



**BULGARIAN GOVERNMENTS'  
EXTRA EXPENDITURES  
2000 – 2007**

**Institute for Market Economics**

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## SUMMARY

Bulgarian government likes to spend our wealth, especially when elections approach.

The positive results from the followed fiscal policy lead to unprecedented income to the national treasury that significantly exceeds the plan. Exactly this “unexpected” extra income lies at the base of the state’s extra spending. In recent years the Bulgarian government always finds a way to spend more than what has been put in the national budget.

For the period 2000-2007 the total sum of the additionally approved budget credits totals a bit **more than 6.5 billion leva**. Broken down yearly, on average the sum is a bit more than 2% of the GDP. Almost **900 million leva** of them have been approved by the so called *Reserve for unforeseen and urgent expenditures*. These funds are spent on structural reforms, on prevention and elimination of disasters’ aftermaths, as well as for fiscal stability.

A larger fraction of the 6.5 billion leva, around **4.6 billion**, have been suggested by the finance minister and approved by the Council of Minister. Information on the expenditures is rather skimpy and it is almost impossible to notice any results. Thus, the expenditures can be hardly defended.

The rest of the extra expenditures of around **1 billion leva** have been suggested by the Council of Ministers and approved by the Bulgarian Parliament for 2007 only. Last year for the first time the finance minister suggested the Council of Ministers to be able to approve additional budget credits totaling no more than **1.5 percent from the planned income from the consolidated fiscal program** for the year, and that required the vote of the Parliament. The procedure improved the transparency of the expenditures, but generally there are still no detailed reports.

It is an impossible task to trace all of the extra expenditures. Nevertheless, several facts attract attention:

- The extra government spending is larger in years just before elections;
- During the budget preparation the Bulgarian financiers are either incapable of doing the calculations correctly, or unwilling;
- A large part of the extra funds have been provided to the **Ministry of Defense** – at least 151 million leva from the reserve for structural funds, and 246 million leva from the extra income in the national budget;
- The larger part of the extra income in the national budget has been assigned to the **Ministry of Health** (335 million leva) and the **Ministry for Regional Development and Public Works** (280 million leva)
- **The Council of Ministers** has been extremely generous to itself – it received 154 million leva from the funds approved by the Council of Ministers itself and suggested by the finance minister, which is even more than what the **Ministry of Interior** received (150 million leva);

- More than 1 billion leva from the extra money have been assigned to the **municipalities** without any clarity on how they have been approved and what they have been spent on.
- An enormous part of the extra funds for the prevention and elimination of disasters' aftermaths have been given to the municipalities. A small fraction of them have been assigned to the **Ministry for Emergency Situations**, causing serious doubts about the actual responsibilities of the ministry and about the need for its existence.

Analyzing the government's extra expenditures we can give the following recommendations:

- The budgeting in Bulgaria should be based on the logic that it is not necessary to keep a large budget surpluses;
- The economic processes should be taken into account realistically and objectively during the formulation of the national budget;
- The spending of the extra funds should be totally transparent and it should be decided by the Parliament;
- The finance minister should no longer be able to suggest the Council of Ministers the approval of additional funds (currently up to 1.5% from the consolidated fiscal program);
- The spending of extra funds should follow clear policy and random expenditures in the end of the year should be avoided;
- Pre-election expenditures should stop;
- The spending of the extra funds should be tightly controlled thorough reports, especially on the funds given to the municipalities;
- The surplus should be dedicated solely to financing of the transitional period toward privatization of the pension- and health-systems that need the resource;
- The surpluses are generated mainly by the net taxpayers and it is normal that they receive it back – either through tax return, or simply through the reduction of the tax burden in the following years.

## GOVERNMENT'S EXTRA SPENDINGS

Bulgaria's high economic growth in recent years has been affecting the national treasury quite well. The policy of reducing direct taxes has been stimulating the economy and in the meantime it has *not* been leading to lower income to the national budget. On the contrary: each year the government has been generating new record-breaking revenues, but it has had significant expenditures too. The data clearly shows that despite the reductions in direct taxes, the Bulgarian government still redistributes over 40% of our wealth. Simply put, the intrusion of the state in the economic life of the country does not diminish, but only changes its form.

However, the results of the conducted tax policy surpassed all expectations. The revenues in the national budget significantly exceed the plans, provoking the desire and making it possible for the government to spend more.

The expected record high surplus in the current 2008 is the reason for IME to review all opportunities for extra expenditures, as well as for the ones during the period 2000-2007.

### **We are focusing the State Budget only, not the consolidated fiscal program.**

**"Consolidated fiscal program"** includes the State Budget, the budget for State Social Insurance, the budget for the National Health Insurance Fund, municipalities budgets, budgets of the National Television, Radio, and the State Universities, the Bulgarian Academy of Sciences, non-budget bills and funds, and for other budget enterprises according to § 1, p. 1 from the Law on Accounting.

**The State Budget** of Republic of Bulgaria includes the republican budget, the budget for the Parliament and the budget for the judiciary. The republican budget itself consists of central budget and budgets for public bodies.

**The Central Budget** includes republican income and expenditure made directly by the Council of Ministers or through delegated rights to the finance minister. Public bodies receiving budget credits are decided by the Council of Ministers and are divided into primary and secondary.

The state budget also includes expenditures to sustain the public administration, defense and security, judiciary, education, healthcare, culture, science, social services and other expenditures, including for the economy, as well as for the payments for the country's foreign debt and for Bulgaria's contribution to the European Union's common budget. The republican budget also assigns funds for financial help for the municipalities.

According to the law for the structure of the state budget – **"Budget expenditures"** are considered the forecasted and spent funds from the state budget in accordance with the laws of the country.

**"Budget credit"** is the sum accepted within the framework of the budget that allows expenditure.

All additional budget expenditures emerging during the year are made on the basis of **additionally accepted budget credits.**

## I. RESERVE FOR UNFORESEEN AND URGENT EXPENDITURES

The reserves in the republican budget for the period 2000-2007 vary from 72 mln. leva in 2003 to 489 mln. leva in 2008. These values have been taken from the Law for the state budget for the year, so they represent the reserve as it has been planned, and not the way it has been actually spent, which we will take a look at later.

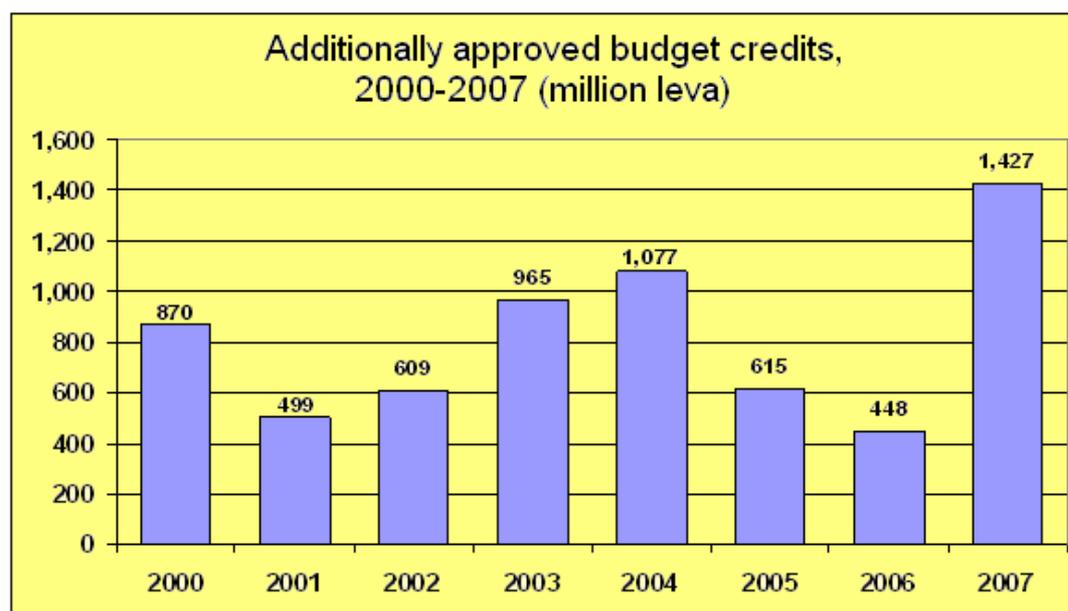
Reserve for unforeseen and urgent expenditures 2000-2007 (million leva)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Republican budget, of which</b>	206	156	139	72	88	274	169	131	489
- Reserve for structural reforms	176	116	89	20	32	219	46	61	109
- Reserve for prevention and elimination of disasters' aftermaths	30	40	50	52	56	56	120	70	80
- Reserve for fiscal stability	-	-	-	-	-	-	-	-	300

Source: IME, based on the Law for the state budget for the years accordingly

## II. ACTUAL EXTRA EXPENDITURES

For the period 2000-2007 the total sum of additionally approved budget credits amounts to a bit more than **6.5 billion leva**.

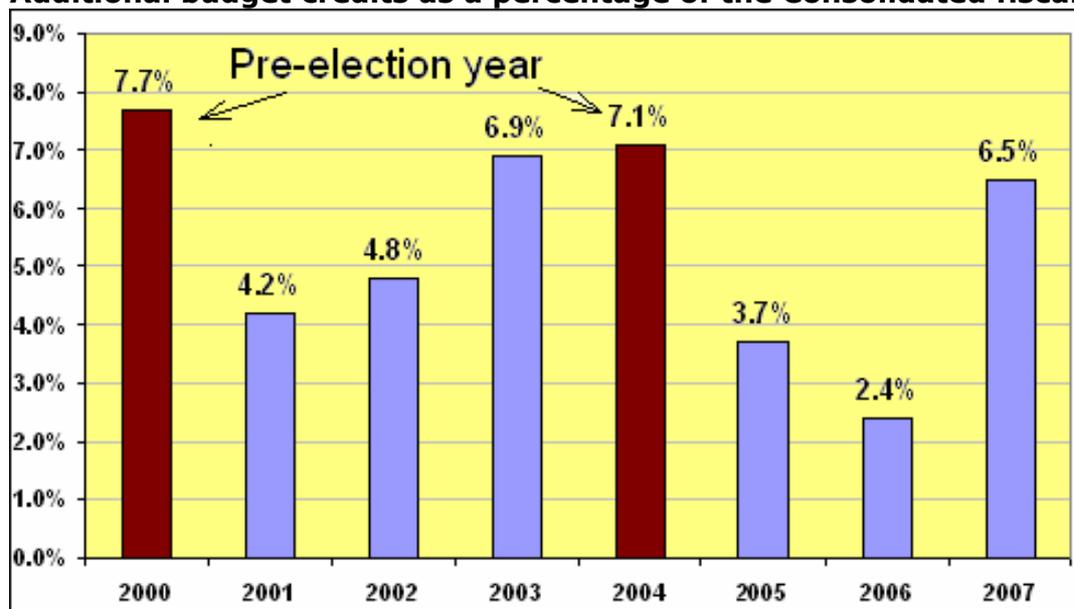
For each year the sum varies between 0.9% (2006) and 3.3% (2000) of GDP. According to the consolidated fiscal program the sum varies from 2.4% (2006) to 7.7% (2000) of all expenditures.



Source: IME, based on data from the Ministry of Finance

The data clearly shows the decision-makers' affinity toward significant expenditures just before elections. In this case we analyze the years just before elections, exactly when it is most likely to observe such expenditures. It turns out that exactly the years preceding parliamentary elections – 2000 and 2004 – are the ones with the highest rate of approved additional expenditures, compared to the expenditures on the consolidated fiscal program. However, the elections results clearly show that these expenditures have not had the expected effect on the voters.

**Additional budget credits as a percentage of the Consolidated fiscal program**



Source: IME, based on data from the Ministry of Finance

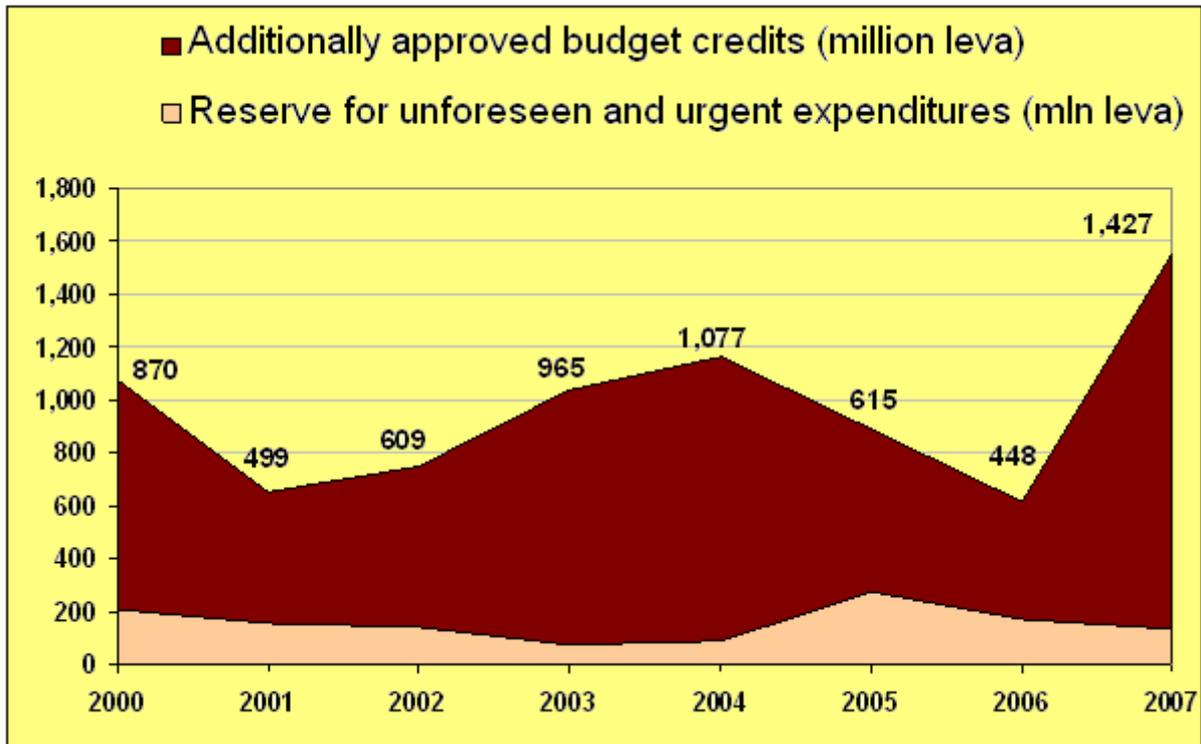
The current 2008 will also allow the decision-makers to make record-breaking expenditures exactly in the year before the elections. Are they going to make the same mistake?!

The difference between the reserve planned at the beginning of each year and the additionally spent funds for it increases dramatically. In 2006 the discrepancy between the budget parameters approved by the Parliament and the real expenditures is the smallest. The data for 2007 are more than disturbing. For the past year the government has spent significantly more money.

**Difference between planned reserve and actual additional expenditures.**

Million leva	2000	2001	2002	2003	2004	2005	2006	2007
<b>DIFFERENCE</b>	-664	-343	-470	-893	-989	-341	-279	-1 296

Source: IME



Source: IME, based on data from the Ministry of Finance

It is interesting to see on what basis these additional funds are actually spent – what fraction of them is from **the reserve**, what from **the surplus** approved by the **Council of Ministers** (suggested either by the finance minister, or the Parliament), and what from **charity and financial assistance**?

Additionally approved budget credits, 2000-2007 (million leva)								
Year	2000	2001	2002	2003	2004	2005	2006	2007
<b>Reason</b>								
Reserve for unforeseen and urgent expenditures	183	63	84	16	43	201	162	136
Budget surplus – approved by the Council of Ministers	687	437	525	949	1 034	413	261	304
Budget surplus – approved by the Parliament	-	-	-	-	-	-	-	958
Funds from charity, financial assistance and other gratuitous assistance	-	-	-	-	-	-	25	29
<b>TOTAL</b>	<b>870</b>	<b>499</b>	<b>609</b>	<b>965</b>	<b>1 077</b>	<b>615</b>	<b>448</b>	<b>1 427</b>
<b>% of GDP</b>	<b>3.3</b>	<b>1.7</b>	<b>1.9</b>	<b>2.8</b>	<b>2.8</b>	<b>1.4</b>	<b>0.9</b>	<b>2.5</b>
<b>% of expenditures on consolidated fiscal program</b>	<b>7.7</b>	<b>4.2</b>	<b>4.8</b>	<b>6.9</b>	<b>7.1</b>	<b>3.7</b>	<b>2.4</b>	<b>6.5</b>

Source: IME, based on data the Ministry of Finance.

The additionally approved budget funds from the reserve for unforeseen and urgent expenditures for 2000-2007 amount to 888 million leva, while the maximum amount was a bit more than 1.2 billion leva.

A large part of these funds (630 million leva) has been assigned for structural reforms. From them, the most has been given to the Ministry of Defense (151 million leva), the National Social Security Institute (106 million leva) and the Ministry of Education (76 million leva). A striking fact is that all the funds given to the National Social Security Institute and the Ministry of Defense were assigned in a single year – for the National Social Security Institute in 2000 and for the Ministry of Defense in 2005.

The single fact that structural reforms spend funds from the Reserve for unforeseen and urgent expenditures seems odd. It is normal that these structural reforms should be a part of the long-term policy and be financially backed. Additional budget credits should not be counted on for the execution of certain reforms. Generally, there is no actual information on the expenditures and their results.

Most of the additionally approved budget credits are caused by the extra income inflow and to a much lesser extent due to lower spending by the ministries and other government bodies. Actually for the period 2000-2007 the Council of Ministers has approved additional budget credits suggested by the finance minister totaling 4.6 billion leva, of which 3.4 billion leva come from the extra income inflow to the republican budget, and 1.2 billion leva come from lower spending by the government bodies.

It is essential that this sum does not include 1 billion leva suggested by the finance minister and approved by the Parliament in 2007, despite the fact that they resulted from extra income inflow to the republican budget.

Analyzing the funds suggested by the finance minister and approved by the Council of Ministers (not including the funds in the reserve), and more specifically the fraction coming from the extra income inflow to the budget (3.4 billion for 2000-2007), several facts strike the attention:

1. The most additional funds for the period have been assigned to:
  - The Ministry of Health (335 million leva)
  - The Ministry for Regional Development and Public Works (280 million leva)
  - The Ministry of Defense (246 million leva)
  - The Ministry of Education and Science (236 million leva)
2. Right after these ministries ranks the National Social Security Fund with 197 million leva, as almost all of it has been assigned for just two years – 2000 and 2004
3. The Council of Ministers itself has 154 million leva, more even than the Ministry of Interior (150 million)
4. The more modest ministries are: the Ministry of Economy and Energy (13 million leva), the Ministry of Transport (14 million leva), and the Ministry of Environment and Water (14 million leva). We would like to point out that these ministries have significant additional expenditures, but they are caused mainly due to their extra internal income inflow.<sup>1</sup>
5. The municipalities have received almost 1 billion leva (983 million leva).

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<sup>1</sup> The leader in that respect is the Ministry of Economy and Energy with extra expenditures for the period 2000-2007 worth 390 million leva, solely due to their extra internal income inflow.

The enormous extra income inflow to the republican budget in 2007 led to a record-high level of the assigned additional budget credits.

Unlike other years, thanks to the changes in the Law for the Structure of the National Budget a large part of the additional funds were approved by the Parliament due to suggestion by the Council of Ministers and not by the Council of Ministers due to suggestion by the finance minister. According to the changes the Council of Ministers can approve additional budget credits totaling **up to 1.5% from the planned income from the consolidated fiscal program** for the year, while additional budget credits above this sum should be approved by the Parliament.

The Parliament approved additional budget credits totaling 958 million leva for 2007. The funds have been used mostly for the construction of road-, rail-, ecological and other infrastructures, the metro in Sofia, as well as for the fulfillment of obligations to the European Union in chapter "Energy" and "Telecommunications and IT".

### **CONCENTRATION ON DISASTERS AND EMERGENCIES**

The total sum of additionally approved budget credits for prevention and elimination of disasters' aftermaths for the period 2000-2007 is **554 million leva**, of which 451 million leva were assigned to the municipalities and 104 million leva to ministries and government bodies.

The largest amounts of funds have been assigned in 2005 and 2006, respectively 118 and 115 million leva, from which over  $\frac{3}{4}$  have been again directed to the municipalities.

The ministries and the government bodies receiving the most funds for prevention and elimination of disasters' aftermaths for the period 2000-2007 are:

- The Ministry for Regional Development and Public Works (25 million leva)
- The Ministry for Agriculture and Food (22 million leva)
- The Council of Ministers (13 million)
- The Ministry of Interior (11 million)
- The Ministry of Transport (10 million)

It is curious that the Ministry for Emergency Situations received less additional budget credits than the abovementioned, 7 million leva to be exact. This once again supports the impression that the ministry in question does not have any significant role in the fight against disasters, putting serious doubts about the need for its existence.

<b>Additionally approved budget credits for prevention and elimination of disasters' aftermaths (million leva)</b>								
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Ministries and government bodies	6	4	7	9	11	24	28	15
Municipalities	36	39	42	43	44	93	87	66
<b>TOTAL</b>	<b>42</b>	<b>43</b>	<b>50</b>	<b>52</b>	<b>55</b>	<b>118</b>	<b>115</b>	<b>80</b>

*Source: IME, based on data from the Ministry of Finance*

*Note: For the period 2000-2007 assignment of funds for the municipalities from the reserve for prevention and elimination of disasters' aftermaths are through the procedure "immediate collection". These funds have been reported as capital expenditures during disasters and emergencies in the reports for cash implementation of the national budget.*

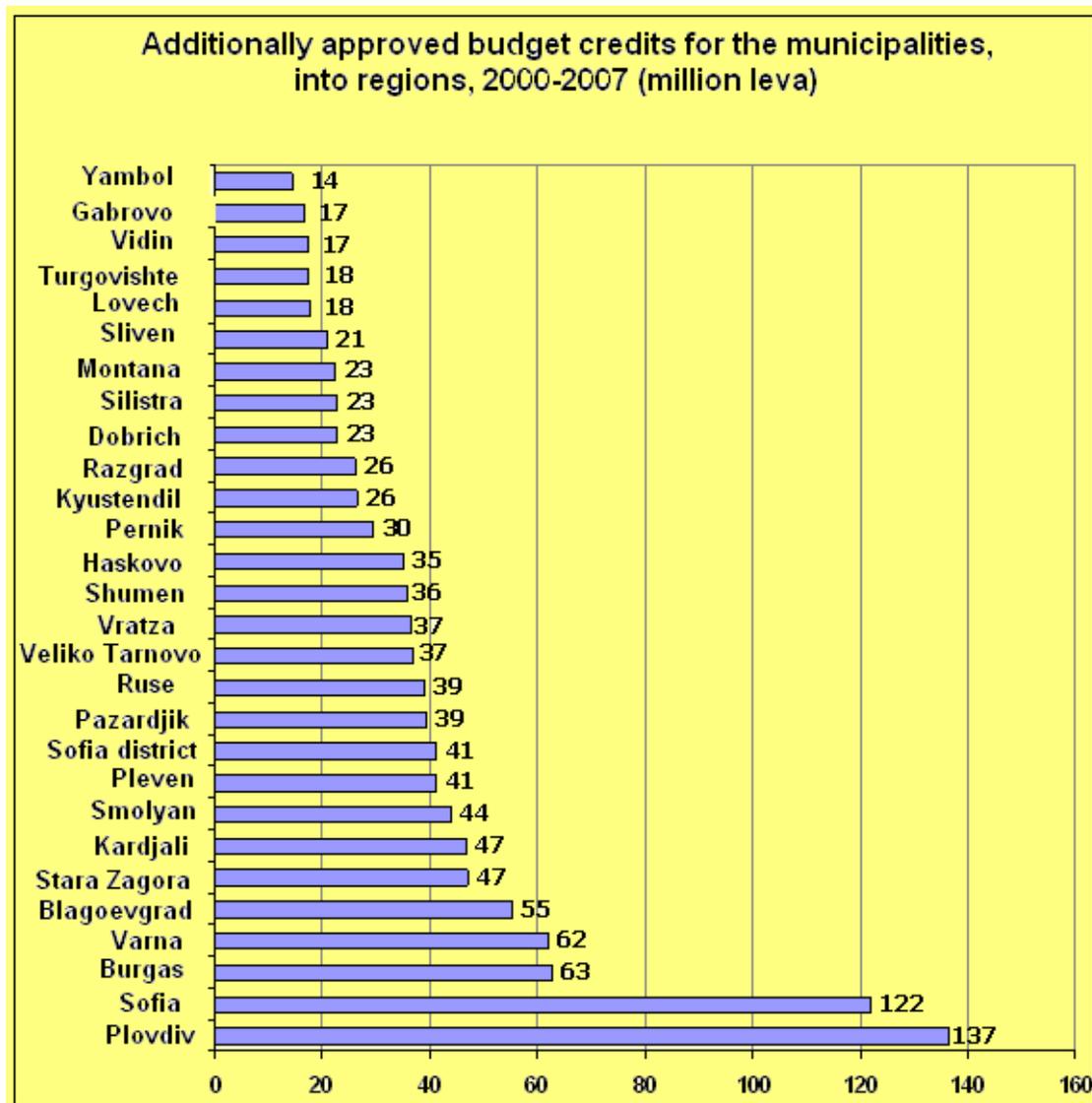
In any case, if we disregard the raw numbers, there is no information what these funds have been spent on. Surely, some expenditures become evident – either through the reports of the individual ministries and bodies, or through partial information in the media, but as a whole there is no data for actual expenditures and their corresponding results.

### CONCENTRATION ON THE MUNICIPALITIES

The total sum of additionally approved budget credits for the municipalities for the period 2000-2007 is **1.1 billion leva**. The most of them have been assigned in 2003 – 244 million leva, and the least in 2001 – merely 32 million leva.

Sofia Municipality is the leader in received additional funds for the period – 122 million leva. Next are Municipality of Plovdiv (77 million leva), Municipality of Varna (39 million leva), Municipality of Burgas (31 million leva) and Municipality of Karlovo (28 million leva). Municipality of Sopot received the least amount of additional funds – 125 000 leva.

### How are these additional funds distributed into regions?



Source: IME, based on data the Ministry of Finance.

At municipal level Sofia and Plovdiv have received a bit more than quarter of a billion leva (Plovdiv – 137 million, and Sofia – 122 million), which represents around ¼ of all additional funds distributed to the municipalities. Municipality of Yambol, on the other hand, received the least additional funds – merely 14 million leva. The difference between the additional funds received in Yambol and Plovdiv is almost 10 times.

<b>Additionally approved budget credits for the municipalities, 2000-2007, into regions (million leva)</b>								
Year	2000	2001	2002	2003	2004	2005	2006	2007
<b>Municipalities</b>								
Blagoevgrad	7.9	0.1	8.0	11.2	5.3	1.3	11.3	10.3
Burgas	14.6	0.3	14.6	13.1	11.1	1.5	5.2	2.1
Varna	20.0	0.3	10.1	12.4	6.6	2.0	5.3	5.3
Veliko Tarnovo	11.3	0.2	5.0	10.3	2.5	1.2	4.0	2.2
Vidin	5.3	0.2	3.3	3.4	1.9	0.6	1.7	0.9
Vratza	7.1	0.1	7.5	8.2	4.5	1.1	3.9	4.2
Gabrovo	4.1	0.0	3.0	4.0	1.1	0.8	2.6	1.1
Dobrich	5.9	0.1	4.7	6.9	2.0	0.6	1.9	0.7
Kardjali	7.0	0.0	4.7	4.7	12.7	1.0	8.4	8.3
Kyustendil	6.7	0.3	6.4	5.1	3.5	0.5	2.0	1.8
Lovech	3.9	0.1	4.2	4.8	1.2	0.7	2.1	0.8
Montana	6.3	0.2	4.2	4.9	2.0	0.5	3.5	0.9
Pazardjik	9.0	0.2	6.0	7.4	6.0	0.7	6.4	3.5
Pernik	6.7	0.0	8.7	3.5	7.7	0.7	1.2	1.1
Pleven	9.5	0.1	9.5	7.3	6.0	0.8	4.1	3.8
Plovdiv	27.6	0.5	28.5	22.8	12.2	8.5	22.2	14.4
Razgrad	5.4	0.3	3.6	4.3	4.4	0.4	2.0	5.8
Ruse	10.3	0.2	11.1	7.3	1.9	0.5	3.0	4.7
Silistra	4.6	0.1	4.2	4.7	5.7	1.2	1.3	0.9
Sliven	5.5	0.1	4.2	5.0	4.1	0.5	0.9	0.7
Smolyan	7.2	0.6	4.8	4.6	8.3	3.6	7.2	7.6
Sofia city	2.6	27.5	14.7	46.0	22.3	1.2	2.1	5.5
Sofia district	6.7	0.1	7.2	9.2	5.2	0.8	8.0	3.8
Stara Zagora	13.3	0.3	12.6	11.4	3.8	1.1	2.2	2.2
Targovishte	5.2	0.0	3.0	3.6	2.3	0.6	1.9	1.0
Haskovo	10.7	0.2	6.9	8.3	3.8	0.8	2.2	2.1
Shumen	8.7	0.1	7.1	6.3	5.4	0.6	4.9	2.9
Yambol	4.7	0.0	2.7	2.9	1.5	0.4	1.3	0.8
<b>TOTAL</b>	<b>238</b>	<b>32</b>	<b>210</b>	<b>244</b>	<b>155</b>	<b>34</b>	<b>123</b>	<b>99</b>

Source: IME, based on data from the Ministry of Finance

The data clearly shows that there is significant variation in the approved additional funds during the years, meaning that there is no direct link between the size of the municipality and the size of the funds, which is reasonable. However, this fact requires the existence of clear criteria how these funds should be assigned.

Nevertheless, the total lack of detailed information and transparency is notable. It is neither clear enough on what set of rules the municipalities receive additional funds, nor what they have been spent on. The preparation of such a general report/analysis is essential and it should become common practice.

## RECOMMENDATIONS

The adequate approach for organizing and deciding budget procedures, and more specifically the spending of the budget surplus, is to find politically legitimate and publicly transparent options for the procedure.

A study by The World Bank from 2005<sup>2</sup> shows that:

- The more transparent societies have more efficient governments – the ability to oversee the administration’s work forces it to improve its services.
- Transparency affects people’s income – information means knowledge about government policies, helping predictability and ability of the economic agents to make informed decisions.
- Transparency improves the competitiveness of the economy
- Transparency lowers the extent of corruption
- Transparency stimulates investment – if local and foreign investors are informed about government policy they can assess the risks of investing in the Bulgarian economy. (*Svetla Kostadinova, March 2007*)

An important conclusion in The World Bank’s study is that lower government transparency leads to lower GDP growth by 2 percentage points on average. This is extremely significant for every economy.

In the next paragraphs we will recommend some measures for increasing transparency in spending the national budget of Bulgaria.

### 1. Vote in the Parliament

Some changes have been made based on the need for greater transparency during the fiscal 2007 concerning the procedure and the decision-making process on spending the budget surplus. More specifically art. 35 from the Law for the Structure of the National Budget specifies the necessity for allowing additional budget credits above **1.5% from the planned income from the consolidated fiscal program** to be approved by the Parliament due to suggestion by the Council of Ministers.

We recommend the government to be obliged to put the entire sum from the budget surplus on vote in the Parliament. In addition, the practice from 2007 shows that apparently the deadline for providing the information should be explicitly given, as well as the extent of detail and at least how much time is available for discussing the suggested projects.

### 2. Cost-Benefit Analysis

**Cost-benefit analysis** in the beginning of the year is imperative for the expenditures outside the approved framework for the state budget by the Parliament.

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<sup>2</sup> “Transparenting Transparency” *Initial Empirics and Policy Applications*, Ana Bellver and Daniel Kaufmann , The World Bank, draft, September 2005.

Each government body seeking extra funds from the budget surplus should apply in front of the Council of Ministers and/or the Parliament with a concrete project including its aim, need, expected results, etc. In 2008 for the first time all ministries prepared program budgets at least on paper, so this will not be unknown practice for them.

It is critical that the Members of the Parliament and the community have these analyses available during their deliberation.

### **3. Lowering the tax burden (including social security)**

Economically the most effective and rational option for managing the budget surpluses is using them for lowering the tax burden in Bulgaria.

A feasible option is the so-called "return of financial assets" to the taxpayers. The logic is that the state should collect as much taxes from people as it needs to fulfill its main purpose for existence, no more, no less. That is why when the state has collected more money from the citizens and the businesses than it needs, it is natural to return it (or at least a larger part of the sum, keeping in mind the fiscal and macroeconomic stability of the country). There are various forms of money return: **via check, through separate client bank account, via postal order or through lowering the tax burden.**<sup>3</sup> The last option, lowering the taxes, is preferred thanks to its long-term positive effects on the citizenry and the business.

For example, in 2007 the government spent 1 billion leva extra from the surplus. It was absolutely possible to use the sum for lowering social security, and now instead of having to pay 33.7% in social security we could have been paying only 10% (*Alternative budget, IME*).

Despite all that, it is normal to keep a part of the surplus in the reserve instead of spending it. This is due to the fact that the economy is cyclical in nature; various in origin and magnitude crises emerge, which the economy should be prepared for, and the trust in institutions and statehood should be preserved. That is why a certain level of fiscal reserve is necessary.

### **4. Fiscal reserve <sup>4</sup>**

The fiscal reserve on 31.12.2007, calculated on current exchange rates is **7.45 billion leva** and has grown nominally by about 1.6 billion leva, i.e., it has grown around 63% since the fiscal 2006.

Paragraph 7 in the transitional and final ordinance in the Law for National Budget of Republic of Bulgaria defines the minimal level of the fiscal reserve for 2007 at **3.6 billion leva**. The surplus on the consolidated budget for 2007 on national methodology totaled 1 959.6 million leva, representing 3.5% of GDP.

Based on the stability that the fiscal reserve provides to the general macroeconomic framework, practically (and theoretically) it can be used as a tool and/or a factor for accomplishing several main goals in some areas, such as:

- Purchasing the external debt

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<sup>3</sup> For the time being we do not tackle the process of administering the so-called "return of financial assets". This is more a separate topic for analysis.

<sup>4</sup> The fiscal reserve includes the availability in leva and foreign currencies in all bank accounts and deposits, including the state budget, universities, the Bulgarian Academy of Sciences, the Bulgarian National Television, Radio, the National Social Security Fund, the National Health Insurance Fund and centralized non-budget funds.

- Lowering taxes
- Reducing systematic demographic and structural risks, related for example to the problems in the retirement system and the functioning of the National Social Security Fund. Therefore, the entire reform in the retirement system could be partially financed by the fiscal reserve (*Krassen Stanchev, December 2006*).

## **CONCLUSION**

The record-breaking budget surpluses, the country's stable fiscal position and the unceasingly growing fiscal reserve are sufficient conditions to implement reform policies in lowering tax burden and social security, and complete reforms in the retirement and health systems.

**The surplus should be no longer directed to extremely ineffective and obscure activities.**

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## APPENDIX

### Options for spending more funds than the ones voted in the Law for the State Budget (i.e. approving additional budget credits):

- The Council of Ministers can approve additional budget credits from the reserve for urgent and unforeseen expenditures (art. 35, par. 1 from the Law for the Structure of the State Budget)
- The Council of Ministers due to suggestion by the finance minister can approve additional budget credits totaling **1.5% from the planned income on the consolidated fiscal program** for the year, when they are covered by extra internal income and/or the discovery of new sources of income (art. 35, par. 2). The article is applied without disturbing the balance of the consolidated fiscal program.
- Additional budget credits bigger than the abovementioned amount should be **approved by the Parliament** due to suggestion by the Council of Ministers when they are covered by extra internal income and/or the discovery of new sources of income, without disturbing the balance of the consolidated fiscal program (art. 35, par. 4).
- The finance minister can approve additional budget credits for **funds from charity, financial assistance and other gratuitous funds** (art. 35, par. 5).
- The Chairman of the Parliament can approve budget credits **from the Parliament's budget reserve** for unforeseen and urgent expenditures.
- The Supreme Judicial Council can approve additional budget credits from the **judiciary's budget reserve** for unforeseen and urgent expenditures.

The republican budget, the Parliament's budget, and the judiciary's budget contain reserves for unforeseen and urgent expenditures (art. 11, par. 1). The budgets of The National Health Insurance Fund and the National Social Security Fund include similar reserves, but they are not a part of the state budget. The reserves for unforeseen and urgent expenditures in the Parliament's budget and in the judiciary budget sum up to 1 million leva per year, i.e. a negligible amount compared to the reserves in the republican budget. For 2008 the Parliament's budget reserves total 500 000 leva, and in the judiciary – 600 000 leva.

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The funds **from the reserve for preventing, mastering and overcoming disasters' aftermaths** are spent up to 25% for preventive activities for the implementation of policies for prevention of disasters, due to suggestion by the minister for urgent situations in accordance with the finance minister.

The Council of Ministers decides on spending funds from the reserve for financial stability if the following conditions are met:

- 1) the expected yearly size of the positive balance of the consolidated fiscal program exceeds **3 percent** of the forecast for the yearly GDP
- 2) the budget balance in the republican budget does not deteriorate

From budget policy point of view, the reserve in fiscal stability in 2008 replaces the 90-percent rule applied in previous years. Its function is to concentrate a certain volume of financial resources and to make its spending conditional to macroeconomic and fiscal developments. The reserve is an instrument providing flexibility in the implementation of the budget and it reduces fiscal risks.

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**Approved additional budget credits, 2000-2007 (excluding from the reserve)**

<b>Ministries and departments, autonomous budgets, municipalities and non-financial enterprises</b>	<b>Million leva</b>
<b>MUNICIPALITIES</b>	<b>1 073.5</b>
Ministry of finance	516.3
Ministry of economy and energy	435.0
Ministry for regional development and public works	406.7
Ministry of health	406.4
Ministry of defense	364.3
Ministry of interior	272.8
Ministry of education and science	243.1
Ministry for emergency situations	243.2
National Social Security Fund	196.7
NF	191.6
Ministry of agriculture and food	187.8
Council of Ministers	167.1
Ministry of environment and water	153.7
CB	96.1
Communication regulation commission	94.0
Supreme judicial council	65.5
National Health Insurance Fund	65.5
Ministry of state administration and administrative reform	56.0
Ministry of labor and social policy	53.1
State agency for youth and sports	53.2
Ministry of exterior	50.5
Ministry of transport	44.3
Bulgarian State Railroad	40.3
Navigation maritime Bulgare	38.0
Ministry of culture	37.7
Bulgarian national television	37.7
State company "Railroad infrastructure"	23.6
Ministry of justice	21.2
Sofia public transport company	16.0
State agency for IT and communication	13.0
National statistical institute	10.0
Parliament	6.8
Bulgarian national radio	5.6
Bulgarian academy of sciences	4.4
Bulgarian national audit office	3.6
National service for security	3.6
Agency for nuclear regulation	3.6
Financial supervision commission	2.3
National intelligence service	0.9
State Enterprise "Transport Construction and Rehabilitation"	0.7
State universities	0.6

Bulgarian red cross	0.6
State commission for security of information	0.5
Bulgarian telegraph agency	0.5
Mini Balkan basin	0.5
Students' cafeteria and dormitories	0.3
President's administration	0.3
Constitutional court	0.1
Commission for protection of competition	0.0
State commission for energy and water regulation	0.0
Council for electronic media	0.0
Commission for protection against discrimination	0.0
The Commission for establishing of property acquired from criminal activity	0.0
Ombudsman	0.0
Commission for personal data protection	0.0
Commission for uncovering and announcing of the documents of State Security and the Bulgarian army intelligence services	0.0

*Source: IME, based on data from the Ministry of Finance*