

# WORLD TRADE ORGANIZATION

**G/SCM/N/95/BGR/Suppl.1**

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**Committee on Subsidies  
and Countervailing Measures**

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## **SUBSIDIES**

New and Full Notification Pursuant to Article XVI:1  
of the GATT 1994 and Article 25 of the SCM Agreement

**BULGARIA**

Supplement

The following communication, dated 30 September 2004, is being circulated at the request of the Delegation of Bulgaria.

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In accordance with Article 25 of the Agreement on Subsidies and Countervailing Measures and Article XVI:1 of GATT 1994, the Government of the Republic of Bulgaria hereby submits its updating notification on subsidies for the financial year 2003. All data concerning the amounts of subsidies are given in Bulgarian new levs (BGN).

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## **I. TRANSPORT**

### **1. Railway Transport**

#### **1. Title of the subsidy programme**

Assistance to the Bulgarian State Railways Single Joint Stock Company.

#### **2. Period covered by the notification**

2003.

#### **3. Policy objective and/or purpose of the subsidy**

Assistance to Bulgarian State Railway Single Joint Stock Company for compensation of passenger travels by railway transport.

#### **4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)**

- Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2/2003; amended SG No. 16/2003).
- Council of Ministers' Decree No. 16 of 30.01.2003 on State Budget Implementation.
- Law on Railway Transport (SG No. 97/2000).
- Council of Ministers' Decree No. 295/2001 on determination of groups of passengers eligible to travelling by railway in the country at reduced fares.
- Council of Ministers' Decree No. 311/2001 on adoption of Ordinance on the terms of entrusting the execution of general-interest services.
- Council of Ministers' Decree No. 236 of 24.10.2003 on granting additional financial aid to the Bulgarian State Railway Single Joint Stock Company.

Authorities responsible for the subsidy: Ministry of Transport and Communications; Ministry of Finance.

#### **5. Form of the subsidy**

Grant.<sup>1</sup>

#### **6. To whom and how the subsidy is provided**

The grant was provided to the Bulgarian State Railway Single Joint Stock Company being a railway passengers' carrier in the country to compensate passenger travels by railway transport.

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<sup>1</sup> The state guaranteed loan scheme for restructuring and stabilization of the National Railway Infrastructure Company as notified in G/SCM/N/95/BGR has been discontinued.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Grant – BGN 100.50 mln.

8. Duration of a subsidy and/or any other time limits attached to it

Grant – within 2003.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It can be assumed that the subsidy programme has minimal trade effects.

## **2. Urban and Inter-Urban Passenger Transport**

1. Title of the subsidy programme

Assistance to Urban and Inter-Urban passenger transport.

2. Period covered by the notification

2003.

3. Policy objective and/or purpose of the subsidy

Support to Sofia-City passenger transport and inter-urban transport in the country for partial covering of losses arising from passengers' transportation activities.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2/2003; amended SG No. 16/2003.
- Council of Ministers' Decree No. 16 of 30.01.2003 on State Budget Implementation.
- Ordinance of the Ministry of Finance (updated every year) on the management of subsidies for inter-town passenger transport and inter-passenger transport in the rarely populated mountain and border municipalities.

Authorities responsible for the subsidy: Ministry of Transport and Communications, Ministry of Finance, Ministry of Regional Development and Public Works, Municipalities.

5. Form of the subsidy

Grant.

6. To whom and how the subsidy is provided

To all passenger transport companies through the Sofia-City municipality and other municipalities after meeting the criteria stipulated in the Ministry of Finance's Ordinance in order to obtain grants for the services they provide.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Total amount budgeted BGN 17.00 mln.

8. Duration of a subsidy and/or any other time limits attached to it

2003.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It is considered that the trade effects are minimal because of the purpose of the subsidy.

### **3. Maritime transport**

1. Title of the subsidy programme

Assistance to Navigation Maritime Bulgare Joint Stock Company.

2. Period covered by the notification

2003.

3. Policy objective and/or purpose of the subsidy

One-time assistance granted for the implementation of the restructuring plan to restore the long-term viability of Navigation Maritime Bulgare Joint Stock Company within a reasonable timescale.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2/2003; amended SG No. 16/2003).
- Council of Ministers' Decree No. 16 of 30.01.2003 on State Budget Implementation.
- Organic Budget Act (Art. 35.2 and Art. 28.1), SG No. 67/1996; last amended SG No. 74/2002.
- Council of Ministers' Decree No. 308 of 19.12.2003 concerning the one-time assistance granted to the Navigation Maritime Bulgare Joint Stock Company.

Authority responsible for the subsidy: Ministry of Finance, Ministry of Transport and Communications.

5. Form of the subsidy

Grant.

6. To whom and how the subsidy is provided  
Navigation Maritime Bulgare Joint Stock Company.
7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy  
BGN 38.00 mln.
8. Duration of a subsidy and/or any other time limits attached to it  
2003.
9. Statistical data permitting an assessment of the trade effects of the subsidy  
Information on the trade effect of the subsidy is not available.

**4. Air traffic management**

1. Title of the subsidy programme  
Assistance to the Air Traffic Management Company (ATMC).
2. Period covered by the notification  
2003.
3. Policy objective and/or purpose of the subsidy  
Tax remission for the implementation of the European integration and harmonization programmes (EATCHIP, ECIP, Eurocontrol) in the field of air traffic management activities.
4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)
  - Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2/2003; amended SG No. 16/2003).
  - Council of Ministers' Decree No. 16/ of 30.01.2003 on State Budget Implementation.
  - Corporate Income Tax Act (Art. 61b), SG No. 115/1997; amended SG No. 109/2003.
  - Civil Aviation Law – SG No. 94/1972, amendments SG No. 34/2001 and No. 111/2001.
  - Ordinance No. 140/2001, issued by the Minister of Finance and the Minister of Transport and Communications stipulating the terms of maintenance, expenditure and accounting of the above-mentioned ATMC corporate income tax remission (SG No. 110/2001).

Authority responsible for the subsidy: Ministry of Transport and Communications.

5. Form of the subsidy

Tax remission of 60 per cent of the ATMC corporate income tax due for 2002.

6. To whom and how the subsidy is provided

Air Traffic Management Company.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

BGN 5.88 mln.

8. Duration of a subsidy and/or any other time limits attached to it

2003.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It can be assumed that the trade effects are minimal.

**II. ENERGY**

**1. Central Heating and Coal**

1. Title of the subsidy

Assistance to Central Heating and Coal Companies.

2. Period covered by the notification

2003.

3. Policy objective and/or purpose of the subsidy

Assistance to energy enterprises producing coal and central heating energy in conformity with the Energy Strategy of the Republic of Bulgaria (which replaced the "National Strategy for long-term Development of the Energy Sector until 2010"). The Energy strategy provides for the restructuring of the energy sector, deregulation and privatisation, bringing the management practice in line with up-to-date standards and gradual cutting-off of the subsidies to this sector.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2/2003; amended SG No. 16/2003).
- Council of Ministers' Decree No. 16 of 30.01.2003 on State Budget Implementation.
- Council of Ministers' Decree No. 279/2002 on the Energy strategy, approved by the National Assembly (SG 71/2002).

- Council of Ministers' Decree No. 237 of 24.10.2003 (SG 96/2003) on additional assistance to central heating energy enterprises during the heating season 2003-04).
- Council of Ministers' Decree (CMD) No. 195/2000 on technical liquidation, conservation and overcoming of harmful consequences from cutting or limiting current activity in coal output; supplemented by CMD No. 46/2001 and CMD No. 155/2002.
- Instruction of the Ministry of Energy and Energy Resources on technical liquidation, conservation of the coal units and environmental rehabilitation.

Authorities responsible for the subsidy: Ministry of Energy and Energy Resources.

5. Form of the subsidy

Grant.

6. To whom and how the subsidy is provided

The subsidy was granted to coal-producing companies and to central heating companies for compensation of the retail prices regulated by the Council of Ministers, and for the technical liquidation and conservation of poor deposit coal units.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Total amount budgeted BGN 62.84 mln.

8. Duration of a subsidy and/or any other time limits attached to it

2003.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It is considered that the trade effects are minimal because of the purpose of the subsidy.

**2. Electricity**

1. Title of the subsidy programme

Rehabilitation and modernisation of the electricity transmission network – Energy 2.

2. Period covered by the notification

2003.

3. Policy objective and/or purpose of the subsidy

Strengthening of the national electricity transmission network, the regional control centres and the communication system of the National Electricity Company as part of the programme for preparation, until 2007, of the Bulgarian electricity transmission network for the parallel work with the unified European electricity transmission systems.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Law on Loan Contract with the IFI, ratified by the National Assembly on 10.05.2003 (SG 47/2002).
- Council of Ministers' Decree No. 482 of 19.12.1997 (SG No. 125/97) concerning the state obligation on the loans and guarantees' agreements.

Authority responsible for the subsidy: Ministry of Energy and Energy Resources, Ministry of Finance.

5. Form of the subsidy

Loan guarantee.

6. To whom and how the subsidy is provided

State guarantee up to 100 per cent was provided on the loan extended by the International Financial Institution to the National Electricity Company.

According to the Decree of Council of Ministers No. 482 of 19.12.1997 (SG No. 125/97) the state assumes obligation on a loan guarantee after receiving the Parliament's approval for conclusion of a loan guarantee agreement, ratified by the law.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Loan guarantee on the instalments in 2003 amounted to BGN 5.37 mln.

8. Duration of a subsidy and/or any other time limits attached to it

The loan guarantee terms are specified for each loan case.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It is considered that the trade effects are minimal because of the purpose of the subsidy.

### **III. MINING**

#### **1. Ore-mining**

1. Title of the subsidy

Assistance to Ore-mining Units.

2. Period covered by the notification

2003.

3. Policy objective and/or purpose of the subsidy

Assistance for the reorganization of the ore-mining sector, liquidation of capacities of poor deposit ore output units, closing down and eliminating the harmful effect of the production and processing of uranium output and waste.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2 of 2003; amended SG No. 16/2003);
- Council of Ministers' Decree No. 16 of 30.01.2003 on State Budget Implementation.
- Council of Ministers' Decrees No. 140/1992 (SG 61/1992) for restructuring of ore-mining sector and gradual closing of poor deposit ore output units; last amendment SG 62/2003.
- Ordinance on the terms of paying of funds for closing down, technical liquidation, conservation of capacities of poor deposit ore output units and elimination of the harmful impact of the production and processing of ore output (issued by the Ministry of Finance in 1992).
- Council of Ministers' Decrees No. 74/1998 (SG 39/1998) on elimination of the harmful effect of the production and processing of ore and uranium output and waste; last amendment SG 48/2000.

Instruction for organization of the system for monitoring of environmental rehabilitation of uranium output in the regions concerned (issued by the former Energy Committee in 1992), carried out by the Ministry of Energy and Energy Resources.

Authorities responsible for the subsidy: Ministry of Energy and Energy Resources; Ministry of Economy; Ministry of Finance.

5. Form of the subsidy

Grant.

6. To whom and how the subsidy is provided

To ore and uranium mining units in a process of technical conservation and liquidation.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Total amount budgeted BGN 12.73 mln.

8. Duration of a subsidy and/or any other time limits attached to it

2003.

9. Statistical data permitting an assessment of the trade effects of the subsidy

Information on the trade effects of the subsidy is not available.

**IV. COMMUNICATIONS**

**1. Post and Communication Services**

1. Title of the subsidy

Assistance to the Bulgarian Post Company and Bulgarian News Agency.

2. Period covered by the notification

2003.

3. Policy objective and/or purpose of the subsidy

Assistance to the Bulgarian Post Company and Bulgarian News Agency arising from the provision of services of general interest.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2/2003; amended by SG No. 16/2003).
- Council of Ministers' Decree No. 16 of 30.01.2003 on State Budget Implementation.
- Law on Postal Services (SG 64/04.08.2000, last amendment of 2003).
- Statute of the Bulgarian News Agency, SG 56/1994.

Authorities responsible for the subsidy: Ministry of Transport and Communications through the Commission for Regulation of Communication; National Assembly.

5. Form of the subsidy

Grant.

6. To whom and how the subsidy is provided

Bulgarian Post Company and Bulgarian News Agency to provide services of general interest.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Total amount budgeted BGN 4.30 mln.

8. Duration of a subsidy and/or any other time limits attached to it

2003.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It is considered that the trade effects are minimal because of the purpose of the subsidy.

**V. ENVIRONMENT**

**1. Soil and Water Pollution**

1. Title of the subsidy

Assistance for reduction of soil and water pollution.

2. Period covered by the notification

2003.

3. Policy objective and/or purpose of the subsidy

Reduction of the polluting effect of waste on soil and water through the establishment of equipment for reprocessing and recycling, building of water treatment plants in order to restore the normal quality of the environment.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Environmental Protection Act (SG No. 86/18.10.1991) last amended SG No. 3/2003;
- Rules on the organization and the activity of the Enterprise for management of environmental protection activities, adopted by Council of Ministers' Decree No. 319/29.12.2002 (SG No. 3 of 10.01.2003).
- Protocols of the 2003 sessions of the Management Council of the Enterprise for management of environmental protection activities for reduction of the harmful impact of waste.

Authorities responsible for the subsidy: Ministry of Environment and Water (MEW), Enterprise for management of environmental protection activities at the MEW.

5. Form of the subsidy

Soft loans.

6. To whom and how the subsidy is provided

Through the Enterprise for management of environmental protection activities on a tender base to all firms and companies, implementing projects and programmes for reduction of soil and water pollution.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Soft loans extended BGN 11.21 mln.

8. Duration of a subsidy and/or any other time limits attached to it

The terms are specified for each soft loan case.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It is considered that the trade effects are minimal because of the purpose of the subsidy.

**VI. EMPLOYMENT AND SOCIAL PROTECTION**

**1. Employment**

1. Title of the subsidy

Encouragement of employment.

2. Period covered by the notification

2003.

3. Policy objective and/or purpose of the subsidy

Subsidies were provided for the realisation of national employment promotion programmes related to the priorities set out in the National Economic Development Plan, the National Regional Development Plan and the National Employment Action Plan.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2 of 2003; amended SG No. 16/2003).
- Council of Ministers' Decree No. 16 of 30.01.2003 on State Budget Implementation.
- National programmes approved in accordance with the Employment Promotion Act – Articles 31, 36, 37, 41, 43, 46, 50, 51, 53, 55, 55a, 57; SG 112/29.12.2001), amended in 2002, (SG 54/2002).

Authorities responsible for the subsidy: Ministry of Labour and Social Policy (MLSP), Employment Agency at the MLSP; Ministry of Finance.

5. Form of the subsidy

Grant.

6. To whom and how the subsidy is provided

The assistance was granted through the Employment Agency to all firms and companies hiring the unemployed under different employment promotion programmes.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Total amount budgeted BGN 16.57 mln.

8. Duration of a subsidy and/or any other time limits attached to it

2003.

9. Statistical data permitting an assessment of the trade effects of the subsidy

It is considered that the trade effects are minimal because of the purpose of the subsidy.

**2. Assistance to low-populated areas**

1. Title of the subsidy

Assistance to low-populated areas for foodstuff supply.

2. Period covered by the notification

2003.

3. Policy objective and/or purpose of the subsidy

Assistance for covering the transport costs arising from the provision of services of general interest for direct deliveries of bread and basic food to mountain and border areas, and small villages with population below 500 residents.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2/2003; amended SG No. 16/2003).
- Council of Ministers' Decree No. 16 of 30.01.2003 on State Budget Implementation.

Authorities responsible for the subsidy: Ministry of Finance, Central Cooperative Union.

5. Form of the subsidy

Grant.

6. To whom and how the subsidy is provided

Through the Central Cooperative Union to all transport companies for the delivery of bread and basic food to mountain and border areas, and small villages.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Total amount budgeted BGN 2.50 mln.

8. Duration of a subsidy and/or any other time limits attached to it

2003.

9. Statistical data permitting an assessment of the trade effects of the subsidy

Information on the trade effects of the subsidy is not available.

## **VII. AGRICULTURE**

### **1. Agricultural Products**

1. Title of the subsidy

Assistance to the agricultural producers through the Agriculture State Fund.

2. Period covered by the notification

2003.

3. Policy objective and/or purpose of the subsidy

Creating conditions for implementation of the state policy oriented to effective management of resources and development of market-oriented structures, increasing the competitiveness and the sustainable development of the agricultural sector.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2/2003; amended SG No. 16/2003).
- Council of Ministers' Decree No. 16 of 30.01.2003 on State Budget Implementation.
- Law on Support of Agricultural Producers (last amendment SG No. 96/2002).

Authorities responsible for the subsidy: Ministry of Agriculture and Forestry, Agriculture State Fund.

5. Form of the subsidy

Grant; loan.

6. To whom and how the subsidy is provided

The support is provided through the Agriculture State Fund at the Ministry of Agriculture and Forestry to all entities registered in the Agricultural Producers Register, producing agricultural products for market sale.

The grants are provided for production of grain, rice, oil-bearing cultures, nuts, soybean, potatoes and vegetables, rape, for milk production, cattle and poultry breeding, for fertilizers.

The loans are granted for investment in agriculture within the programmes for plant-growing, cattle breeding, purchasing of farming machinery and for partial subsidising of interest rates on the credits extended by the commercial banks to the agricultural producers.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Grant – BGN 44.05 mln.  
Loan – BGN 12.46 mln.

8. Duration of a subsidy and/or any other time limits attached to it  
2003.

9. Statistical data permitting an assessment of the trade effects of a subsidy  
Information on the trade effects of the subsidy is not available.

**2. Development of Tobacco Production**

1. Title of the subsidy

Development of tobacco production through Tobacco Fund.

2. Period covered by the notification  
2003.

3. Policy objective and/or purpose of the subsidy

Assistance to tobacco producers for the implementation of the state policy on the development of tobacco production.

4. Background and authority for the subsidy (incl. identification of the legislation under which it is granted)

- Law on State Budget for 2003 (State Gazette No. 120 of 29.12.2002; corrected SG No. 2/2003; amended SG No. 16/2003).
- Council of Ministers' Decree No. 16 of 30.01.2003 on State Budget Implementation.
- Law on Tobacco and Tobacco Products of 30.11.93 (SG No. 101/93), last amendment of 21.12.2001 (SG No. 110/2001).
- Decisions No. 324, 325, 875, 876 of 2003 of the Council of Ministers on support of tobacco production, tobacco premium crop 2002 and 2003, and for delivery of the crop 2003 tobacco seeds.

Authorities responsible for the subsidy: Ministry of Agriculture and Forestry; Tobacco State Fund.

5. Form of the subsidy

Grant.

6. To whom and how the subsidy is provided

The assistance was provided through the Tobacco State Fund at the Ministry of Agriculture and Forestry to all tobacco producers registered under the Law on Tobacco and Tobacco Products in the National Register of the tobacco producers (they received seeds free of charge). For regulation of the tobacco production, a premium from the Tobacco State Fund was envisaged for quality and growing of specific brands of market demand.

The assistance was intended to support the production and delivery of tobacco seeds, granting a premium to the tobacco producers for the 2002 and 2003 tobacco crop produced and delivered.

7. Subsidy per unit, or in case where it is not possible, the total amount or the annual budgeted for that subsidy

Total amount budgeted BGN 121.97 mln.

8. Duration of a subsidy and/or any other time limits attached to it

2003.

9. Statistical data permitting an assessment of the trade effects of the subsidy

Information on the trade effects of the subsidy is not available.

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