilot phase of court automation, the project will make the necessary modifications to the case management system software to match the national technical standards. This will lay the foundation for an EU automation project, anticipated to begin in late 2003. USAID will continue to provide training on court administration, customer service, computer skills and technical assistance to the newly organized Bulgarian Court Clerks' Association, with the aim of improving professional standards. In addition, clerks' operational desk manuals will be prepared and position descriptions for court administrators will be drafted and used. Principal contractor/grantee is: East-West Management Institute (prime).

Magistrate training (\$800,000 AEEB). Support to the Magistrates Training Center will ensure its successful transformation from an NGO into a government-financed, public institution known as the National Institute of Justice (NIJ). This will include developing expanded training programs, as mandated by the Judicial Systems Act. USAID plans to provide resources for 55-60 courses to train 70 percent of all the judges. Over 200 judges and 600 courts personnel are expected to receive training in court automation and administration. USAID will work in collaboration with European donors who will provide training on EU laws. Owing to a serious lack of professionally trained judicial trainers, USAID will also continue to support a program to develop a cadre of sitting judges to serve as trainers at the NIJ in order to ensure the Institute's sustainability. Principal contractor/grantee is: East-West Management Institute (prime).

Rule of law advocacy and policy reform (\$1,200,000 AEEB). USAID will continue providing technical assistance and training for judicial reform activities that have shown results in the past two years.

Advocacy and policy support for judicial reform will receive special attention, since all the counterparts need to form strategic alliances and buy-in to the reforms. Furthermore, promulgating implementing regulations for the Judicial Systems Act will be critical to the judicial reform efforts of the Supreme Judicial Council and the Ministry of Justice. Work will continue on developing and enacting a Judicial Code of Conduct, in cooperation with the Bulgarian Judges' Association. Principal contractor/grantee is: East-West Management Institute (prime).

FY 2004 Program:

Court administration and case management (\$1,700,000 AEEB). Based on lessons learned from the model courts, new processes and procedures will be tested and introduced in targeted courts. USAID will refine the hiring process for court administrators and develop a training program for court administrators and judges with court administration responsibilities. USAID will develop a 'recipe' for the sustainability of court automation, based on operational and functionality reviews of automation use in the model courts.

Magistrate training (\$600,000 AEEB). In FY 2004 USAID plans to provide technical assistance to complete the transition of assistance to magistrates through the NIJ, laying the groundwork for increased assistance from other donors such as the EU.

ROL advocacy and policy reform (\$1,200,000 AEEB). Assistance in advocacy for legal reform and access to justice will continue. USAID will strengthen Bulgaria's ability to meet rule of law international standards, prepare for EU accession, promote a more stable economy, and serve as a better partner for U.S. strategic interests.

Performance and Results: USAID was integrally involved with implementing various provisions of Bulgaria's National Judicial Strategy. This included assisting the Ministry of Justice and the Supreme Judicial Council in preparing an Action Plan, drafting legislative amendments, and working on Codes of Ethics for judges and court staff. The USAID model pilot court initiative, which now has eleven courts, received wide and resounding approval from counterparts and court users. The installation of software for an automated case management system was completed in five pilot courts in 2002, thus reducing case delay. It also provided the testing ground for designing workflow templates for regional and district courts and a simplified case management system. This has resulted in faster and more efficient handling of court documents, brought about greater professionalism among the court staff, provided greater services to the public, and removed much of the administrative burden from the judges. The USAID-supported Magistrate Training Center strengthened its capacity and received such wide recognition that, at its current capacity, it has become unable to meet the demand from judges for new and expanded courses. The number of judges and court personnel trained in court automation and/or administration increased along with the number of courses.

As more legislation is passed to meet the demands of a democratic society and market economy and as Bulgaria moves closer to meeting the requirements for EU accession, the Bulgarian judiciary will require greater assistance in understanding and adjudicating these new laws. USAID expects to have completed specific tasks in legislative reform, institutional strengthening for court administration/case management, and judicial training by 2007. These tasks comprise an integrated program to implement the GOB's National Judicial Reform Strategy, endorsed by the EU as the roadmap for meeting the judicial reform requirements for EU accession.

US Financing in Thousands of Dollars

Bulgaria

183-0220 Rule of Law	AEEB
Through September 30, 2001	
Obligations	9,201
Expenditures	6,553
Unliquidated	2,648
Fiscal Year 2002	
Obligations	3,806
Expenditures	1,527
Through September 30, 2002	
Obligations	13,007
Expenditures	8,080
Unliquidated	4,927
Prior Year Unobligated Funds	
Obligations	663
Planned Fiscal Year 2003 NOA	
Obligations	3,200
Total Planned Fiscal Year 2003	
Obligations	3,863
Proposed Fiscal Year 2004 NOA	
Obligations	3,500
Future Obligations	0
Est. Total Cost	20,370

Data Sheet

USAID Mission:	Bulgaria
Program Title:	Local Gov't Strengthening & Municipal Development
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	183-0230
Status:	Continuing
Proposed FY 2003 Obligation:	\$3,100,000 AEEB
Prior Year Unobligated:	\$579,000 AEEB
Proposed FY 2004 Obligation:	\$2,950,000 AEEB
Year of Initial Obligation:	1995
Estimated Completion Date:	2007

Summary: The local government program assists national and local government entities, as well as civil society organizations focusing on local government development through: increasing local government autonomy and implementation of decentralization policy reforms; clarifying roles and responsibilities of different levels of government; developing a sound municipal finance base and improving access to municipal infrastructure finance; institutionalizing citizen participation in decision making; exchanging experience and expertise on key municipal issues between Bulgarian and cities in the United States; and developing and implementing economic development strategies in small municipalities.

Inputs, Outputs, Activities:

FY 2003 Program:

Fiscal and administrative decentralization (\$1,850,000 AEEB). USAID will continue technical assistance and training activities under the Local Government Initiative that have shown positive results under two previous phases. The focus will continue on working with the central government and the National Association of Municipalities - the statutory voice representing municipal interests - on expanding local government financial autonomy. Key areas will target implementing legislative reforms; building local governments' capacity to cope with new fiscal responsibilities; and maintaining the momentum of the reform process by institutionalizing dialogue between the local and national levels. At the regional level, USAID will establish a task force recognized as a reliable non-partisan body in regional policy formulation and regional development. Through three pilot projects, USAID will demonstrate approaches for improving collaboration among regional administration, local governments, businesses, and NGOs. In addition, USAID will clarify the relationship of the different levels of government as defined in current legislation and applied in practice. This will clarify ambiguities in the law and, through field implementation, improve the application of laws. Taking advantage of the GOB's receptivity to regional reform, USAID will also engage key stakeholders in a broad public discussion on regional policy, leading to a possible transition from the present form of national administration to the establishment of regional self-governance. USAID will continue efforts to strengthen infrastructure finance capabilities of municipalities by seeking to improve the policy framework that limits municipal borrowing authority. It will also use training to build local government capacity related to capital investments and bankable investment projects, thus heightening investor confidence in municipal creditworthiness. USAID will also disseminate model solutions and methodologies developed in the pilot phase to a wider group of municipalities. Principal contractors/grantees are: Research Triangle Institute (prime) and Management Systems Incorporated (sub).

Local government support organizations (\$800,000 AEEB). This activity will concentrate on training and awareness-building efforts on the part of civil society organizations (CSOs) to improve citizen understanding of, and access to, local government. A number of sub-grants will stimulate municipal and NGO solutions to local self-government issues and establish municipal customer service and information centers. Principal contractor/grantee is: Foundation for Local Government reform (prime).

Community level assistance (\$450,000 AEEB). USAID intends to continue the municipal twinning program which transfers technical expertise between U.S. and Bulgarian cities to stimulate and implement various innovations in municipal practices, such as marketing cities to investors or developing Geographic Information Systems. Successful practices also will be replicated. Principal contractors/grantees are: International City/County Management Association (prime) and Foundation for Local Government Reform (sub).

FY 2004 Program:

Fiscal and administrative decentralization (\$1,800,000 AEEB). USAID will continue technical assistance and training activities under the Local Government Initiative, 1) seeking further legislative reforms, 2) building local government capacity to cope with increased fiscal responsibilities, 3) establishing regional self-governance, and 4) expanding municipal authority and provision of more structured access to credit.

Local government support organizations (\$650,000 AEEB). USAID will continue supporting advocacy, lobbying, and training activities of local government support organizations that focus on the policy reform agenda, capacity building of municipal administrations, and improved transparency and responsiveness at the local level.

Community level assistance (\$500,000 AEEB). USAID intends to continue the municipal twinning program, which transfers technical expertise between U.S. and Bulgarian cities.

Performance and Results: The local government program has achieved excellent results. Bringing together for the first time representatives of NGOs and of central and local governments, a USAID-sponsored Forum established a consensus on strategic directions for fiscal decentralization reforms. The Forum subsequently incorporated its conclusions in a historic agreement between the GOB and the National Association of Municipalities, in which the GOB committed itself to specific elements of decentralization reform. Building on these conclusions, a decentralization program was developed by a working group and subsequently adopted by the Council of Ministers. The program paved the way for aggressive legislative reforms presently before Parliament. Advocacy by NGOs, such as the National Association of Municipalities, has been crucial in making changes in key legislation related to fiscal decentralization. Concrete results stemming from city-to-city twinning partnerships between 11 Bulgarian and US cities include: the development of municipal strategic plans, introduction of new budget forecasting processes, and marketing strategies to attract investment. These results, a dramatic departure from current practice and powerful models for change, are now being shared with other cities throughout Bulgaria. In 2002, resulting from USAID's local economic development activities in 35 communities, 155 development projects have been launched; 82 new businesses have been started; 101 businesses have been assisted or expanded; and 3,154 new jobs have been created for low skilled, unemployed, mostly Roma citizens.

Given the current favorable environment for implementing policy changes, USAID's local government program will continue to focus on fiscal decentralization and regional reform. By 2006/2007, key legislation to financially empower local governments will be in place, and local governments' capacity to implement the reforms will have been strengthened.

US Financing in Thousands of Dollars

Bulgaria

183-0230 Local Gov't Strengthening & Municipal Development	AEEB
Through September 30, 2001	
Obligations	32,130
Expenditures	25,046
Unliquidated	7,084
Fiscal Year 2002	
Obligations	3,276
Expenditures	7,487
Through September 30, 2002	
Obligations	35,406
Expenditures	32,533
Unliquidated	2,873
Prior Year Unobligated Funds	
Obligations	579
Planned Fiscal Year 2003 NOA	
Obligations	3,100
Total Planned Fiscal Year 2003	
Obligations	3,679
Proposed Fiscal Year 2004 NOA	
Obligations	2,950
Future Obligations	0
Est. Total Cost	42,035

Data Sheet

USAID Mission:	Bulgaria
Program Title:	Special Initiatives
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	183-0410
Status:	Continuing
Proposed FY 2003 Obligation:	\$620,000 AEEB
Prior Year Unobligated:	\$1,122,000 AEEB
Proposed FY 2004 Obligation:	\$300,000 AEEB
Year of Initial Obligation:	1991
Estimated Completion Date:	2007

Summary: Activities funded under this program address Bulgaria's immediate needs of promoting national and regional stability. The program also provides USAID/Bulgaria with a flexible approach to respond to the needs of both the GOB and the Bulgarian society at large that are not met by USAID's other in country programs.

Inputs, Outputs, Activities:

FY 2003 Program:

Biodiversity conservation and economic growth (\$300,000 AEEB). Funding will be provided to support efforts to establish an endowment fund for capital improvements and other projects for Bulgaria's protected areas network. Principal contractor/grantee is: ARD (prime)

Peace Corps (\$200,000 AEEB). During FY 2003, the Small Project Assistance Program will continue to support small-scale community development projects through USAID-funded direct grants to communities and organizations with direct connections to Peace Corps Volunteers. The program will assist communities acting in collaboration with Peace Corps Volunteers in identifying common community concerns and in developing strategies to address those concerns. Principal contractor/grantee is: Peace Corps (prime).

Anti-trafficking (\$120,000 AEEB). In coordination with other USG initiatives, USAID will undertake a program to address trafficking in persons problems in Bulgaria. The assistance will focus on 1) training of GOB officials and NGO representatives in the application of newly passed legislation on trafficking and 2) technical assistance to the GOB via mitigation and public awareness programs.

FY 2004 Program:

Peace Corps (\$200,000 AEEB). Working through Peace Corps Volunteers, the Small Project Assistance Program will continue to support small-scale community development projects with the aim of assisting communities in identifying common community concerns and in developing strategies to address those concerns.

Anti-trafficking (\$100,000 AEEB). In coordination with other USG initiatives, USAID will continue to address trafficking in persons problems in Bulgaria. The program may expand its focus beyond public awareness activities, depending on successes and problems encountered during FY2003.

Performance and Results: USAID assistance has resulted in the completion and initial implementation of environmental management plans for national parks and nature reserves. The Small Project Assistance Program of the Peace Corps addressed the specific needs of 26 communities in the country in FY 2002. Small grants were used for 1) infrastructure development (computer labs, community and resource centers), 2) capacity-building training for local community members and organizations

(seminars, computer and language training, drug prevention education), and 3) enhancement of administrative capabilities and services offered by municipalities and NGOs.

US Financing in Thousands of Dollars

Bulgaria

183-0410 Special Initiatives	AEEB	DA
Through September 30, 2001		
Obligations	135,794	43
Expenditures	132,940	43
Unliquidated	2,854	0
Fiscal Year 2002		
Obligations	1,467	0
Expenditures	2,939	0
Through September 30, 2002		
Obligations	137,261	43
Expenditures	135,879	43
Unliquidated	1,382	0
Prior Year Unobligated Funds		
Obligations	1,122	0
Planned Fiscal Year 2003 NOA		
Obligations	620	0
Total Planned Fiscal Year 2003		
Obligations	1,742	0
Proposed Fiscal Year 2004 NOA		
Obligations	300	0
Future Obligations	0	0
Est. Total Cost	139,303	43

Data Sheet

USAID Mission:	Bulgaria
Program Title:	Cross-Cutting Programs
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	183-0420
Status:	Continuing
Proposed FY 2003 Obligation:	\$1,700,000 AEEB
Prior Year Unobligated:	\$1,113,000 AEEB
Proposed FY 2004 Obligation:	\$1,700,000 AEEB
Year of Initial Obligation:	1991
Estimated Completion Date:	2007

Summary: Activities include three components, namely 1) participant training supporting USAID's total portfolio, 2) technical assistance and training for labor market development, and 3) help in the development and implementation of USAID's other in country programmatic activities.

Inputs, Outputs, Activities:

FY 2003 Program:

Participant training (START) (1,000,000 AEEB). During FY 2003, USAID proposes to obligate funds to provide U.S.-based, in-country, and third-country training opportunities for Bulgarian officials and entrepreneurs. Small grants to individual participants may be provided for initiatives that follow on their specific training event.

Program development and support (500,000 AEEB). The program provides assistance for all ongoing USAID activities through meeting program-funded staff requirements and providing related administrative support and logistics. These resources will be used also for program-related audits, studies, assessments, and evaluations to facilitate progress across all program areas.

Water and wastewater training center (\$200,000 AEEB). Funds will be used to implement Phase I of the program aimed at the establishment of a Water and Waste-Water Training Center in Bulgaria. Activities will focus on necessary legislative changes and regulations required for operation of the Center, e.g., a legislative seminar. In addition, a short seminar will be provided to managers and engineers who supervise Water Treatment Plants; training and certification of operators is a requirement. Concurrently, a pilot program to introduce Bulgarian operators to systematic technical training required for certification will be launched. This training will include key aspects of technical topics such as microbiology, safety, operating parameters, and equipment used in the water treatment field. The pilot program will provide the format, content, and methodologies for Water/Wastewater Operator training, leading to the eventual development of a certification program in the next phase of assistance. Principal contractor/grantee is: Delaware Technical & Community College (prime).

FY 2004 Program:

Participant training (START) (1,000,000 AEEB). During FY 2004, USAID expects to obligate funds to continue to provide U.S.-based, in-country, and third-country training for Bulgarian officials and entrepreneurs.

Program development and support (500,000 AEEB). This activity will continue.

Water and wastewater training center (\$200,000 AEEB). Upon successful completion of Phase I, program funds will be used to launch the next phase, focusing on achieving financial sustainability of the center's training operations.

Performance and Results: Program support activities under this program complement the other programs within USAID's overall strategy. Development of human capacity in Bulgaria is one major theme. As a direct result of the participant training initiative, Bulgarian leaders and professionals will be equipped with skills and practical knowledge necessary to support the transition processes in the country. Upon completion of the program, the Water and Waste Water Training Center should be operational and will serve as a model for similar efforts in Eastern Europe and the Newly Independent States. The Program Development and Support Activity contributes to the full spectrum of USAID program activities by providing value added to ensure their smooth progress and successful completion.

US Financing in Thousands of Dollars

Bulgaria

	AEEB	ESF
183-0420 Cross-Cutting Programs		
Through September 30, 2001		
Obligations	23,026	25,000
Expenditures	18,278	25,000
Unliquidated	4,748	0
Fiscal Year 2002		
Obligations	2,743	0
Expenditures	4,443	0
Through September 30, 2002		
Obligations	25,769	25,000
Expenditures	22,721	25,000
Unliquidated	3,048	0
Prior Year Unobligated Funds		
Obligations	1,113	0
Planned Fiscal Year 2003 NOA		
Obligations	1,700	0
Total Planned Fiscal Year 2003		
Obligations	2,813	0
Proposed Fiscal Year 2004 NOA		
Obligations	1,700	0
Future Obligations	0	0
Est. Total Cost	30,282	25,000