

**REPUBLIC OF BULGARIA**

**COUNCIL OF MINISTERS**

**DECREE N96**

Of 19 of February 2002

**ON THE BUDGETARY PROCEDURE FOR 2003**

Based on Article 14 of the Organic Budget Law

**THE COUNCIL OF MINISTERS DECIDED:**

1. Till 5<sup>th</sup> of April 2002 the line ministries and the agencies should develop and present to the Ministry of Finance medium-term budget forecast for the respective ministry/agency on an annual basis for the period 2003 – 2005.

The budgetary forecast estimates should be developed by functions and policies and by major cost and natural indicators (Annex N1) observing the following requirements:

- An estimate on prices and major macroeconomic indicators for the year 2002 and budget parameters under which the Budget Law of Republic of Bulgaria for the year 2002 has been adopted by the National Assembly;
  - Taking into account the changes occurred till the moment of its preparation into the primary and secondary legislation, concerning their activities; the new and the closed down structures and functions; specified natural and cost indicators, excluding the one-off expenditures provided for in their budgets for the year 2002;
  - An assessment of the impact on the expenditure structure from the utilization of the financial resources under the EU pre-accession funds.
- 1.1. The expenditures under the medium-term budget forecast on the one hand should be in compliance with the policy of limitation of the budget sector and achievement of higher resource allocation efficiency, and on the other hand with the emerged new needs related to the National

Programme for the adoption of the Acquis and for funds for co-financing of projects under the EU pre-accession programs (PHARE, ISPA, SAPARD).

On a separate form under the format of Annex 1, the forecasts for the disbursement, co-financing and spending of the EU pre-accession funds should be presented, as well as the forecasts for the national co-financing under these programs.

- 1.2. The medium-term budget forecast should be presented accompanied by a report for the priorities and the policies in compliance with Annex 2, including the one related to the disbursement of EU pre-accession funds.
- 1.3. Before its submission to the MoF, the medium-term budget forecast and the accompanying report should be discussed and approved by the management of the respective line ministries.
- 1.4. The policies should be in compliance with the commitments taken in the Government's program and the developed strategic action plans in the respective spheres of competency.
2. The line ministries and the agencies as responsible for the implementation and the coordination of the national strategy and policy in the respective sphere following the requirements under Item 1 should develop and submit to the MoF the budgetary forecast for the activities financed through the autonomous budgets (the budgets of the social insurance funds, the municipalities, the universities, the Bulgarian Academy of Science, the Bulgarian National Radio, the Bulgarian National Television) in compliance with Annex 1 and Annex 2, after preliminary consultations with the respective bodies, and for the municipalities with the National association of the municipalities in the Republic of Bulgaria.
3. Simultaneously with the medium-term budget forecast, the respective institutions should develop and present to the MoF by the deadline under Item 1 the following:
  - 3.1. The Privatization Agency shall make an evaluation of the results for 2001, a draft annual privatization programme for 2003 and a forecast for the privatization policy till 2005, and an estimate of the effect of the privatization of the enterprises owned by the municipalities.

- 3.2. The Ministry of Economy shall make an evaluation of the results for 2001 and a forecast for the period till 2005 concerning the development of industry and trade policy of Republic of Bulgaria.
- 3.3. The Ministry of Energy and Energy Resources shall develop an estimate for the results achieved during 2001 and a forecast for the period till 2005 for the Bulgarian energy policy.
- 3.4. The Ministry of Labor and Social Policy:
  - A forecast for the level of unemployment and the number of the unemployed included in the social assistance system for the period till 2005;
  - A proposal for the employment policy as the new measures under the active policies for employment are shown, including the programs for alternative employment;
  - A proposal for the income policy and a forecast for the incomes /including a forecast for the wages by sectors – state-owned, private, budget, and the guaranteed minimum income/, forecast for the social insurance and the social assistance.

The Ministry of Labor and Social Policy prepares the income policy and the employment policy jointly and following consultations with the organizations representing employees and employers.

- 3.5. The Agency for Economic Analysis and Forecasts within the MoF – macroeconomic framework for the period 2003 - 2005.
- 3.6. Recommends to the Bulgarian National Bank to make an evaluation for 2001 and a forecast for the period till 2005 concerning the balance of payments, the monetary aggregates, the main macroeconomic indicators, such as GDP, inflation rate, foreign exchange rate (BGN/USD), interest rates (on deposits and loans, on the inter-bank market), the required minimum reserves, the level of foreign exchange reserves.
- 3.7. The National Statistics Institute shall provide the necessary information in relation to the preparation of an evaluation of the main macroeconomic indicators and updated forecasts for the period 2003-2005 as follows:

- An estimate of the GDP for the year 2002 by elements of final expenses and by sectors;
  - GDP elements' deflators;
  - Investments by sectors;
  - Exports by groups of goods and by the currency of the the transactions;
  - Employed persons by sectors.
4. Till 5th of April 2002 the MoF shall develop a proposal for the tax policy for the period 2002 – 2005, with an estimate for its impact on the economic growth and estimates for the budget revenues.
  5. Till 25th of April 2002 the MoF prepares and submits to the CoM an updated variant of the three-year budget forecast for the period 2003 – 2005.
  6. Till 30th of April 2002 the CoM conducts first meeting for the discussion of the budget on which the major strategies, the macroeconomic and the budget parameters should be discussed and the functional spheres that would be a key priority for the budget policy for the period 2003 – 2005 are defined, as well as the total amount of the funds (the expenditure ceilings) for each sphere for the year 2003, and submits them for preliminary discussion to the “Budget and finance committee” and to the other interested committees in the National Assembly. The CoM discusses the recommendations of these committees.
  7. On the basis of the budgetary policy priorities, the expenditure ceilings in the different functions and the updated three-year budgetary forecast until 2005 as defined by the Council of Ministers, the Ministry of Finance shall make a proposal with detailed expenditure ceilings by 20th of May 2002.
  8. The Council of Ministers shall, by 30th of May 2002, discuss the draft budget and if necessary shall make amendments in the medium-term fiscal framework and the adopted expenditure ceilings.
  9. Till 10th of June 2002 the Minister of Finance shall prepare and submit budgetary guidelines to the first level spending units, for preparing and specifying their budgets and extra-budgetary funds and accounts for 2003.

10. The Minister of Finance shall send the budgetary guidelines under item 9 to the Supreme Judicial Council, the Audit Office, the National Insurance Institute, the National Health Insurance Fund, the Bulgarian National Radio, the Bulgarian National TV and to the municipalities, suggesting that they should conform with these guidelines when preparing their autonomous budgets.
11. Till 30th of June 2002 the Ministry of Finance on the basis of the adopted by the Council of Ministers macro-framework and three-year budgetary forecast for the period 2003 – 2005, simultaneously and independently from the draft budgets of the first level spending units shall prepare a draft state budget for the year 2003.
12. The institutions under items 9 and 10 in compliance with the received budgetary guidelines shall prepare their draft budgets and the draft budgets of their extrabudgetary funds and accounts and by 30th of June 2002 should submit them to the Ministry of Finance as per the Unified Budgetary Classification with a report and analysis specifying the key sector policies and priorities, as well as the related changes in the structure and in the budgetary aggregates. The reports of the line ministries and the agencies will be an inseparable part of the general report on the budget.
13. Recommends to the Supreme Judicial Council, the Audit Office, the National Insurance Institute, the National Health Insurance Fund, the Bulgarian National Radio, the Bulgarian National TV and to the municipalities to present to the Ministry of Finance their draft budgets by the deadline specified in item 12, as a contribution to the preparation of the draft state budget.
14. The Ministry of Finance and the other interested ministries shall conduct consultations with the National Association of Municipalities of the Republic of Bulgaria by 10th of September 2002 and sign a memorandum (agreement) on the draft state budget law of the Republic of Bulgaria for 2003 in its part on municipalities, including the methodology for determining of the budgetary relations between the municipalities and the central budget.
15. Till 10<sup>th</sup> of September 2002 the Ministry of Finance under determined time-schedule conducts dialogues and signs memoranda (agreements) with the first

level spending units, specifying their priority policies and detailed draft budgets, as using the economic type of classification.

16. Following the dialogues conducted under item 14, the Minister of Finance does when necessary, changes in the draft budgets and in the consolidated fiscal program and submits the draft of the State Budget of the Republic of Bulgaria to the Council of Ministers, by 25th of September 2002, together with the detailed budgets of the First Level Spending Units.
17. Under this decision, the Ministry of the Environment and Waters prepares and submits to the Council of Ministers and to the National Assembly as an annex to the draft of the State Budget, its autonomous budget in a program format.
18. The Council of Ministers conducts a third meeting to discuss the draft budget till 1st of October, approves the draft of the State Budget Law of the Republic of Bulgaria for 2003, and submits it for approval to the National Assembly by 10th of October 2002.

Prime Minister:

*/Simeon Saxe Cobourg-Gotha/*

Secretary General

Of the Council of Ministers

*/Sevdalin Mavrov/*