

ADDITIONAL INFORMATION
ON DOCUMENT BG 35/00
ON CHAPTER 4 "FREE MOVEMENT OF CAPITAL"

OVERALL LIBERALIZATION STRATEGY

With the adoption of the Foreign Exchange Law, which entered into force on 1 January 2000, the capital account of the balance of payments was considerably liberalised. As it is well known, the sudden full liberalization of capital movements can provoke destabilizing capital flows and lead to serious pressure on the balance of payments, especially within a small open economy. It is recommended, in such cases, that this process take place in several consecutive steps, where the short-term capital flows and the deposits of non-bank residents abroad are the last to be liberalized. Moreover, the full liberalization requires a well functioning reporting system and discipline of the economic agents.

According to the Foreign Exchange Law the transactions and payments between residents and non-residents, cross-border transfers and payments, foreign exchange transactions in the line of business, transactions with precious metals and precious stones in the line of business, as well as their import, export and processing are executed freely. Under the provisions of the Law, some transactions between residents and non-residents have to be registered with the Bulgarian National Bank (BNB) prior to being conducted and an authorization by the BNB is required for the export of BGN 20 000 **in cash** or their equivalent in foreign exchange by residents (physical persons).

Bulgaria will adopt the necessary amendments to the Foreign Exchange Law and the regulations on its implementation to replace the verification procedure with a declaration procedure and abolish all the remaining restrictions. Full compliance with the requirements of the Treaty establishing the European Union and the other legislative acts, concerning capital movement liberalization, will be achieved by the end of 2002.

PAYMENT SYSTEMS

Republic of Bulgaria will harmonize its legislation with EU Directives 97/5 and 98/26, as well as with Recommendation 97/489/EC before the date of accession. Bulgarian authorities intend to achieve full harmonization of Bulgarian legislation with the EU *acquis* in this area by the end of 2004.

A working group including representatives from the BNB, the Ministry of Finance, the State's Securities Commission, the Central Depository and the Ministry of Justice has been set up and assigned with the task to undertake the necessary steps for the transposition of the Directives into the Bulgarian legislation. The experience of the EU Member States with respect to legislative harmonization and actual implementation of the Directives is currently being scrutinized. Consultations with the European Commission will also be held at a later stage for the elaboration of some specific questions and problems that may arise in the process of drafting.

The Directive on settlement finality in payment and securities settlement systems refers to all settlement systems operational in the country (e.g. settlement of money, government securities settlement systems, corporate securities settlement systems, derivatives settlement systems).

In this sense, the authorities, responsible for the preparation and adoption of the legislation, are **the Ministry of Finance, the State's Securities Commission and the Bulgarian National Bank. The Ministry of Justice** is concerned as far as measures, related to protection of the systems against **insolvency** of any participant, are to be adopted. Due to the broad scope of the Directive and the complexity of the issues its transposition will be completed by the end of 2004.

Respective changes in the regulatory framework of the payment and settlement systems will ensure the existence of “adequate and effective complaints and redress procedures for the settlement of disputes”, as provided for by Art. 10 of Directive on cross-border credit transfers.

Presently, Bulgarian legislation is in partial conformity with the requirements of **Recommendation 97/489/EC. Regulation No. 16** of the BNB on the Payments Initiated by Bank Cards establishes the procedure for issuance of bank cards, as well as for payments and other transactions by bank cards on the territory of Republic of Bulgaria. The Regulation covers only the issuance of domestic bank cards and the carrying out of transactions by such cards. The act does not regulate transactions by bank cards issued on the basis of the rules and regulations of foreign organizations, such as Visa International, Europay/MasterCard, American Express, which rules and regulations concern the international credit and debit cards.

For the full harmonization of Bulgarian legislation with Recommendation 97/489/EC, certain rules will be adopted also for credit cards, deferred debit cards, charge cards as well as for reloadable electronic money instruments in the form of stored-value cards and electronic tokens stored on network computer memory. The transposition of the Recommendation in relation to smart cards depends on the extent to which their use becomes a common practice in the country.

MONEY LAUNDERING

Bulgaria has an operating financial intelligence unit - the Bureau of Financial Intelligence (BFI) which has been acting effectively since 1998. Since May 1999 the BFI has been a member of the Egmont Group.

According to the amended and complemented Law on Measures against Money Laundering the BFI is a separate administrative structure – agency responsible to the Minister of Finance.

The agency has a Director, a Deputy Director and a Secretary General. The personnel of the agency consist of 40 employees. According to the new structure BFI's personnel are going to be grouped into three basic structural units as follows:

- Directorate “Administrative and Financial Service” – 6 employees
- Directorate “Information and Analysis” – 17 employees
- Directorate “Coordination and Control” – 14 employees

Suspicious Transaction Reports (STRs) are submitted to and analyzed within Directorate “Information and Analysis”. Directorate “Coordination and Control” carries out the international cooperation and exchange of information, the interaction with the enforcement authorities and the supervisory function of the agency. Directorate “Administrative and Financial Service” technically supports the activities of the specialized administration.

The interaction with the commercial banks is carried out in three directions:

- a. through the training arranged by the BFI together with the Association of the Commercial Banks (or a single bank) and the Bulgarian National Bank;
- b. in separate cases (gathering of additional information and supervision of suspicious financial operations);
- c. through the supervisory activity of the BFI (according to the amended and complemented Law on Measures against Money Laundering the BFI exercises control over the compliance with the requirements of the Law on Measures against Money Laundering by the obliged to submit STRs persons, including the commercial banks).

In the cases where there is enough data confirming the suspicion of money laundering the BFI reports the case to the Minister of Finance for the postponing of the operation or transaction as well as the Prosecutor's Office for the initiating of prejudicial proceedings. Up to 24 January 2001 28 banking transactions have been postponed by an order of the Minister of Finance on the basis of BFI's reports, totaling respectively to the amount of USD 992 855, DM 963 500 and EUR 89 162. Nine criminal cases were opened by the Prosecutor's Office and a number of persons were charged.

1554 STRs have been submitted to the BFI. Police investigations are carried out upon about 1250 of them. When analyzing sophisticated cases the BFI draws in experts from the Police and the Prosecutor's Office. Wherever there is a STR submitted by a financial institution (a bank or a non-banking financial institution) the BFI has the authority to require any additional information, including the information that is banking secrecy. The banks are included in the number of persons obliged to deliver that information.

At the end of 1999 two assessments of the measures against money laundering in the country were made - by the PC-R-EV Committee of the Council of Europe¹ and by the Phare Multi-Country Programme for the Fight against Drugs – Measures against Money Laundering². In the year 2000 the results of these assessments were reported in the First Evaluation report on Bulgaria adopted by the PC-R-EV Committee and in the Synthesis Report of the Phare Multi-Country Programme for the Fight against Drugs – Measures against Money Laundering. The latter was presented to the Directorate - General Enlargement of the European Commission.

Both reports contain positive evaluation on the implementation of the Law on Measures against Money Laundering. Recommendations concerning improvement of the legislative system were made. These recommendations were incorporated in the new Law on the Amendments and Compliments to the Law on Measures against Money Laundering.

The Law on the Amendments and Compliments to the Law on Measures against Money Laundering³ was adopted and came in force on 6 January 2001. The amendments and compliments concern the following provisions:

- The range of the persons obliged to submit STRs under the Law on Measures against Money Laundering was broadened by the persons dealing by profession in precious stones and germs, managing companies, pension funds, specialized auditing enterprises, customs

¹ See Annex A

² See Annex B

³ See Annex C

authorities, merchants selling automobiles by profession, sports organizations, the Central Depository, merchants dealing with weapons, petrol and petrol products, etc.

- The banks, financial houses and the foreign exchange offices are obliged to identify their customers in the cases of exchange of currency in cash where the amount exceeds BGL 10 000.

- Where the operation or transaction is carried out on behalf of a third party without authorization, or through a third person – bearer of documents for carrying out of the operation or transaction, the obliged persons must identify the third person in favour of which the operation or transaction is carried out, the person who has carried out the operation or transaction and the bearer.

- Wherever there is suspicion of money laundering, the Bureau of Financial Intelligence could be notified also by employees of the persons obliged under the law, which employees are not responsible for the implementation of the measures against money laundering and the Bureau keeps the anonymity of these employees.

- The Bureau of Financial Intelligence may demand from the Commercial Banks disclosure of information about operations and transactions of a customer and that information can not be refused for the reasons of official, banking or commercial secrecy in the cases where the Bureau has been notified in writing of suspicion of money laundering by the Bulgarian National Bank, commercial banks and non-banking financial institutions or insurers, bodies in the privatization process and the Central Depository as well as in the cases where there is a Request for information by the respective international bodies or bodies of another countries on the basis of international legal acts, bilateral agreements or reciprocity.

- The controlling bodies of the agency “Bureau of Financial Intelligence” carry out checks on the spot on the persons obliged under the law to implement the measures for prevention and disclosure of money laundering as well as where suspicion of money laundering exists.

REAL ESTATE

According to the last amendment of Art. 29 of the Law on Ownership, as of 21 July 2000 foreign citizens and legal persons no longer need authorization from the Minister of Finance to acquire ownership right over buildings⁴ and limited property rights⁵ over real estate in the country, unless otherwise provided by law.

⁴ The ownership right is the basic property right that consists of three initial rights: the right to possess, the right to use and the right to transfer. If a person has an ownership right over a building, that means that he may freely possess it, use it and transfer it.

There is a specific case where a person may obtain the ownership right over buildings but not over the land these constructions are built on. This is possible if the ownership right over the building is transferred by the owner to a third person or a right to build or a superficies has been established by the owner in favour of that person.

⁵ The limited property rights are the right to use, the right to build and the superficies. These rights are narrower than the ownership right and are explicitly established by the owner in favour of third parties. The right to build and the superficies exclude a future building from the ownership of the land or the existing building. In this way a third party may acquire the future building.

The only restriction in the latter sense is Art. 24, Para.1, which stipulates that a foreign physical or legal person, as well as a local company with foreign participation must obtain a permit for the acquisition of ownership rights over buildings and limited property rights over real estate in the area of border zones and other areas of importance to the national security, as determined by the Council of Ministers. The authorization is granted by the Council of Ministers or its authorized body, which announces its decision within 45 days after the submission of the request. Refusal to grant a permit shall be motivated.

1. Present situation of the land reform and the restitution process

Progress in the land reform and restitution process

According to National Statistics Institute data till the 25th of January 2001 the property right over land has been restored for 56,650,263 decares, which represents 99,79% from the land envisaged for restitution.

The data analysis for the land reform process shows that the restitution of agricultural land in the Republic of Bulgaria will be completed in the months to follow.

2. Present structure of the land by the use of land (arable land, vineyards, orchards, forests etc.) and in what areas it is expected the demand for land to be the greatest, in particular for agricultural land and forests.

Structure of the used land

The data for the agricultural land and forests are taken from established with a Decision No. 512 of 19th of July 2000⁶ of the Council of Ministers balances for various types of territories according to their purpose up to the 31st of December 1999.

I. Agricultural territories	-	64 303 835 decares, including
Arable land	-	49 659 216 decares
II. Forests	-	36 569 184 decares

⁶ Annex D

B a l a n c e
for various types of territories, way of usage and type of ownership

Type of land used	Total (decare)	Type of ownership *				
		Private	State-owned	Municipal	Organizations	Other
Agricultural land	64 303 835	43 213 089	3 586 913	9 319 657	192 431	7 991 745
arable land	43 314 708	37 045 942	1 265 564	1 492 974	92 776	3 417 452
perennial plants	3 133 681	2 313 638	113 312	226 599	2 910	477 192
Meadows	3 154 185	2 135 921	101 831	251 585	7 096	657 752
Nurseries	56 672	1 553	50 256	3 445	0	1 418
Pastures	12 865 346	1 714 547	2 049 746	5 630 926	89 649	3 380 478
field roads	1 779 273	1 488	6 204	1 714 128	0	57 453

* Definition of types of ownership over agricultural land:

- Private – property of physical and legal persons including cooperatives;
- State-owned – agricultural land which has been state-owned before entry into force of the Law on Ownership and Use of Agricultural Land (LOUAL) (State Gazette issue 17 of 1991, last amended in issue 34 of 2000), and has remained state-owned after the end of the restitution process;
- Municipal – agricultural land, which does not belong to physical or legal persons or to the State. According to Art. 19 of the LOUAL the municipality manages the agricultural land, which remained after the end of the restitution process. After a 10-year period this land becomes property of the municipality;
- Religious organizations – agricultural land, property of the Bulgarian Orthodox Church and other religious organizations.

The title “other types of property” includes the land of several owners, agricultural land managed by the municipality for which the 10-year period hasn’t expired, as well as agricultural land for which at the time of elaboration of this information the property rights were not yet restituted.

The land market for agricultural land is more intensive in the Northeast of Bulgaria – the regions of Dobrich and Silistra, where deals for selling, exchanging, renting and leasing of agricultural land have been registered.

There is a definite interest towards taking of land on lease from the State land fund for creating plantations of perennial plants (vineyards and orchards) mainly in the regions of Pleven, Bourgas, Haskovo, Yambol and Silistra.

There is interest also in buying agricultural land and using them for non-agricultural purposes in regions with well-developed infrastructure around big cities and the Black Sea coast.

The process of restitution of forests began in the year 2000. The number of issued decisions as of the 28th of September 2000 for the restitution of forests was 167,072, for a total of 3,376,885 decares of forestland, which represents 50,82% of the forestland envisaged for restitution. The distribution of these forests according to the type of ownership is as follows: 1,716,080 decares were restored to physical persons, 1,556,446 decares to municipalities and 104,359 decares to legal entities.

Until 27th December 2000 the property right over 5,087,036 decares of forestland has been restored which represents 80,00% from the land envisaged for restitution.

According to data from the “Agrostatistics” Department at the Ministry of Agriculture and Forestry, the structure of the land by the use of land is as follows:

Land cover and land use survey 1999-2000 (BANSIK)		
	(ha) 1999	(ha) 2000
Basic types		
Total cereals (incl. fodder crops)	2 031 782	2 054 218
Total oil-bearing	691 476	601 520
Total technical non-oil-bearing	106 674	85 428
Total vegetables and flowers	260 350	214 839
Total meadows and annual fodder	109 019	102 432
Total arable crops	3 199 301	3 058 438
Meadows-orchards	32 193	29 514
Vineyard	152 113	143 047
Orchards	129 031	109 240
Total perennial plants	313 336	281 801
Fallow land	377 438	467 573
Grassland	1 788 547	1 774 237
Agricultural land use	5 678 622	5 582 050
Non-arable land*	242 644	292 510
Forests	3 697 072	3 697 684
Natural areas	769 048	778 234
Areas that have undergone relief changes	713 296	750 205
Total area	11 100 683	11 100 683

* **Non-arable lands** – lands not included in the rising of crops, which have been cultivated in the past but not in the past two years and whose recreation is still possible. These lands carry evidence of past cultivation or are entirely surrounded by arable lands and which also include agricultural territories, which have been on fire.

BANSIK is a main survey carried out by Agrostatistics Department at the Ministry of Agriculture and Forestry. About 110 000 points are observed. They are included in 3123 segments located evenly throughout the whole country in order to obtain information on the land cover and land use. For the implementation of BANSIK a nomenclature for the land cover and land use has been created which is compatible with the EU CRONOS classification.

3. Information on the elements of the Bulgarian agriculture policy and envisaged measures to stimulate the development of viable farms, which according to the Bulgarian position need to be given a transitional period.

The Bulgarian policy in agriculture to stimulate the development of viable farms

The main priority of the Bulgarian government is to restructure the agriculture along with a steady development of stock farming. The strategic goal is to reach high effectiveness, competitiveness and export orientation of the agriculture activities.

The Farmers Support Act (1998) contains the basic principles and instruments of the agricultural policy. According to the same Act, the state supports agricultural producers through economic, social, structural and organizational measures, scientific and information offices as well as education and qualification programs. A key element is the help for creation of producer groups. The aid is provided mainly through the investment programs of the State Fund Agriculture and the pre-accession program SAPARD of the EU.

The request for keeping restrictions over the acquisition of property rights over land by foreigners is justified by economic and social reasons. The land market in the country is still in a process of development. This is the reason for not being able to achieve the true price when a deal for land sale is concluded. On the other hand the farming efficiency is low which contributes to the depreciation of farming lands. The abolition of the restriction over the acquisition of property rights over land by foreigners and foreign legal entities would result in a sharp increase in land prices, which will prevent the access of Bulgarian farmers to land at reasonable prices and will contradict the measures taken by the Bulgarian government to stimulate the development of viable farms. Forced by the increasing demand many farmers would choose to sell their land thus giving away their only source to earn their living. As there is a deficiency of jobs in other sectors this would lead to an increase of the unemployed and social problems on regional and national level.

Considering these problems the Bulgarian government undertakes consecutive measures to stimulate the land market and help the development of viable farms. In order for these measures to be fully applied and to fulfill their goals the Republic of Bulgaria needs a ten-year transitional period before the full liberalization of the land market.

The measures undertaken by the government are aimed at three main areas:

1. Measures to develop the market and consolidation of land;
2. Providing help to viable farms through the national schemes of State Fund Agriculture;
3. Preparations for receiving aids from SAPARD.

1. Measures to develop the land market

The land market in Bulgaria is not yet completely developed. The supply prevails over the demand for land in most regions of the country. An Information system for the supply and demand of agriculture land has been established at the Ministry of Agriculture and Forestry, which includes a software product elaborated in the past year. This system is free of charge. If somebody wants to buy or sell land he should enter the system through the Internet. Also the Ministry of Agriculture and Forestry has opened up a Land Market Counter at its reception-hall where information can be obtained concerning the land market. When filling in certain forms the applicants willing to buy or sell land are included in the system.

These measures will help the development of the land market in Bulgaria and the establishment of real prices for land in the country. On the other hand the increase in the efficiency of the farms will lead to an increase of the prices of the Bulgarian agricultural land and will bring them closer to the prices valid for the EU member states.

The government undertakes measures to enlarge the land units used for rising crops, which will increase the effectiveness of the farms. The adoption of the Land Consolidation Act in 2001 will solve the problem stemming from the existing small agricultural farms, which can be derived from the data provided in Table 1 on p.15. The larger farms have larger economic value and respectively higher price.

2. Providing help to viable farms through the national schemes of State Fund Agriculture

Only farmers – physical persons and local legal persons performing farming activities, can use the national schemes of State Fund Agriculture.

Credit schemes for purchasing farming equipment

The Credit schemes operate on the basis of an agreement between the State Fund Agriculture, serving bank and supplier of farming equipment. The aim of the Credit schemes is to provide the farmers with a clear investment plan, to purchase farming equipment at beneficial credit conditions.

The equipment that is envisaged to be purchased from Bulgaria or foreign countries is of high quality.

Examples of such projects are: “Bulgarian agricultural project - 1” and “Bulgarian agricultural project - 2” (for crediting of the purchase of farming equipment “John Deer”), Project “CLAAS Agroproject – Bulgaria 2000” (for crediting of the purchase of farming equipment “CLAAS”), Project “Effective farming” (for crediting of the purchase of farming equipment “FENDT” and “LEMKEN”), “Bulgarian-English Agricultural Project”, Program “New Agriculture” (for crediting of the purchase of tractors from “LANDINI”), Project “Agro New Bulgaria”, Project “Agrotechnics” (for direct crediting of the purchase of farming equipment produced by “Agrotechnics” JSC, city of Karlovo), Project “Agrobul”, Project “SILA” (for direct crediting of the purchase of farming equipment produced by “SILA” JSC, city of Yambol).

Investment programs

Credits for the investment projects of farmers are granted under the Investment programs in order to modernize the farms and the investments in long-term tangible assets. The investment projects, credited by the State Fund Agriculture, should be aimed at certain areas determined by the state. These areas are: purchase of tractors, tractor driven equipment, harvesting machines and other processing and harvesting equipment; purchasing of pure-bred and breeding animals; purchase of equipment (machinery and outfit), related to bringing-up of animals; construction, purchasing and re-construction of buildings, related to the production of crops and bringing-up of animals; creation of durable plantations; recreation of durable

plantations; purchasing of land for the creation or enlargement of farming production activities; enlargement of bee-farms; purchasing of farming equipment, meetings and parts for rice production as well as the rehabilitation, recreation and modernization of rice plantations.

The Investment programs of the State Fund Agriculture are accessible for different farmers⁷. For example the program “Agricultural Start-up” provides resources to small investment projects and the programs “Bulgarian Farm” and “Development” provide funding to medium and large investment projects in the agricultural sector. The program “Young Farmer” is aimed at helping the young farmers. Attracting young people to agriculture is vital for the increase of its effectiveness. On one hand the young people inherit the traditions of farming and on the other hand they are more open towards the introduction of modern technology in farming in order to increase the effectiveness of their farms.

The program “GREENHOUSES” funds the investment in greenhouses as a more effective type of farming. The program “ECO-AGRICULTURE” provides recourses for investment projects aimed at producing ecologically clean production. These Eco-foods are very popular on the European market and the production of such foods can be highly profitable.

Mountainous Farming Programme supports investment projects in mountainous areas of Republic of Bulgaria. The program is aimed at helping the development of mountainous regions, because at present these regions have extensive forms of agriculture with low economic and social characteristics.

3. Preparations for receiving aid from SAPARD

National Agriculture and Rural Development Plan 2000-2006 was developed for the implementation of the SAPARD program aimed at the development of agriculture and rural areas. This plan includes four priority areas with 12 measures in the public and private sectors, which will be funded by SAPARD. The major goals of the National plan are:

- Development of effective agricultural production and promotion of a competitive food processing sector by better market and technological infrastructure and strategic investment policies ultimately aimed at reaching EU standards.
- Sustainable rural development consistent with the best environmental practices by introducing alternative employment, diversification of economic activity and establishment of the necessary infrastructure. This in turn will improve the living conditions and standards of rural communities, increase the possibilities to obtain incomes and open up employment opportunities for people living in the rural areas.

The applicants, to be financed under SAPARD should have the appropriate experience and qualifications in agriculture. Those who don't have such experience are obligated to take free of charge course in the frame of the program. All applicants should have completed contracts for the distribution of their production and to be able to prove that their farm is viable. In the elaboration of the criteria for the approval of projects of physical and legal persons, applying

⁷ See Annex E

for funding under the SAPARD program, the conditions, which will lead to the abolition of structural problems in agriculture and the food-processing industry are taken into consideration. The funds of the program will be used to promote:

- Establishment of market infrastructure – will lead to obtaining the real price by the producers of agricultural products
- Farmers who can assemble sufficient land, owned or leased to reach economic viability and sustain operations in an increasingly competitive environment- economic viability has been defined as the full utilisation of an agricultural holding's resources at a minimum efficient scale and ability to operate and to generate sufficient net income without resource to government support to its operational activity or unsustainable level of indebtedness
- Young farmers who have been identified as particularly important for the development of the sector in the long run.
- Stable long-term relationships between primary producers and processors - can play an important role in stabilizing prices and serve as an incentive to increase investments in farm-specific assets as orchards and vineyards.
- Establishment of producer groups - important instrument to reduce the uncertainty of the environment, improve the terms of trade and price stability as well as the marketing costs of primary agricultural producers
- Selected sub-sectors in the primary and processing sector - to further achieve concentration of resources and more efficiency are selected priority sectors and activities, to help the achievement of the objectives of the Bulgarian agricultural policy.

4. Information on the market prices of main categories of agricultural land in representative regions in recent years; size and distribution of farms; ownership structure /number of farms and total area, which is State-owned, owned by legal person, by natural person/.

Market and market prices of main categories of agricultural land

1. Stages in agricultural reform development

The market of agricultural land reflects economic relations in the agricultural reform development, which usually surface at the latest and the processes as a whole are slowly and evolutionary. While the liberalization in the market prices of agricultural products is possible in the framework of one calendar year, for the market of agricultural land the time is needed. The enforcement through the administrative activity can provoke important distortions.

The market of agricultural land is a part of the pursued agricultural reform, and as for the priorities in agricultural relations, the place of the land relations has a different weight in the transition to market relations in the agriculture.

During the first stage in the background of transformations in the sector was the Law on Ownership and Use of Agricultural land. The priority of land relations was dictated by the thesis, that the restitution will be those motive, which will develop the market relations in the sector. The duration of the process of restitution is absolutely normal, as it concerns the restoring of justice related to the property. Moreover this reform effected almost the whole population. The complexity and the duration of the process of restitution lead to diminishing of the production of main crops and products. This determined a second stage from agricultural reform priority's point of view.

Second stage - It was reported that the base of the agricultural reform is created through the legislative framework and that's why the matter of use of land and the effectiveness of the production entities had to be resolved immediately. The farms started to adapt themselves working in world market conditions. As a result the decrease was overcome and the stabilization of the production for the period of 1996 to 1999 was a fact.

Third stage – the balance in both process during the year 1999 /ownership - use/ led to the searching for mechanisms in order to activate the agricultural processes. The possibilities of process administration were almost exhausted. The evolutionary transformations in the sector determined ones again the leading role of land relations, no longer through administrative activity, but through the market of agricultural land. At the use of land the determining factor was not so much the legislative framework, but the creation of competitive production structures.

2. The market of agricultural land⁸

In the process of restitution of land, the deals with agricultural land were incidental. The first research of agricultural market was carried out by the System of agromarket information in 1998. No information could be collected about transactions with agricultural land, as the basic reasons were:

- the lack of ownership documents;
- unsettled relationships between inheritors;
- discrepancy between the demand and supply by regions;
- a significant difference in prices of supply and demand.

During the year 1999 and 2000 have been carried out researches in land market of cluster representative samples, which were determined in the course of the research in 1998. On the base of the sample there were a possibility to determine the state and the tendencies in agricultural market development. A complete research in agricultural market was elaborated in November 2000, which provides an entire market description. On this base a panel will be established, which will be observed periodically during the year 2001 and will provide information for the processes in course.

In 1999 a considerable moving of the agricultural market was remarked, which is typical for the year 2000. The data received from the market research as of September 1999 and 2000 gives the grounds of considering that the market of agricultural land activates gradually.

What is typical for the land market in Bulgaria for the period 1999-2000?

⁸ Annex F

- In 1999 the supply exceeded considerably the demand of agricultural land, and in 2000 there is a relative balance between the supply and demand and the set of equilibrium market prices in numerous regions in the country. In maintenance of this statement is the fact, that in the year 2000 there is a little discrepancy between the maximal and minimal value of deals. The equilibrium price on the base of the sample as of September 2000 of agricultural land can be determined for: third category - 110 BGN/decare and for fourth category - 106 BGN/decare. The conclusion which can be done, is that the market prices continue to be low, nevertheless the growth in their value toward the year 1999.

The most developed land market is in the Northeast and Southeast regions of the country. The reasons are:

- A considerably speedy rate of restitution and the issuing of ownership documents;
- Market realization of cultivated agricultural crops. As a rule, these regions of the country are specialized mainly in grain-fodder crop production, where the dimension is determining for the production effectiveness. The grain-fodder crops have the best market realization and guarantee stability of the income of agricultural producers for the whole transition period. The demand for land is for massifs over 100 decares. According to the research in the year 2000 over 900 deals are concluded for 29 450 decares, as the prevailing category is the third and fourth.

The most poorly developed agricultural land market is in Northwest region and in the central Southern. The reasons can be searched in the following directions:

- Determining is the structure of the production in these regions. The cultivation of intensive crops is related to the need of smaller surfaces /3-10 decares/ for the production realization. The majority of the producers organize their farms in conformity with the proper land dimension.
- Another important factor is the significant risk related to the market realization and relatively the investment return, placed in land purchase. Almost the whole year there is a change of crop's supply and demand, cultivated in these regions: from excess supply to relative deficit. As a result, in first case the purchase prices represent 55-60% of the production cost, and the second - they are approximately twice higher of the cost. There is a considerable risk in cultivating these crops related to climatic conditions.

Temperately developed, from the point of view of concluded deals, is the agricultural land market in Central North and Northwest region. For the Southwestern region there is almost any concluded deals, except for the municipality of Sandanski and Petrich, where are concluded 271 deals for 928 decares of land, or average 3, 4 decares parcel. The specific climate conditions of the region FAVOUR the cultivation of early crops and the intensive use of surfaces for more than 2 crops yearly.

3. Forecast

Compared to 1999, in 2000 the prices rose with 30 per cent, but nevertheless they are relatively low, compared to the market prices in the EU countries. The realization of property through the ground rent is more attractive for the period in question, than the selling of agricultural land.

It is expected for market of agricultural land to spread during the next year to other regions, where it is not developed at all. A slight increase in prices and stabilization toward maximal limits for the year 2000 will be probably the dominating tendency for the year 2001. The base for the transparency of the processes as well as for the decisions in selling or purchasing of agricultural land will be the process of providing information on the level of concluded deals by regions. The increase of purchase prices and the implementation of intervention mechanisms on the part of the State will probably stimulate the purchase of land, as some of the risk factors in the agriculture will be regulated.

Ownership structure over the agricultural territories

Type of property	Area in decares	%
Private	43 213 089	67.2
State-owned	3 586 913	5.6
Municipal	9 319 657	14.5
Religious organisations	192 431	0.3
Other	7 991 745	12.4
=====		
Total	64 303 835	100

FEASIBILITY TEST ON “SURVEY OF THE STRUCTURE OF AGRICULTURAL FARMS”

In February 2000, Department “Agrostatistics” at Ministry of Agriculture and Forestry carried out a feasibility test on “Survey of the structure of agricultural farms in Bulgaria”. On the basis of the territorial sample were interviewed in total 7 632 farms from all the country. The total agricultural surface of these farms is 1 557 939 ha or about a 28% of the used agricultural surface in Bulgaria in the year 1999.*

The results of this test are not representative and conclusions for all the country can not be made. The correlation, brought by the analyses is related only to the sample and can be considered as indicative for the country.

In the tables is represented the division of interviewed farms by surface classes in hectares and according to their judicial status. The farms of natural persons, cultivating less than 1 hectare of land are 2 145. It’s possible, that the territory sample doesn’t include a great part of this type “semi-farms”. We must consider that some of them breed animals and the cultivated surface is not the only indicator for the size of the farm.

Table 1

Number of farms	Distribution of farms by classes (area in hectares)								
	0-5	5-100	100-250	250-1000	1000-1500	1500-2500	above 2500	total	%
Total number of farms	4809	935	303	1029	309	197	50	7632	100
Physical persons	4794	825	91	116	15	6	5	5852	76.7
In % for the respective class	99.7	88.2	30.0	11.3	4.9	3.0	10.0	76.7	

*The used farming land in Bulgaria for the year 1999 is 5,678,622 hectares. This includes the non-arable land, which according to the BANSIK nomenclature is under a separate code, namely non-arable land.

Legal persons	6	69	179	863	287	186	43	1633	21.4
In % for the respective class	0.1	7.4	59.1	83.9	92.9	94.4	86.0	21.4	
other	9	41	33	50	7	5	2	147	1.9
In % for the respective class	0.2	4.4	10.9	4.9	2.3	2.5	4.0	1.9	

Source: Test for the carrying-out of the “Survey of the structure of the farms in Bulgaria”, “Agrostatistics” Dept., MAF, 1999

Table 2

Used area	Distribution of farming land by classes (area in hectares)								
	0-5	1-100	100-250	250-1000	1000-1500	1500-2500	over 2500	Total	%
Total number of farms	6627	20334	50644	585164	376572	365436	153163	1557940	100
Physical persons	6608	15020	13615	54508	18127	10425	17875	136178	8.7
In % for the respective class	99.7	73.9	26.9	9.3	4.8	2.9	11.7	8.7	
Legal persons	7	3914	31358	507012	350237	345565	129494	1367587	87.8
In % for the respective class	0.1	19.2	61.9	86.6	93.0	94.6	84.5	87.8	
other	12	1400	5670	23644	8208	9446	5794	54174	3.5
In % for the respective class	0.2	6.9	11.2	4.0	2.2	2.6	3.8	3.5	

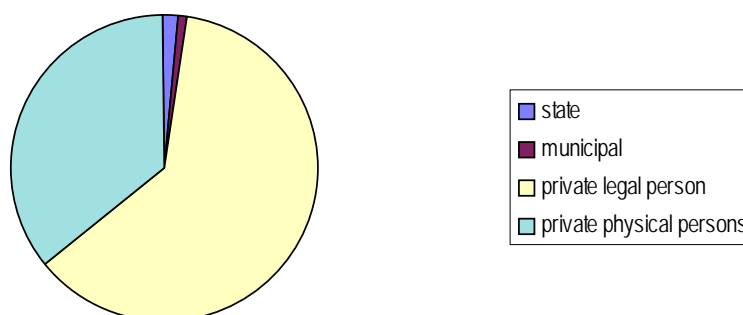
From all the interviewed farms 442 are cultivating in some kind state owned or municipality land, 1 375 farms are cultivating private land of legal persons, and 6 114 – private on physical persons. The surface distribution according to the type of ownership is indicated in table 3 and in graphic.

Table 3

Type of property	Area (hectares)	In %
State	26730	1.7
Municipal	14024	0.9
Total	40754	2.6
Private legal persons	953097	61.2
Including cooperation	888876	57.1
Private natural persons	564088	36.2
Total (ha)	1557939	100

Source: Test for the carrying-out of the “Survey of the structure of the farms in Bulgaria”, “Agrostatistics” Dept., MAF, 1999

Distribution of the total used agricultural land according to the type of property



At present the “Agrostatistics” Department is carrying out the real survey on the structure of agricultural farms in Bulgaria, which includes 12 000 farms.

It is envisaged to receive the representative results at the beginning of year 2001. The results will be provided as soon as possible.

4. Bulgarian Forestry policy including distribution, employees and ownership structure

Ownership of forest lands

The transitional period required for acquisition of property rights over forests and land from the forest fund by foreign physical and legal persons is justified by the same social and economic reasons as for agricultural land.

According to the legislation in force, exclusively state owned are the forests in the protected areas, determined by a law (the Law on Protected Areas - national parks and reserves), as well as the forests in the areas, determined for the strict security of water-catching equipment near the water supplies of drinking water; the forests in the territories of the 200-meter strip of land alongside the border of the Republic of Bulgaria; forests for the protection of the engineering-technical equipment, etc.- according to the Law on forests.

Most of the restituted property rights over forests and land plots from the forest fund to physical persons are very small in size, claimed by several inheritors who have to settle their relations concerning the property.

Structure of forests and forest lands

From the total area of forests and forest lands amounting to 3 894 256 ha, 1 135 867 ha are coniferous trees, 695 030 ha are deciduous high-stem trees, 549 051 ha are forests for restructuring, 865 065 ha are coppies to be transformed into high-stem, 115 059 ha are low-stem trees and 524 185 ha are bare forest areas and forest grazings.

After the finalization of the restitution non-state owned forests would account to 545146.1 ha or 14% of the total area of the forests and forest lands. This figure is not final because appeal against some restitution commission’s decisions could happen.

According to expectations the demand for two particular types of forestlands would be the greatest. One is in the region of the national mountain and seaside resorts and the other one is in the region where private ownership over forest is much concentrated and where the forest management traditions are preserved.

Currently the forests and forestlands are managed by 16 regional forest offices and 173 forest stations.

Priorities of Government forestry policy:

- finalization of restitution of ownership over forests and forest lands and restructuring of the activities in the sector;
- management and exploitation of state-owned and private forests on the basis of balance of the economical and environmental factors for sustainable development;
- alignment of prices of timber and other forest products with the international prices , in conformity with the market economy;

- entitlement of entrepreneurs for wood harvesting and similar economic activities;
- natural recovering of mature forest and thinnings;
- forests and forest lands evaluation;
- delimitation of forests and forest lands, in conformity with the state cadastre;
- preservation of genetic resources and biodiversity of state and non-state forests;
- development of effective hunting, photo, ecological and other forms of tourism;
- permanent forestry pest and diseases control;
- effective protection of forestry against fires and illegal felling;
- stringent observance of the international agreements and conventions on the protection of biodiversity and protected nature areas;
- support for the restoration and the formation of cooperative forestry organizations.

APENDIX A

COUNCIL OF EUROPE EUROPEAN COMMITTEE ON CRIME PROBLEMS (CDPC)

Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV)

FIRST EVALUATION REPORT ON BULGARIA SUMMARY

A PC-R-EV team of examiners, accompanied by colleagues from the Financial Action Task Force (FATF) visited Bulgaria between 16 – 19 November 1999. At the time of the on-site visit the anti-money laundering regime in Bulgaria had effectively been in operation for one year. In 1998 a new Law on Measures against Money Laundering (LMML) was adopted, providing a coherent framework for fighting money laundering. A specialised unit, responsible for implementing the law, was established, the Bureau of Financial Intelligence (BFI). It is an administrative unit responsible *inter alia* for collecting, processing, disclosing, keeping and analyzing information on STRs from obliged entities. BFI is directly subordinate to the Minister of Finance.

From 1 November 1998 until 1 September 1999 the BFI received 132 STRs, 44 % of them from banks. This had resulted, as of October 1999, in the arrest of 26 persons and the initiation of 4 trials. USD 613 000 and DM 279 000 and EURO 37 000 had been frozen and then seized or held and then seized. At the time of the evaluation 18 cases had been passed to the prosecutor's office and 42 cases had been sent to the NSCOC for initial information and co-ordination.

The BFI keeps permanent contact with the separate institutions, which make reports.

The BFI is allowed to exchange information with counterparts in other countries and there is thus a clear legal basis for the exchange of information with other FIUs regardless of their nature.

Considerable efforts have been made through the passage of the LMML and the creation of the BFI to develop a preventative regime, which will be capable of meeting the threats to the financial system from money laundering. It is still, of course, early days but many of the building blocks are now in place and there is much in the LMML, which transposes relevant international standards into Bulgarian Law. The range of undertakings with obligations under the Law goes further in some cases than current international standards.

The examiners were impressed with the commitment and systematic approach to the development of its work by the staff of the BFI. They do need more resources, though, particularly analysts and experts in financial areas, which will be threatened as domestic money laundering becomes more sophisticated – such as the security market.

On the reporting side, the system appeared to function well. Equally co-operation between the BFI and those required to reporting, and between the BFI, the supervisory authorities, the police, the prosecutors and the ministries involved seemed to be generally developing well.

Bulgaria is a country, which is vulnerable to money laundering. To its credit it has recognized this vulnerability and is now taking numerous positive steps to defend itself. Its strategy for addressing the threat is largely based at present on the BFI. The BFI, staffed as it is with committed and dedicated personnel, therefore has a very large task. The BFI's existence and operational functioning is one of the most encouraging features of the Bulgarian fight against money laundering.

APENDIX B

Phare Multi-Country Programme for the Fight against Drugs Measures against Money Laundering

Synthesis Report

4.10 Bulgaria

Legal: The Bulgarian Law on Measures Against Money Laundering was enacted in 1998

Institutional: Functioning Financial Intelligence Unit; Bulgaria has signed and ratified both the Vienna Convention and the Strasbourg Convention without reservations; Egmont member

Conclusions

- The Act meets almost all of the requirements in the Directive (e.g., the definition of money laundering in the Act is in line with the criteria in the Directive, money laundering is criminalised in the Penal Code and the definition of persons is in compliance with the Directive) and Bulgaria has a well functioning system to combat money laundering, takes its obligations seriously and is systematically looking to improve its performance, with great dedication

- Of particular relevance and impact and a driving force behind the anti-money laundering effort is undoubtedly the BFI (Financial Intelligence Unit); both the organisation and infrastructure are in place and the professional commitment is more than evident
- As an overall conclusion it is fair to state that, notwithstanding the enormous political, economical and social problems Bulgaria is faced with, on the whole the Bulgarian anti-money laundering system is of a high and praiseworthy standard

Bulgaria

Disclaimer

All comments are made of the English version of the Bulgarian Law on Measures Against Money Laundering, of July 9, 1998 (referred to as the Act).

One should bear in mind that this is an unofficial translation and that some misunderstandings might occur when translating the Act into English.

General Remarks

A meeting between Bulgarian representatives from the Ministry of Justice, Ministry of Interior, the National Bank, Prosecutors Office and the Bureau of Financial Intelligence, on one side, and EU experts from Sweden and The Netherlands, on the other side, took place in Sofia on 23 February 2000.

The progress in implementing the European Money Laundering Directive was reviewed and the actual state of affairs of the Bulgarian system was discussed.

Legislative Framework

General remarks

This assessment is based on the English version of the Act. The aim is to assess whether the Act meets the international legal standards for combating money laundering, especially the Directive.

As an overall impression it seems like Bulgaria, having the legislation and a functioning FIU (the Bureau), has a functioning system to combat money laundering. The Act meets almost all of the requirements in the Directive.

New draft legislation on money laundering is under consideration. There is co-ordination work going on within the Ministries and the Bill will hopefully be presented for the Parliament in March.

The scope of the legislation and definitions

The definition of money laundering in Article 2 in the Act is meeting the criteria's in the Directive. All crimes are predicate offences to money laundering both for the reporting obligation and then criminalisation. Money laundering is criminalised in the Penal Code. The definition of money laundering in the Penal Code was said to be a little bit different. In the draft law it is planned to have the same definition in the Act as in the Penal Code.

The persons covered by the Act include banks, non-bank financial institutions, insurers and investment companies. The team was told that almost all EU Directives in the financial field were

implemented. The definition of persons seems to be in compliance with the Directive. Furthermore, the Act also includes inter alia gambling, notaries, post offices, stock exchanges, political parties, trade unions, not profit organisations, auditors and tax authorities. This goes far beyond the requirements in the Directive. The effectiveness to let the Act cover all these persons is not very clear. The banks have so far made most reports; in addition both post office and notaries have made certain reports also.

The list of persons is proposed to be extended in the draft law with insurance brokers, pension funds, customs authorities etc.

Organisations involved in combating money laundering

In Article 10 in the Act it states that the information received from persons shall be kept, examined, processed and disclosed by the Bureau. The Bureau is member of in the Egmont group.

Nothing is said in the Act concerning the supervisory authority. The team was informed that different supervisory authorities supervise different persons. The Central Bank supervises the banks and is the most active supervisory body in the case of money laundering. All financial institutions are supervised. The Bureau or the Ministry of Finance supervises the other persons. Having different supervisory bodies require a good co-operation between the authorities.

Prohibition of money laundering

According to Article 1 in the Act it is the objective of the law to prevent money laundering and to detect actions of natural and legal persons aimed at laundering money through or in relation to a crime. Article 2 in the Directive is therefore implemented.

Identification of customers

In Article 4 in the Act it is an obligation to identify the customer in any operation and entering into transaction exceeding 30.000 Levs. There is also an obligation to identify in the case of more than one operation or transaction, which seems to be linked, when it reach 30.000 Levs, the so-called smurfing. There is no obligation to identify the customer, when at the time the transaction is being concluded or at any moment thereafter the exact value of the entire transaction is not known, and the transaction exceed 30.000 Euro. Paragraph 2 in Article 3 in the Directive is therefore partly implemented in the Act.

Article 4 in the Act includes obligation to identify customers wherever there is suspicion of money laundering. This meets the requirements in Article 3.6 the Directive. Furthermore Article 5 in the Act states that when an operation or a transaction is carried out on behalf of a third party, the person must require evidence of the power of attorney, identify the person present and the depositor. This goes beyond the requirement in Article 3.5 in the Directive.

There is no obligation in the Act saying that the customer shall be identified when entering into business relationship such as opening an account in a bank or offering safe custody. The team was assured that a legal person never starts a business relationship without identifying the client. This is regulated in different regulations. The team was also guaranteed that there are no anonymous accounts in Bulgaria. The requirement in Article 3.1 in the Directive is therefore only implemented for credit and financial institutions. It is most advisable to have an obligation in the Act to identify the customer in all cases where a business relationship is started.

There is no regulation in the Act implementing the requirements in Article 3.3 in the Directive concerning identification in the case of insurance premiums. Furthermore the Article 3.7 in the Directive, regarding identification in the case where the customer is a credit or financial institution, is not implemented. One might claim that not implementing this Article gives the institutions unnecessary work.

Record keeping

Article 8 in the Act includes an obligation for persons to store the data obtained when identifying the client and of the transaction for at least five years, which meets the requirements in the Directive.

Examination of suspected transactions

Wherever there is suspicion of money laundering the persons must collect information concerning the material elements and dimensions of the operation or transaction, the relevant documents and other identifying particulars. Article 5 in the Directive, concerning examination of suspicious transactions, seems to be implemented. If there is not such an obligation a non-reporting institution can always exclude themselves from all responsibilities in the Act by claiming that they did not know that the transaction was suspicious for including money laundering. To have an efficient combat of money laundering it must be an obligation for the institutions to examine all unusual transactions.

Reporting system

According to Article 11 in the Act shall, wherever money laundering is established or there is suspicion thereof, the persons notify the Bureau prior to carrying out the operation or transaction. Article 18 in the Act states that where the persons establish data about money laundering they shall forthwith notify the Bureau.

In Article 13 in the Act there is a duty, wherever money laundering is established or there is suspicion thereof, for the persons to forward to the Bureau any additional information requested with respect to the operation or transaction.

The reporting is only mandatory for the persons and not for their directors and employees. The first paragraph of Article 6 in the Directive is therefore only partly implemented. There is an obligation in Article 6.3 for the persons to set up specialised units for customer identification which shall wherever there is a suspicion of money laundering, provide the information collected to the Bureau. This part of Article 6 in the Directive is therefore implemented.

There is no regulation saying that the information received by the FIU shall be used solely for the purposes stipulated by the Act. This mean that the information received by the FIU can be used for other purposes than money laundering. The team was told that the Bureau received 310 reports during 1999. Most of them from banks and some from tax authorities and notaries.

Suspension of transactions

It says in Article 11 in the Act that the persons shall notify the Bureau when money laundering is established or there is a suspicion thereof prior to carrying out the operation or transaction. The Ministry of Finance may, on a proposal from the Bureau, according to Article 12 in the Act, suspend a specific operation or transaction for a period up to three working days. In cases where the persons deems that delaying of the operation or transaction is impossible or could impede the detection of money laundering, that person shall notify the Bureau forthwith after the operation or transaction is carried out. Article 7 in the Directive can therefore be regarded as fully implemented.

Warning to customers

According to Article 14 in the Act the persons are not allowed to notify their customer or any third party of the disclosure of information when reporting. There is no obligation for their directors and employees to not reveal that information has been given to the FIU. Therefore Article 8 in the Directive is not implemented.

Responsibility for damages when reporting

In Article 15 in the Act it is stated that disclosure of information shall not involve liability for breach of other laws. There is no limitation to information provided in good faith. The requirement in Article 9 in the Directive can be seen as implemented for the persons, even though nothing is said about the reporting by employees or directors.

Competent authorities disclosure

There is no regulation in the Act stating that supervisory authority that become aware of data, indicating money laundering activities shall report to the Bureau. However, the team was informed that this was regulated in the specific regulation for each supervisory authority.

Internal procedures and training of employees

According to Article 16 in the Act the person shall adopt internal rules to control and forestall money laundering. The internal rules shall lay down clear criteria in view of discerning suspicious operations or transactions and customers, a procedure for training for their employees and the use of technical means to forestall and detect money laundering. The person shall also set up specialised units responsible for providing information to the Bureau. Article 11 in the Directive is therefore implemented.

Penalties

Article 23 in the Directive requires that there are penalties for infringements of the measures adopted. Both natural as well as legal persons can be fined for administrative offences. The requirements in Article 14 in the Directive can therefore be regarded as implemented.

Institutional Framework

Bulgaria has ratified and implemented both the Vienna Convention and the Strasbourg Convention without reservation.

Of particular relevance and impact and a driving force behind the anti-money laundering effort is undoubtedly the BFI (FIU). Bulgaria takes its obligations seriously and is systematically looking to improve its performance, with great dedication. With the BFI recently moving into its new premises, both the organisation and infrastructure are now in place and the professional commitment is more than evident. Most of the basic conditions for the well functioning of the BFI are fulfilled (staffing, access to information, level of professionalism).

As an overall conclusion it is fair to state that, notwithstanding the enormous political, economical and social problems Bulgaria is faced with, on the whole the Bulgarian anti-money laundering system is of a high and praiseworthy standard and is, relatively speaking and from what can reasonably be expected, certainly meeting the criteria of the EU acquis in this respect.

APENDIX C

LAW ON MEASURES AGAINST MONEY LAUNDERING

*Amended by the Law on the Amendments and Compliments
to the Law on Measures against Money Laundering
(Promulgated in the State Gazette, Issue 1 of 2 January 2001)*

Chapter one General Provisions

Art. 1

- (1) This law shall determine the measures against money laundering as well as the organization and control over their implementation.
- (2) The objective of the law is to prevent money laundering and to detect actions of natural and legal persons aimed at money laundering.

Art. 2

- (1) Money laundering is the preparation, carrying out and acceptance of the results of actions through which money or other property, as well as anything derived therefrom, becomes the possession of a given person through or in connection with a crime and is introduced into the economic turnover.
- (2) Money laundering also exists in the cases of:
 1. The transformation or transfer of property acquired through or in connection with a crime;
 2. Concealment or disguising of the real nature, the source, the location, the disposition, the movement or the rights related to the property acquired through or in connection with a crime;
 3. Acquisition, possession or use of property, with the knowledge at the time of receiving, that it has been acquired through, or in connection with a crime.
- (3) Money laundering shall also occur in cases where the initial crime is committed abroad and does not fall within the penal jurisdiction of the Republic of Bulgaria.

Art. 3

- (1) The measures for preventing and detecting actions relating to money laundering are: identification of persons, collection, keeping and disclosure of information about operations and transactions.
- (2) The measures under paragraph (1) shall be mandatory for:
 1. Bulgarian National Bank, commercial banks, non-banking financial institutions within the meaning of article 1, paragraph 5 of the Law of the Banks;
 2. insurers;
 3. investment companies, investment intermediaries and managing companies;
 4. pension funds
 5. bodies in the privatization process;
 6. persons organizing the award of public commissions;
 7. persons organizing and conducting games of chance;
 8. legal persons to which mutual assistance funds are established;
 9. persons who grant cash loans in return for pledging corporeal assets;

10. post offices, which accept or receive money or other valuables;
 11. notaries;
 12. exchanges and exchange brokers;
 13. leasing companies;
 14. government and municipal bodies granting concessions;
 15. political parties;
 16. trade unions and professional organizations;
 17. non-profit legal persons;
 18. chartered accountants and specialized auditing enterprises;
 19. tax authorities;
 20. customs bodies;
 21. merchants selling automobiles by profession;
 22. sports organizations;
 23. the Central Depository;
 24. persons dealing by profession in precious stones and germs;
 25. merchants dealing in weapons, petrol and petrol products;
 26. merchants dealing in alcohol and cigarettes;
 27. wholesale merchants.
- (3) The measures under paragraph (1) are mandatory for the persons under paragraph (2) even if they have been adjudged insolvent or if they are in process of liquidation.
- (4) The measures under paragraph (1) shall also apply to registered abroad branches of persons under paragraphs (2) and (3).

Chapter two

IDENTIFICATION OF CUSTOMERS, COLLECTION, STORING AND DISCLOSURE OF INFORMATION

Division I

Identification of clients

Art. 4

- (1) The persons under art. 3, paras (2) and (3), must identify their customers in the cases of establishing of permanent commercial relationships as well as carrying out of operations and entering into transactions which involve sums exceeding 30 thousand BGL and the Bulgarian National Bank, banks, financial houses and foreign exchange offices also in the cases of exchange of currency in cash where the amount exchanged exceeds 10 thousand BGL.
- (2) Paragraph (1) shall also apply to the cases where more than one operation or transaction is carried out, each of them not exceeding 30 thousand BGL respectively 10 thousand BGL, but there are data that such operations or transactions are linked.
- (3) The persons under art.3, paragraphs (2) and (3) must identify their customers also outside the cases under paragraphs (2) and (3), wherever there is a suspicion of money laundering.

Art. 5

- (1) Where the operation or transaction is carried out through a representative, the persons under article 3 paragraphs 2 and 3 must require evidence of the power of attorney and identify the representative and the person represented.
- (2) Where the operation or transaction is carried out on behalf of a third party without authorization or through a third person – bearer of documents for carrying out of the operation or transaction, the persons under article 3 paragraphs 2 and 3 must identify the third party in favour of which the operation or transaction is carried out, the person who has carried out the operation or transaction and the bearer.

Art. 6

- (1) Identification of customers shall be done as follows:
 1. In the case of legal persons - by furnishing an official excerpt about their present status from the respective register, and where such person is not subject to registration - by furnishing a certified transcript of the document of incorporation and registration of the name, seat, address and the representative.
 2. In the case of natural persons - by furnishing an official identity document and registration of its type, number and issuer, as well as the name, address, personal number and for natural persons having the capacity of sole merchants – also by furnishing the documents under item 1.
- (2) Persons bound by law to have tax registration shall present a copy of their tax registration.
- (3) Persons bound by law to have customs registration shall present a copy of their customs registration.
- (4) In the cases where a certain activity is to obtain a licence, permission or registration, the persons carrying out transactions and operations connected with this activity, furnish a copy of the corresponding licence, permission or certificate of registration.
- (5) Persons under art. 3, para. 2, items 1, 2, 3, 4, 5, 6, 7, 10, 12, 14, 18, 19 and 20 shall set up specialized services for customers identification which shall:
 1. collect, process, store and disclose information about the concrete operations or transactions;
 2. gather evidence as to the ownership of the property subject to transfer;
 3. request information about the origin of the money or valuables which form the subject of such operations or transactions; the origin of those money or valuables shall be certified by a declaration;
 4. collect information about their customers and maintain accurate and detailed documents for their operations involving money or valuables;
 5. wherever there is suspicion of money laundering, provide the collected information under items 1, 2, 3 and 4 of this paragraph to the Agency “Bureau of Financial Intelligence” in accordance with art.11.
- (6) Where it is not possible to set up a specialized unit, the persons under art.3, para. 2, items 1, 2, 3, 4, 5, 6, 7, 10, 12, 14, 18, 19 and 20 shall carry out their duties personally.
- (7) All the persons under art.3, paras 2 and 3 carry out their duties under art.6, independently of the fact whether they set up a specialized service or not.”

Division II

Gathering of information

Art. 7

- (1) Wherever suspicion of money laundering arises, the persons under art. 3, paras (2) and (3), are under the obligation to collect information about the essential elements and the amounts of the operation or transaction, the respective documents and the other identifying data.
- (2) The data collected shall be used for the purposes of this law only.

Division III

Storing of information

Art. 8

In the cases under arts. 4 - 7 the persons under art. 3, paras (2) and (3), are under the obligation to store for a period of 5 years the data about the customers and the documents for the transactions and operations carried out. With respect to the customers, the time limit shall run from the beginning of the calendar year following the year in which the relationship is terminated and with respect to the transactions and operations - from the beginning of the calendar year following the year of their performance.

Art 9.

When demanded the data and documents under art. 8 shall be forwarded to the Agency “Bureau of Financial Intelligence” in the original or as officially certified copies. The order, deadlines and periodicity shall be determined in the Regulations on the Implementation of the Law on Measures against Money Laundering.

Division IV

Disclosure of information

Art. 10

- (1) The information received from persons under art.3, paras (2) and (3), shall be stored, examined, analysed and disclosed by the Agency “Bureau of Financial Intelligence”, which shall be a legal person on the state budget support, reliable to the Minister of Finance with a seat in Sofia.
- (2) The structure and the organization of the activities of the Agency “Bureau of Financial Intelligence” shall be determined by a Rules of Structure, adopted by the Council of Ministers.
- (3) Representatives of the Bulgarian National Bank, the Ministry of Interior, the Ministry of Justice, the bodies of the Judiciary and other experts may be invited as experts within the Bureau of Financial Intelligence.
- (4) The interaction between the Ministry of Finance and the Ministry of the Interior shall be arranged by an instruction of the two Ministers.
- (5) The interaction between the Agency “Bureau of Financial Intelligence” and the administrative structures to the Minister of Finance shall be carried out under the order defined by the Minister of Finance.

Art. 11

- (1) Wherever there is suspicion of money laundering, the persons under art. 3, paragraphs (2) and (3), shall be under the obligation to notify forthwith the Agency “Bureau of Financial Intelligence” prior to carrying out the operation or transaction, holding up its realization within the period admissible under the legal acts that regulate the corresponding kind of activity.

- (2) In the cases where the delay of the operation or transaction is objectively impossible, the person under art. 3 paras 2 and 3 shall notify the Agency “Bureau of Financial Intelligence” immediately after its performance.
- (3) The notification of the Agency may be done also by employees of the persons under art. 3 paras 2 and 3 that are not responsible for the application of the measures against money laundering. The Agency shall keep the anonymity of these employees.

Art. 12.

- (1) In the cases under art. 11 para. 1 the Minister of Finance upon a proposal by the Director of the Agency “Bureau of Financial Intelligence” may suspend by an order in writing a certain operation or transaction for a period of up to three workdays, considered from the day following the day of issuing the order. If no preventive measure, distraint or foreclosure, is undertaken until the expiration of that time limit, the persons under art. 3, paras 2 and 3 may proceed with the operation or transaction.
- (2) The Agency “Bureau of Financial Intelligence” shall immediately notify the Prosecutor’s Office about the suspension of the operation or transaction while submitting all the necessary information keeping the anonymity of the person under art. 3, paras. 2 and 3, that has made the notification under art. 11 or 18.
- (3) The Prosecutor may impose a preventive measure or place a request before the corresponding court for imposing of distraint or foreclosure. The court is to pass a statement on the request within 24 hours as from the moment of its entering.
- (4) Wherever there are data for a committed crime, the Agency “Bureau of Financial Intelligence” shall notify the Prosecutor’s Office keeping the anonymity of the person under art. 3, paras. 2 and 3, that has made the notification under art. 11 or 18.

Art. 13

- (1) In the cases of notification under art. 11 or 18 the Agency “Bureau of Financial Intelligence” may demand from the persons under art. 3, paras 2 and 3, excluding the Bulgarian National Bank and the banks, information concerning suspicious operations, transactions or customers. The demanded information shall be delivered within the defined by the Agency time limits.
- (2) Wherever there is a written notification under art. 11 or 18 made by a person under art. 3, para. 2, items 1, 2, 5 and 23 as well as a Request for Information under art. 22 the Agency “Bureau of Financial Intelligence” may demand from the Bulgarian National Bank and the banks information about suspicious operations, transactions or customers. The demanded information shall be delivered within the defined by the Agency time limits.
- (3) The Agency “Bureau of Financial Intelligence” may demand from the government and municipal bodies information under the conditions of para. 1 and that information could not be refused. The demanded information must be delivered within the defined by the Agency time limits.
- (4) When defining the time limits under paras. 1 – 3 the Agency shall take into consideration the volume and the contents of the information demanded.

- (5) For the purposes of the analysis the Agency “Bureau of Financial Intelligence” shall receive from the Bulgarian National Bank statistical information under art. 7 of the Foreign Exchange Law.
- (6) The Agency “Bureau of Financial Intelligence” shall have the right of gratuitous access to the information registers built up and maintained by state budget funds.
- (7) The submission of the information under paras 1 – 6 could not be denied or limited for reasons of professional, banking or commercial secrecy.

Art. 14

The persons under art.3, paras (2) and (3) shall not be allowed to notify their customer or any third party of the disclosure of information in the cases under arts 9, 11, 13, 17 and 18.

Art. 15

The disclosure of information in the cases under arts. 9, 11, 13, 17 and 18 shall not give rise to liability for breach of other laws.

Division V Protection of the Information

Art. 15a

- (1) The Agency “Bureau of Financial Intelligence” may use the information that is official, banking or commercial secrecy as well as the protected personal information received under the conditions and order of arts 9, 11, 13, 17 and 18 only for the purposes of this law.
- (2) The employees of the Agency “Bureau of Financial Intelligence” and the experts under art. 10, para. 3 cannot announce, use for personal favour or in favour of persons related to them, pieces of information and facts, that are official, banking or commercial secrecy, which have become known to them while exercising their official duties.
- (3) The employees of the agency as well as the experts under art. 10, para. 3 shall sign a declaration for keeping the secrecy under para. 2.
- (4) The provision of para. 2 shall be referred also to the cases where the mentioned persons are not employed or the performance of the task for which they had been drawn in under art. 10, para. 3 has ended.

Chapter Three

INTERNAL ORGANISATION AND CONTROL

Art. 16

- (1) The persons under art. 3, paras (2) and (3) shall adopt within 4 months as from the coming into force of this law or as from their registration, internal rules for control and preventing money laundering which rules shall be approved by the Director of the Agency “Bureau of Financial Intelligence”.
- (2) The internal rules under para (1) shall lay down clear criteria in view of discerning suspicious operations or transactions and customers, the procedure for training of the employees and the use of the technical means for prevention and detection of money laundering.

- (3) The internal rules under para 1 shall be sent to the Director of the Agency “Bureau of Financial Intelligence” for affirmation within time period of 14 days as from the date of their adoption.

Art. 17

- (1) The control over the implementation of this law shall be exercised by the Minister of Finance and the Director of the Agency “Bureau of Financial Intelligence”.
- (2) The controlling bodies of the Agency “Bureau of Financial Intelligence” shall carry out checks on the spot on the persons under art. 3, paras 2 and 3 in connection with the implementation of the measures for prevention and disclosure of money laundering as well as where suspicion of money laundering exists.
- (3) Controlling bodies of the Agency “Bureau of Financial Intelligence” shall be the nominated by the Director officials from the staff of the agency.
- (4) The checks under art. 1 may be carried out in cooperation with the bodies that are entrusted by a special law to exercise control over the persons under art. 3, paras 2 and 3.
- (5) The checks shall be carried out on the basis of an order in writing by the Minister of Finance or the Director of the Agency “Bureau of Financial Intelligence”. The purpose, the time and the place of the check, the name of the person checked as well as the name and the position of the checking persons shall be pointed out in the order.
- (6) The persons under art. 3, paras 2 and 3, the government bodies, the authorities of local self-government and their officials are obliged to render assistance to the control authorities of the Agency “Bureau of Financial Intelligence” when the latter are exercising their official duties.
- (7) When carrying out checks on the spot the controlling bodies under para. 3 shall have the right to free access to the official premises of the persons under art. 3, paras. 2 and 3 as well as to require documents and collect data in connection with the performance of the task entrusted to them.”

Art. 17 a

- (1) The Minister of Finance on a proposal by the Director of the agency “Bureau of Financial Intelligence” shall define the officials which shall have the right to additional payment for work within the system of financial intelligence as well as the individual rate for each official.
- (2) The funds under para. 1 shall be defined at the rate of 25 per cents of the annual amount of the funds for salaries in the budget of the agency “Bureau of Financial Intelligence” for the corresponding year and shall be included in the Law on the State Budget for the same year.
- (3) The funds at the rate of 30 percent collected from sanctions imposed under this law shall flow as revenues into the budget of the agency “Bureau of Financial Intelligence” and shall be used for capital investments for improvement of the equipment, training and participation in international events.
- (4) The order of calculation and expense of the funds under para. 3 shall be determined by an ordinance of the Minister of Finance.
- (5) The officials of the agency “Bureau of Financial Intelligence” shall be obliged to insure against accident and have “Life Insurance”.

Art. 18

- (1) Where the persons under art.3, paras. (2) and (3) find out data about money laundering, they shall forthwith notify the agency “Bureau of Financial Intelligence”.
- (2) The Agency “Bureau of Financial Intelligence” may receive data concerning money laundering besides from the entities under para. 1 also from government bodies or through the international exchange.

Art. 19

Where a person under art. 3, paras (2) and (3), fails to carry out his duties under this law, the Minister of Finance may:

1. oblige such person to undertake specific measures necessary to remove the offences;
2. revoke the license issued, where the Minister has issued the license himself, or require such revocation from the authority which has issued the license to pursue the corresponding activities.

Art. 20

The acts under art.19, item 2, may be appealed in accordance with the Law on the Supreme Administrative Court.

Chapter Four

INTERNATIONAL COOPERATION

Art. 21

- (1) The Agency “Bureau of Financial Intelligence” via the bodies of the judiciary and the Ministry of Justice shall apprise the competent authorities abroad of the data received by it concerning the initial crimes and the crimes related thereto in respect of money laundering, to which the Bulgarian Criminal Code does not apply.
- (2) In the cases where data about initial crimes on money laundering have been received in the course of prejudicial or judicial proceedings and the Ministry of Justice apprises the competent authorities abroad, a copy of the notification shall be sent to inform the Agency “Bureau of Financial Intelligence”.

Art. 22

The Agency “Bureau of Financial Intelligence” on its own initiative or at request for information shall exchange information about cases related to suspicion of money laundering with the corresponding international authorities and authorities of other countries on the basis of international acts and bilateral agreements.

Chapter Five

ADMINISTRATIVE AND PENAL PROVISIONS

Art. 23

- (1) Any person who commits or admits the commission of an offence under art. 4, 5, 6, 7, 8, 9, 13 and 15a shall be punished by a fine of 500 to 10,000 BGL, if the act does not constitute a crime.

- (2) Any person who commits or admits the commission of an offence under art.11, 14 and 18 shall be punished by a fine of 5 000 to 20 000 BGL, if the act does not constitute a crime.
- (3) Any person who commits or admits the commission of an offence under art.16, shall be punished by a fine of 200 to 2 000 BGL, if the act does not constitute a crime.
- (4) Where the offence under paras (1), (2) and (3) is committed by a legal person, the latter shall be liable to a sanction of 2 000 to 50 000 BGL.

Art. 24

- (1) The acts establishing the offence shall be drawn up by the controlling bodies of the Agency “Bureau of Financial Intelligence” and the penalty warrants shall be issued by the Minister of Finance.
- (2) The drawing up of the acts and the issuing, appealing and execution of the penalty warrants shall be carried out under the order of the Law on Administrative Offences and Penalties.

ADDITIONAL PROVISION

§ 1. Within the meaning of this Law:

1. “Property acquired through a crime” within the meaning of arts. 1 and 2 shall be the property derived from the commitment of a crime.
2. “Property acquired in connection with a crime” within the meaning of arts. 1 and 2 shall be the property received for the purpose of commitment, or because of the commitment of a crime.
3. “Initial crime” shall be any crime the proceeds of which form the subject of money laundering.

TEMPORARY AND CONCLUDING PROVISIONS

§ 2. This law shall repeal the Law on Measures against Money Laundering of 1996 (State Gazette, Issue 48 of 1996).

§ 3. The persons under art. 3, paras (2) and (3) shall be under the obligation to submit to the Agency “Bureau of Financial Intelligence” within 3 months time limit as from the entering of this Law into force, any available information concerning money laundering.

§ 4. The persons under art. 3, para. (2), items 1, 2, 3, 4, 5, 9, 11, 13 and 18 shall be under the obligation to bring their organization and activities in compliance with the requirements of this Law and to submit their internal rules under art.16 to the Minister of Finance, within 5 months time limit as from the entering of this Law into force.

§ 5. In art. 10 from the Law on Administrative Offences and Penalties (promulgated in State Gazette, Issue 92 of 1969; amended, Issue 54 of 1978, Issue 28 of 1982, Issues 28 and 101 of 1983, Issue 89 of 1986, Issue 24 of 1987, Issue 94 of 1990, Issue 105 of 1991, Issue 59 of 1992, Issue 102 of 1995, Issues 12 and 110 of 1996 and Issues 11, 15 and 59 of 1998) after the words “persons who conceal” a comma shall be inserted and the words “as well as persons who admit the commission thereof” shall be added.

§ 6. The enforcement of this Law shall be entrusted to the Council of Ministers and the Council of Ministers shall adopt a Regulation on Implementation of the Law within 2 months as from the entering of the Law into force.

This Law was passed by the 38th National Assembly on 9 July 1998 and the State Seal of the National Assembly was affixed thereto.

APENDIX D

DECISION No 512

19th of July 2000

For the affirmation of the balances by types of territories according to their usage and of the balance of the areas under irrigation in the Republic of Bulgaria as of 31st of December 1999.

According to Article 8, Para 2, with reference to Article 4 of the Law on the single cadastre of Republic of Bulgaria, and Article 23, p. 4 from the Regulation for the implementation of the Law on the single cadastre of the Republic of Bulgaria, adopted by Decree No 36 of the Council of Ministers of 1983 (State gazette, issue 74 of 1983)

THE COUNCIL OF MINISTERS DECIDED THE FOLLOWING:

1. Approves the balances by types of territories according to their usage and the balance of the areas under irrigation in the Republic of Bulgaria as of 31st of December 1999 according to Annex 1 and 2.
2. Excludes from the balance of the areas under irrigation 709 488 decares according to Annex 2.
3. The Minister of Regional Development and Public Works, the Minister of Agriculture and Forests and the Chairman of the National Statistics Institute shall elaborate the following balances by types of territories according to their usage in the Republic of Bulgaria as of 31st of December 2000 and shall put them forward for affirmation by the Council of Ministers till the 31st of June 2001.

Annex 1 to item 1

Balances of the regions in the Republic of Bulgaria according to their geographical designation
(as to 31st December 1999 data)

Region	Total		Type of area							
	Area	%	Agricultural areas			Forests	Urban areas	Water currents and water areas	Mining areas	Transport and infrastructure areas
			Total area	Including arable areas	From them irrigated areas					
1	2	3	4	5	6	7	8	9	10	11
Total for the country	110 971 368	100.00	64 303 835	49 659 210	8 180 618	36 569 184	4 637 120	2 009 932	2 693 880	757 417
01 Blagoevgrad	6 452 255	5.81	2 397 203	1 152 630	290 784	3 559 867	138 692	53 257	281 016	22 220
02 Burgas	7 747 939	6.98	4 004 317	3 153 608	311 363	3 123 056	182 230	188 407	205 510	44 419
03 Varna	3 818 878	3.44	2 259 974	1 942 387	165 757	1 081 392	294 284	73 847	72 872	36 509
04 Veliko Tarnovo	4 662 613	4.20	3 091 963	2 626 033	542 706	1 138 195	220 141	95 109	83 554	33 651
05 Vidin	3 033 390	2.73	2 061 604	1 705 836	358 968	743 680	102 773	74 693	35 255	15 385
06 Vratza	3 937 591	3.55	3 002 706	2 524 384	426 796	573 369	233 671	71 202	34 369	22 274
07 Gabrovo	2 023 040	1.82	1 067 775	721 617	65 296	807 692	87 157	19 800	27 086	13 530
08 Dobrich	4 723 199	4.26	3 800 207	3 454 754	52 008	570 745	257 775	13 555	43 906	37 011
09 Kardjali	3 208 748	2.89	1 369 918	599 649	61 653	1 469 353	78 979	68 056	207 155	15 287
10 Kjustendil	3 051 517	2.75	1 541 134	832 320	163 425	1 238 260	104 317	29 471	123 073	15 202
11 Lovetch	4 128 531	3.72	2 229 707	1 540 530	89 926	1 581 090	150 105	40 622	104 093	22 914
12 Montana	3 627 596	3.27	2 572 460	2 093 670	255 801	779 012	115 384	95 419	46 101	10 220
13 Pazardjik	4 459 325	4.02	1 589 829	1 184 041	502 208	2 473 244	148 536	111 187	107 055	29 474
14 Pernik	2 392 784	2.16	1 293 613	917 428	91 501	845 388	124 965	30 910	83 209	14 699
15 Pleven	4 337 960	3.91	3 522 891	3 005 105	547 737	417 559	197 463	150 345	22 919	26 783
16 Plovdiv	5 962 234	5.37	3 483 923	2 753 915	1 151 026	1 811 193	276 569	170 401	168 367	51 781
17 Razgrad	2 637 568	2.38	1 905 632	1 634 870	154 166	540 222	134 688	18 239	22 361	18 426
18 Russe	2 791 324	2.52	2 082 939	1 789 558	461 665	418 778	142 542	76 759	44 170	26 138
19 Silistra	2 846 977	2.57	1 993 061	1 703 290	67 948	622 851	151 867	56 284	7 142	15 772
20 Sliven	3 544 090	3.19	1 830 103	1 460 496	348 549	1 427 222	69 114	66 021	77 709	73 921
21 Smoljan	3 193 928	2.88	870 607	438 384	0	2 079 337	55 728	23 307	153 248	11 701
22 Sofia region	1 344 428	1.21	550 988	434 247	102 640	416 402	267 734	43 912	46 457	18 935
23 Sofia	7 059 028	6.36	3 182 435	1 923 183	239 933	3 376 577	276 839	53 880	124 765	44 532
24 Stara Zagora	5 152 023	4.64	2 923 748	2 421 002	435 022	1 624 139	222 864	120 741	222 901	37 830
26 Haskovo	2 560 166	2.31	1 703 172	1 362 957	445 601	662 285	109 938	35 163	31 777	17 831
25 Targovishte	5 538 998	4.99	3 285 934	2 404 884	219 812	1 698 182	220 176	120 055	179 960	34 691
27 Shumen	3 379 770	3.05	2 105 600	1 789 280	373 984	970 687	167 431	49 234	63 732	23 088
28 Yambol	3 355 468	3.02	2 580 392	2 089 158	254 343	519 407	105 158	60 056	74 118	16 337

Note: all areas are in dka

**Annex 2
to item 1 and 2w**

**Balances of the regions in the Republic of Bulgaria according to their geographical designation
(as to 31st December 1999 data)**

Region	Total		Type of area							
	Area	%	Agricultural areas			Forests	Urban areas	Water currents and water areas	Mining areas	Transport and infrastructure areas
			Total area	Including arable areas	From them irrigated areas					
1	2	3	4	5	6	7	8	9	10	11
Total for the country	110 971 368	100.00	64 303835	49 659 210	8 180 618	36 569 184	4 637 120	2 009 932	2 693 880	757 417
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03 Varna	3 818 878	3.44	2 259 974	1 942 387	165 757	1 081 392	294 284	73 847	72 872	36 509
04 Veliko Tarnovo	4 662 613	4.20	3 091 963	2 626 033	542 706	1 138 195	220 141	95 109	83 554	33 651
05 Vidin	3 033 390	2.73	2 061 604	1 705 836	358 968	743 680	102 773	74 693	35 255	15 385
06 Vratza	3 937 591	3.55	3 002 706	2 524 384	426 796	573 369	233 671	71 202	34 369	22 274
07 Gabrovo	2 023 040	1.82	1 067 775	721 617	65 296	807 692	87 157	19 800	27 086	13 530
08 Dobrich	4 723 199	4.26	3 800 207	3 454 754	52 008	570 745	257 775	13 555	43 906	37 011
09 Kardjali	3 208 748	2.89	1 369 918	599 649	61 653	1 469 353	78 979	68 056	207 155	15 287
10 Kjustendil	3 051 517	2.75	1 541 134	832 320	163 425	1 238 260	104 317	29 471	123 073	15 202
11 Lovetch	4 128 531	3.72	2 229 707	1 540 530	89 926	2 229 090	150 105	40 622	104 093	22 914
12 Montana	3 627 596	3.27	2 572 460	2 093 670	255 801	779 012	115 384	95 419	46 101	10 220
13 Pazardjik	4 459 325	4.02	1 589 829	1 184 041	502 208	2 473 244	148 536	111 187	107 055	29 474
1	2	3	4	5	6	7	8	9	10	11
14 Pernik	2 392 784	2.16	1 293 613	917 428	91 501	845 388	124 965	30 910	83 209	14 699
15 Pleven	4 337 960	3.91	3 522 891	3 005 105	547 737	417 559	197 463	150 345	22 919	26 783
16 Plovdiv	5 962 234	5.37	3 483 923	2 753 915	1 151 026	1 811 193	276 569	170 401	168 367	51 781
17 Razgrad	2 637 568	2.38	1 905 632	1 634 870	154 166	540 222	134 688	18 239	22 361	18 426
18 Russe	2 791 324	2.52	2 082 939	1 789 558	461 665	418 778	142 542	76 759	44 170	26 138
19 Silistra	2 846 977	2.57	1 993 061	1 703 290	67 948	622 851	151 867	56 284	7 142	15 772
20 Sliven	3 544 090	3.19	1 830 103	1 460 496	348 549	1 427 222	69 114	66 021	77 709	73 921
21 Smoljan	3 193 928	2.88	870 607	438 384	0	2 079 337	55 728	23 307	153 248	11 701
22 Sofia region	1 344 428	1.21	550 988	434 247	102 640	416 402	267 734	43 912	46 457	18 935
23 Sofia	7 059 028	6.36	3 182 435	1 923 183	239 933	3 376 577	276 839	53 880	124 765	44 532
24 Stara Zagora	5 152 023	4.64	2 923 748	2 421 002	435 022	1 624 139	222 864	120 741	222 901	37 830
26 Haskovo	2 560 166	2.31	1 703 172	1 362 957	445 601	662 285	109 938	35 163	31 777	17 831
25 Targovishte	5 538 998	4.99	3 285 934	2 404 884	219 812	1 698 182	220 176	120 055	179 960	34 691
27 Shumen	3 379 770	3.05	2 105 600	1 789 280	373 984	970 687	167 431	49 234	63 732	23 088
28 Yambol	3 355 468	3.02	2 580 392	2 089 158	254 343	519 407	105 158	60 056	74 118	16 337

Note: all areas are in dka

APENDIX E

INVESTMENT PROGRAMS OF AGRICULTURAL STATE FUND

I. Agricultural Start-up Program.

The program extends short-term and long-term preferential investment credits amounting up to BGN20000.

II. Bulgarian Farm Program.

The program extends short and long-term preferential credits under investment projects to agricultural producers in the amount of BGN150000. In order to take advantage of this program the agricultural producer should participate with 10% of the project's finances.

III. Development Program.

The State Agricultural Fund supports agricultural producers in investment projects implementation where the participation of the producers themselves is set to not less than 30% of the total amount of the investment project.

IV. Mountainous Farming Program.

The State Agricultural Fund extends preferential investment credits amounting to BGN25000 for acquiring fixed tangible assets. Farmers from mountain regions in Bulgaria can take advantage of the credits under that Program. The program is aimed at stimulating the development of mountain regions as at the present stage extensive agriculture and low economic and social forms of agriculture are typical for those regions.

V. Eco- Farming Program.

This program of the State Agricultural Fund is to support agricultural producers in implementations of investment projects amounting up to BGN 320000 aimed at clean organic agricultural production. The private participation of farmers is set to at least 25% of the total amount of the investment project.

VI. Young Farmer Program.

Preferential credits up to BGN20000 are extended under this program. This program gives financial support for investment projects crediting of young farmers –individuals up to the age of 35 years.

VII. Greenhouses Program.

A program for stimulating efficient and intensive forms of agriculture is developed for promotion of greenhouse production. Investment projects amounting up to BGN1500000 are being supported by the State Agricultural Fund. The farmers private participation is set to at least 35% of the investment project's total value, while the greatest amount of the credits' value extended by the Fund should not exceed BGN975000. The proceeds under the "Greenhouse" Program can be used for implementation of investment projects connected to acquiring, reconstruction and new construction of greenhouses.

VIII. *Basic Repair Works and Recycling of Tractors Program*

The State Agricultural Fund supports farmers in implementation of investment projects for :

- Basic Repair Works of a private tractor – up to BGN25000.
- Purchasing of a recycled tractor – up to BGN30000.

The farmer's own investment contribution should amount to minimum 20% , and the repayment period is up to 2 years.

Except for the above-mentioned programs the State Agricultural Fund guarantees farmers' credits for purchase of land for agricultural purpose.

The credits guaranteed by the Fund amount up to BGN135000 and the repayment period is up to 60 months. This is aimed at consolidation of farms, market development and so on.

Credit schedules for purchase of agricultural machinery

“Bulgarian Agricultural Project – 1” and “Bulgarian Agricultural Project – 2”

Those schedules concern loans for purchase of agricultural machinery “John Deer” under contracts concluded with “Megatron” Ltd, Sofia, 11, Dondukov Blvd, during the year 2000.

“KLAAS Agroprom – Bulgaria 2000” Project

This project extends credits for purchase of agricultural machinery “KLAAS” under contracts concluded with “RAPID KB” Ltd – general representative of “KLAAS KAD or with distributors on the country before 31.12.2000.

“Efficient Agriculture” Project concerns credits extended for purchase of agricultural machinery “FENDT” and “LEMKEN” under contracts concluded with “A.C.K.” Ltd, Sofia, 50, Exzarh Josif Street.

Bulgarian-English Agricultural Project”

This project concerns credit for purchase of agricultural machinery under contracts concluded with “Fermer-2000” Ltd, Stara Zagora.

“New Agriculture” Program

Credits purchasing of tractors “LANDINI” under contracts concluded with “Opticom” Ltd, Stara Zagora, 1A, Tzar Simeon Blvd.

“AgroNew Bulgaria” Project

Credits purchasing of agricultural machinery as per Appendix 1 under contracts concluded with “Vanto Trade Auto” , Sofia, 99, Samokovsko shosse”.

“Agrotechnika” Project

Concerns the direct crediting of purchase of agricultural machinery under contracts concluded with “Bultrex” Ltd, Levski.

“SILA” Project

Direct credits for purchase of agricultural machinery produced by “SILA” shareholding company, Yambol.

APENDIX F

The market of agricultural land on the basis of concluded transactions 1999/2000

Eurostat Region	Areas	Category of land *	Price in 1999 ** BGN/dka	Category of land	Price in 2000 BGN/dka	Change in %
North-west	Vidin	III-V	60-70	IV-VI	100-110	+62
	Lom	IV-V	90-100	III-IV	120-130	+32
	Vratsa	II-III	60-100	III-VII	70-90	0
North-central	Lovech	III-IV	70-80	II	90-110	+33
	Pleven	III-V	70-120	III-IV	90-130	+16
	Ruse	III-IV	50-90	III-IV	110-130	+71
North-east	Dobrich	I-IV	95-130	III-IV	95-120	-4
	Shumen	III-IV	40-80	III-IV	110-130	+100
South-east	Burgas	III-IV	120-180	III-IV	135-190	+8
	Pomorie	IV	350-400	III-IV	200-320	-31
	Aitos	III	90-120	III-V	100-140	+14
	Jambol	III	100-120	III-IV	90-100	-14
South-central	Plovdiv	III-IV	120-130	III-V	180-190	+48
	Stara Zagora	III-IV	120-150	III-V	170-180	+30
	Kazanlak	IV	120-140	IV-V	240-280	+100
South-west	Blagoevgrad					
	Sandanski Petrich	III-IV III-IV	120-160 130-145	IV-VII V-VIII	190-220 180-190	+46 +35

* The categorization of the land in Bulgaria is done on the basis of the Regulation for categorization of agricultural land in case of change in their allocation and purpose – Decree No 261 of the Council of Ministers of 17.10.1996 (State Gazette, issue 90, 1996).

The land is classified in 10 categories after evaluation of its quality. The evaluation of the quality of the land includes:

- evaluation of the factors, determining the soil's fertility;
- economic evaluation of the land.

The evaluation of the elements, determining the soil's fertility is made as a rating.

The economic evaluation of the land is done on the basis of the assessment of the soil's fertility by different cultures and lots. The economic evaluation is done on comparative and financial terms.

The comparative evaluation is carried out with the help of 3 indicators:

- total production per 100 BGN expenditure;
- total production per 1 decare;
- net income per 1 decare.

The financial evaluation is done on the basis of the capitalizing of the net income per 1 decare at the interest rate determined for the country.

For the establishment of a single scale for evaluation of the land according to the different cultivation types, a single basis (standard) is adopted for each indicator for cultivation types. The standards are adopted for the purpose of establishing a 100-grades scale. A rating of 100 is calculated with the highest possible values of the indicators.

On the basis of this evaluation the land is classified into 10 categories:

- | | |
|---|--|
| I category – land with a rating over 90; | VI category – land with a rating from 41 to 50; |
| II category – land with a rating from 81 to 90; | VII category – land with a rating from 31 to 40; |

III category – land with a rating from 71 to 80;
IV category – land with a rating from 61 to 70;
V category – land with a rating from 51 to 60;

VIII category – land with a rating from 21 to 30;
IX category – land with a rating from 11 to 20;
X category – lands with a rating under 10;

** The prices of the agricultural land, indicated in the table are the average for the respective region or area in relation to the quantity of the land sold (decares – price). The small differences between the prices of the different categories (for example IV-VI category) indicate that the category of the land is not the most important factor that determines its price. The most important factors that influence the prices of agricultural land are: the location of the land (proximity to road network, market infrastructure, etc.), availability of operating organizational forms and other opportunities like renting or selling the land.