REPUBLIC OF BULGARIA
MINISTRY OF FINANCE

Bulgarian current and planned measures for ensuring the strategic perspective in capital budgeting

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PEMPAL Budget Community of Practice
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Sofia, Bulgaria

NATIONAL CONTEXT

- ❖ Infrastructure Investment Shortfall;
- ❖ Discrepancies between planned and actual public investment spending;
- ❖ Social, economic, and environmental challenges.

STRENGTHEN INFRASTRUCTURE RESILIENCE

REFORM PROCESS

STRATEGIC APPROACH

CAPITAL INVESTMENTS BACKGROUND

- ❑Public Finance Act;
- ❑ Medium-Term Budget Framework;
- ❑ Annual State Budget Act.

- ❑No single legislation, but separate laws/bylaws/strategic documents that regulates different areas of public investments;
- ❑Decentralized budget management;
- ❑Inconsistent project evaluation criteria;
- ❑Difficulty in comparing proposals;
- ❑Uncertainty in achieving strategic goals.

IMPROVING PUBLIC INVESTMENT EFFICIENCY AND EFFECTIVENESS (TSI PROJECT)

- **Participants:** Ministry of Finance, DG REFORM, OECD
- **Objectives:**

❑ Analyze current state of PIM in Bulgaria

❑ Propose specific measures for improvement

- **Recommendation Areas:**

1) Long-term strategic vision and planning
2) Coordination across sectors and between levels of government
3) Project selection, prioritization and appraisal processes
4) Capital budgeting and fiscal sustainability
5) Value for money for public and private investment in infrastructure
6) Integrating stakeholder engagement into planning and decision-making

WHAT HAVE BEEN DONE IN 2024

- Introducing an **Investment Program for National Projects** (Annex to the 2024 State Budget Law);
- **New funding mechanism** - capital expenditures funds have been allocated to the budget users on a monthly basis by an act of the Council of Ministers;
- **Council of Ministers Approval for providing capital expenditures to the budget users based on a motivated proposal;**
- Establishing of MoF's **Strategic Planning and Management of Capital Investments, State Participation and Concessions Directorate** (2 departments);
- **MoF issued Guidelines for Determining Priority Objectives and Areas for Auditing for 2025 focused on planning and implementation of investment projects.**

2025 STATE BUDGET PROCEDURE

- **Step 1: Categorization** of investment projects:
  - ✓ Projects related to **administrative activities;**
  - ✓ Projects in the field of **electronic governance and ICT;**
  - ✓ **Strategic investment projects**

Step 2: Ranking is based on unified criteria based on the project's **<u>strategic importance</u>**.

- **Step 3: Allocation and Distribution**

Multi-Annual Investment Program 2025-2028 – Annex to the 2025 State Budget Law

‘Strategic investment project’ working definition

A project with high public value, corresponding to the objectives and priorities set out in the strategic documents at the national and European level.

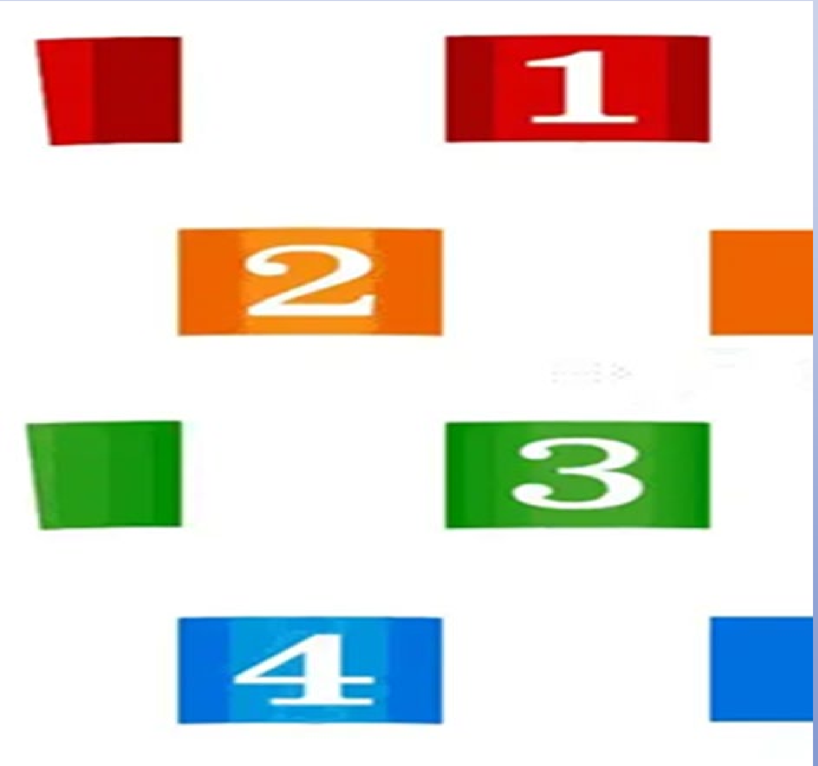
Criteria for Prioritizing Strategic Investment Projects

I. Strategic Alignment Criteria

II. Socio-economic Criteria

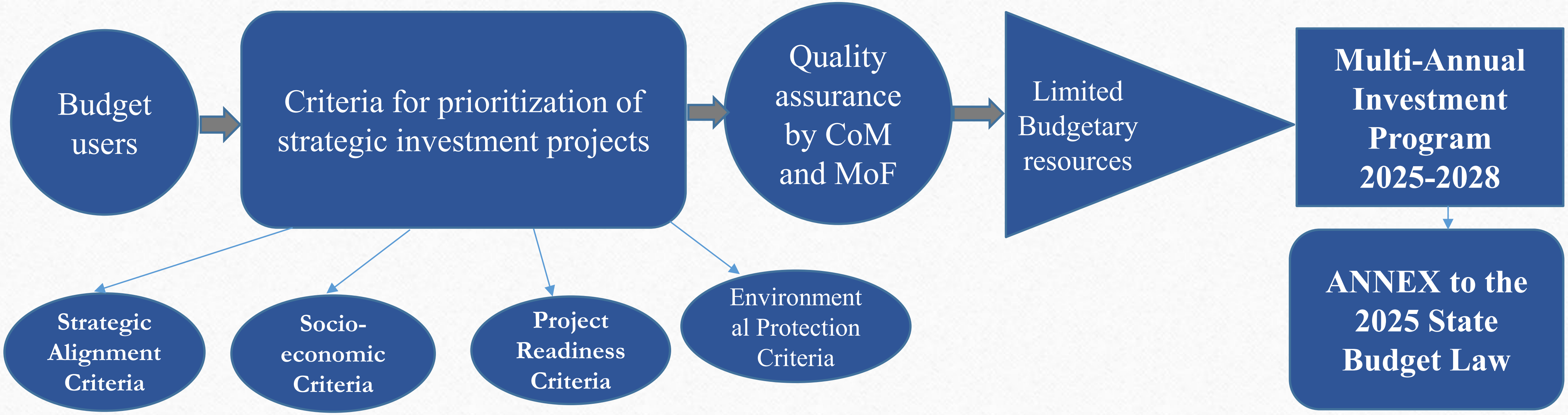
III. Project Readiness

IV. Environmental Protection Criteria



LINKING THE STRATEGIC APPROACH WITH PFM AND PIM IN BULGARIA

DEVELOPMENT OF NATIONAL PROJECT PIPELINE IN 2025



TOOL FOR EVALUATING AND PRIORITISING STRATEGIC INVESTMENT PROJECTS

C2

Code as per the Budget Classification Code

100
200
300
400
500
600
1000
1100

Name of institution

Guidelines

For the purposes of the application, an "investment project" is the implementation within the planned indicative means, duration and quality of all activities throughout the project life-cycle, related to the emergence of an investment idea, its implementation, subsequent operation, maintenance and closure (decommissioning) of the project - if applicable.

The budget user may declare strategic investment projects, prioritizing them with 1 being the highest priority and n being the lowest. Information about the projects is entered in sheets 1-n depending on the priority. On the "Prioritization" sheet, the projects are automatically arranged depending on the assessment received according to the criteria.

Depending on the degree of implementation of the works, investment projects are: "new investment projects" and "transitional investment projects" - projects with a certain degree of implementation and funding already spent.

"Investment project objective" - is the specific objective that will be achieved as a result of the project implementation. It is defined as the benefit to the target groups from the project implementation. The objective of the investment project must be clearly formulated in order to subsequently establish whether and to what extent it has been fulfilled. The implementation of the project objective must lead to a positive effect - economic, social, cultural, environmental, educational, etc. It should be borne in mind that the objective of an investment project cannot be changed after financing for its implementation has been provided.

"Identified problem/Identified need" - indicates what problem would be solved with the implementation of the investment project, or what need would be satisfied.

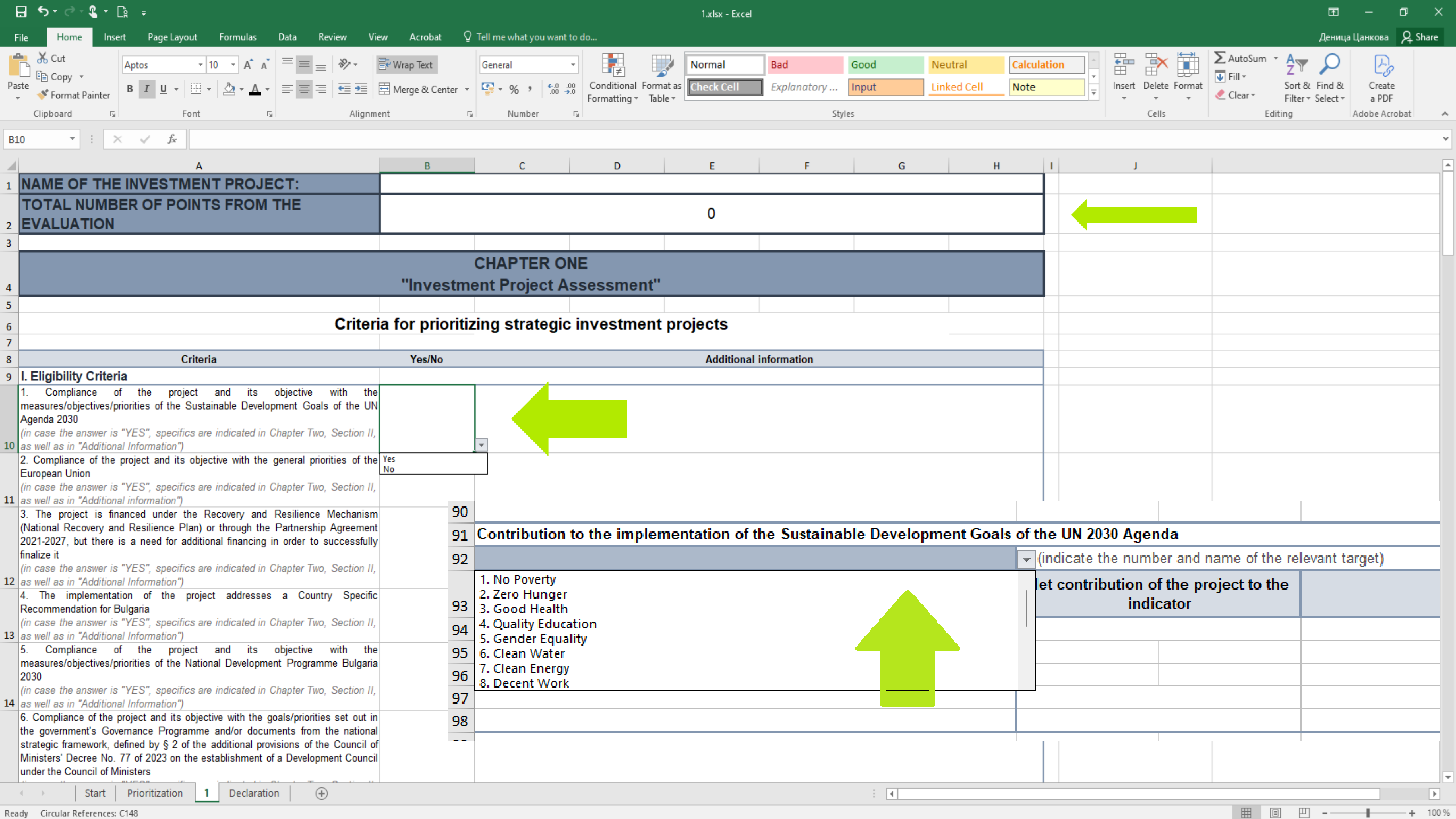
"Target group" - indicates the circle of stakeholders/beneficiaries to whom the implementation of the investment project is aimed and who would have long-term social, economic and/or other benefits from it.

"Number of stakeholders/beneficiaries" - the quantitative expression of the "target group" is indicated.

"Natural indicator" - the relevant natural indicator is indicated, for example, for road infrastructure - from km to km; for a building -

Start | Prioritization | 1 | Declaration

Ready Circular References


1.xlsx - Excel
File
Home
Insert
Page Layout
Formulas
Data
Review
View
Acrobat
Tell me what you want to do...
Деница Цанкова
Share
NAME OF THE INVESTMENT PROJECT:
TOTAL NUMBER OF POINTS FROM THE EVALUATION
0
CHAPTER ONE
"Investment Project Assessment"
Criteria for prioritizing strategic investment projects
Criteria
Yes/No
Additional information
I. Eligibility Criteria
1. Compliance of the project and its objective with the measures/objectives/priorities of the Sustainable Development Goals of the UN Agenda 2030
(in case the answer is "YES", specifics are indicated in Chapter Two, Section II, as well as in "Additional Information")
Yes
No
2. Compliance of the project and its objective with the general priorities of the European Union
(in case the answer is "YES", specifics are indicated in Chapter Two, Section II, as well as in "Additional information")
3. The project is financed under the Recovery and Resilience Mechanism (National Recovery and Resilience Plan) or through the Partnership Agreement 2021-2027, but there is a need for additional financing in order to successfully finalize it
(in case the answer is "YES", specifics are indicated in Chapter Two, Section II, as well as in "Additional Information")
4. The implementation of the project addresses a Country Specific Recommendation for Bulgaria
(in case the answer is "YES", specifics are indicated in Chapter Two, Section II, as well as in "Additional Information")
5. Compliance of the project and its objective with the measures/objectives/priorities of the National Development Programme Bulgaria 2030
(in case the answer is "YES", specifics are indicated in Chapter Two, Section II, as well as in "Additional Information")
6. Compliance of the project and its objective with the goals/priorities set out in the government's Governance Programme and/or documents from the national strategic framework, defined by § 2 of the additional provisions of the Council of Ministers' Decree No. 77 of 2023 on the establishment of a Development Council under the Council of Ministers
Contribution to the implementation of the Sustainable Development Goals of the UN 2030 Agenda
(indicate the number and name of the relevant target)
1. No Poverty
2. Zero Hunger
3. Good Health
4. Quality Education
5. Gender Equality
6. Clean Water
7. Clean Energy
8. Decent Work
let contribution of the project to the indicator
Start
Prioritization
1
Declaration
Ready
Circular References: C148

	A	B	C	D	E	F	G	H
1	**NAME OF THE INVESTMENT PROJECT:**							
2	**TOTAL NUMBER OF POINTS FROM THE EVALUATION**				8			
3								
4	**CHAPTER ONE "Investment Project Assessment"**							
5								
6	**Criteria for prioritizing strategic investment projects**							
7								
8	**Criteria**	**Yes/No**	**Additional information**					
9	**I. Eligibility Criteria**							
10	1. Compliance of the project and its objective with the measures/objectives/priorities of the Sustainable Development Goals of the UN Agenda 2030 *(in case the answer is "YES", specifics are indicated in Chapter Two, Section II, as well as in "Additional Information")*	*Yes*						
11	2. Compliance of the project and its objective with the general priorities of the European Union *(in case the answer is "YES", specifics are indicated in Chapter Two, Section II, as well as in "Additional information")*	*Yes*						
12	3. The project is financed under the Recovery and Resilience Mechanism (National Recovery and Resilience Plan) or through the Partnership Agreement 2021-2027, but there is a need for additional financing in order to successfully finalize it *(in case the answer is "YES", specifics are indicated in Chapter Two, Section II, as well as in "Additional Information")*	*No*						
13	4. The implementation of the project addresses a Country Specific Recommendation for Bulgaria *(in case the answer is "YES", specifics are indicated in Chapter Two, Section II, as well as in "Additional Information")*	*Yes*						
14	5. Compliance of the project and its objective with the measures/objectives/priorities of the National Development Programme Bulgaria 2030 *(in case the answer is "YES", specifics are indicated in Chapter Two, Section II, as well as in "Additional Information")*	*Yes*						
	6. Compliance of the project and its objective with the goals/priorities set out in the government's Governance Programme and/or documents from the national strategic framework, defined by § 2 of the additional provisions of the Council of Ministers' Decree No. 77 of 2023 on the establishment of a Development Council under the Council of Ministers	*No*						

Start | Prioritization | 1 | Declaration

CHAPTER TWO
"Project Information"

Section I "General Information"

Brief description of the investment project:		
Economic sector:		
The investment project is (new/transitional):		
Project location (if applicable):		
Implementation period (year):	From	
	To	

Phase/stage of the investment project:	Yes/No	Additional information
Stage "Study and Assignment"		
Stage "Design"		
Stage "Construction"		
Stage "Final payment and commissioning"		

Assignment type		
Subject of the public procurement:		
Type of procurement procedure:		
Contractor of the public procurement contract:	UIC	
	Name	

	No.	Name of the performance indicator	Present value	Target value
Indicators for evaluating the results of the proposed investment project/performance indicators: *(indicators should be SMART - specific, measurable, achievable, realistic and time-bound)*	1			
	2			
	3			
	4			
	5			

	Description and type of risk	Probability of occurrence /low, medium, high/	Impact of appearance /low, medium, high/	Risk mitigation measures
Risk assessment and management				

Section III "Project Financing"

#	Investment costs of the project	Total	Expenditures incurred/upcoming until 31.12.2024	Funds to be disbursed in 2025	Funds to be disbursed in 2026	Funds to be disbursed in 2027	Funds to be disbursed in 2028	Funds for disbursement after 2028
148	**Project preparation costs**	0,00	0,00	0,00	0,00	0,00	0,00	0,00
149	*Consulting services*	0,00						
150	*Studies*	0,00						
151	*Development of technical documentation*	0,00						
152	*Other*	0,00						
153	**Project implementation costs**	0,00	0,00	0,00	0,00	0,00	0,00	0,00
154	*Labor*	0,00						
155	*Materials*	0,00						
156	*Mechanization*	0,00						
157	...	0,00						
158	...	0,00						
159	...	0,00						
160	...	0,00						
161	**Expected project operation and maintenance costs**	0,00	0,00	0,00	0,00	0,00	0,00	0,00
162	...	0,00						
163	...	0,00						
164	...	0,00						
165	...	0,00						
166	...	0,00						
167	...	0,00						
168	...	0,00						
169	**Estimated project closure costs**	0,00	0,00	0,00	0,00	0,00	0,00	0,00
170	...	0,00						
171	...	0,00						
172	...	0,00						
173	...	0,00						
174	...	0,00						
175	...	0,00						
176	...	0,00						
177	**Total estimated value of the investment project**	0,00	0,00					

#	Project financing dynamics	Indicators	Sources of funding	
180			Budget funds	Other sources (Accounts for EU funds, funds under other international programs and agreements, government investment loans, etc.)
181	Expenditures incurred/upcoming until 31.12.2024	Current expenses		
182		Capital expenditure		
183	Funds to be disbursed in 2025	Current expenses		
184		Capital expenditure		
185	Funds to be disbursed in 2026	Current expenses		
186		Capital expenditure		
187	Funds to be disbursed in 2027	Current expenses		
188		Capital expenditure		
189	Funds to be disbursed in 2028	Current expenses		
190		Capital expenditure		
191	Funds for disbursement after 2028	Current expenses		
192		Capital expenditure		
193	Total estimated value of the investment project	Current expenses	0,00	0,00
194		Capital expenditure	0,00	0,00

Declaration

Declarator:

/name/

As head of

/institution name/

I declare,

The data provided in the appraisal form for the financing of strategic investment projects from the state budget are correct and correspond to the actual situation.

If the earmarked funds from the state budget are allocated to finance strategic investment projects, they will be used only for the purposes of the projects concerned.

The implementation of the strategic investment projects is currently not /partly/ financed by the European Union and/or other international programmes and treaties, and I undertake to inform the Minister of Finance in due time should any changes occur.

I am aware that if this form is not completed, the proposal for financing strategic investment projects may be rejected.

e-Signature:

Strengths & Limitations

Strengths

1. User-friendly and accessible
2. Standardized and structured assessment
3. Enables prioritization through scoring

Limitations

1. Limited automation and integration
2. Risk of oversimplification
3. Reliance on user-provided data (may cause inconsistencies)

The Multi-Annual Investment Program 2025-2028

Annex No. 2, Section I, to Art. 110 (1) to the [2025 State Budget Law]

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on data from the Ministry of Regional Development and Public Works as of October 2024.

Annex No. 2, Section I, to Art. 110, Para. 1

Program for priority strategic investment projects with national funding for the period 2025 - 2028.

(in thousands of BGN)

No.	Project number	Project	Amount of capital expenditure on the project in 2025	Indicator/Performance indicator /target value	Responsible institution
1	NP-25.001-0001	OA Blagoevgrad – Construction of a new border checkpoint Strumyani – Berovo, between the municipalities of Strumyani, Blagoevgrad region, Republic of Bulgaria, and Berovo, Eastern planning region, Republic of North Macedonia	–	Construction of a new border checkpoint Strumyani - Berovo (Klepalo) between Bulgaria and North Macedonia - 1.00	Council of Ministers
2	NP-25.001-0002	Vidin Municipal Administration – "Conservation, restoration and emergency strengthening of part of the "Fortress walls of the Turkish Kale" – high terrace, low terrace and approach – PI with identifier No. 10971.501.535 under the CCCR of the city of Vidin, regulated in UPI I – "for landscaping and park", quarter 518 under the plan of the "Kaleto" complex, city of Vidin, Vidin municipality, Vidin region"	399.6	1. Conservation, restoration and emergency strengthening of fortress walls – sq. m – 2,078.00 2. Fortress walls cleared of vegetation – sq. m – 2,078.00 3. Accessible environment – platform – 1.00 4. Increased tourist flow	Council of Ministers
3	NP-25.001-0003	Dobrich Regional Administration – Survey of the condition of the sites available on the territory of Dobrich District (land properties (PI) under Art. 7, para. 12 of the Law on the Protection of the Sea – marine hydrotechnical facilities, breakwaters, systems and facilities under Art. 6, para. 4, item 2 – public state property, protecting against harmful	–	Report on the actual condition of marine hydrotechnical facilities, breakwaters and facilities, after an inspection by specialists – 1.00	Council of Ministers

Implementation of Multi-Annual Investment Program 2025–2028

State Budget Law 2025 — Key provisions

Flexibility

Redistribution between projects (Art. 110(5))
Allowed within first-level spending unit, with PFA changes

Obligations from previous years (Art. 110(6))
Payments for old capital expenditures permitted

Emergency/urgent expenditures (Art. 110(6))
Permitted within capital expenditure framework

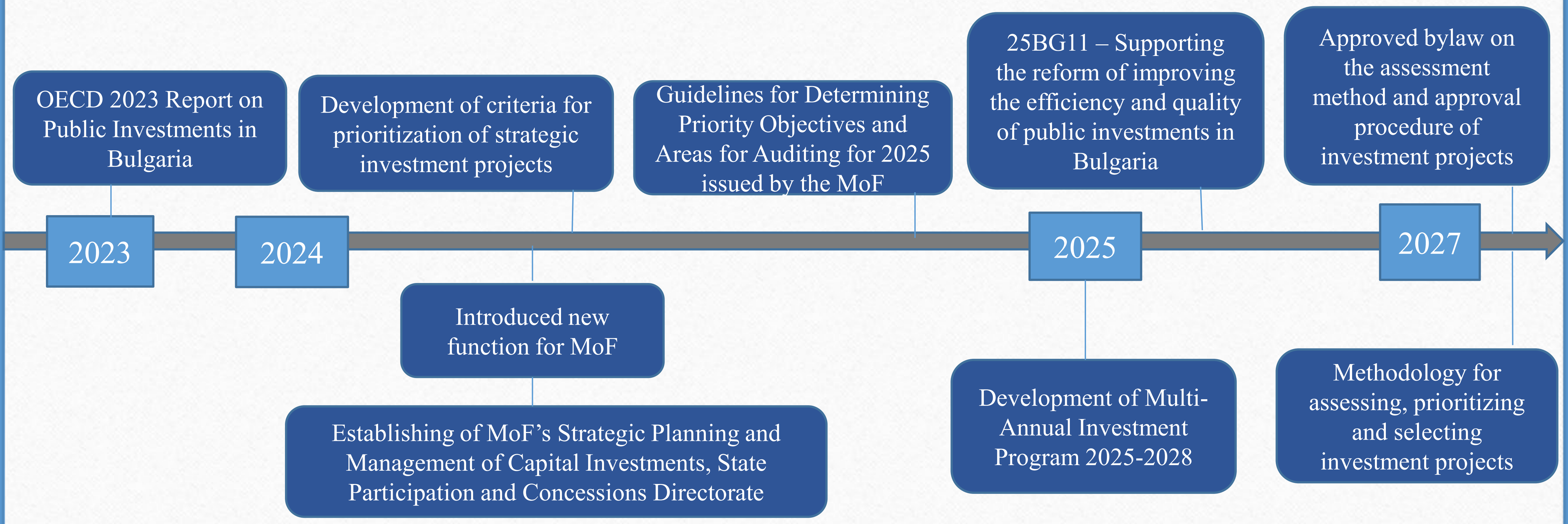
Restrictions

Dedicated use of funds (Art. 110(4))
Funds for priority projects cannot be diverted elsewhere

Spending framework (Art. 110(3))
Funds only within approved capital expenditures 2025

Savings restrictions (Art. 111)
Savings may be used for repairs only after 30 Sept 2025

KEY MILESTONES IN PIM REFORM IN BULGARIA

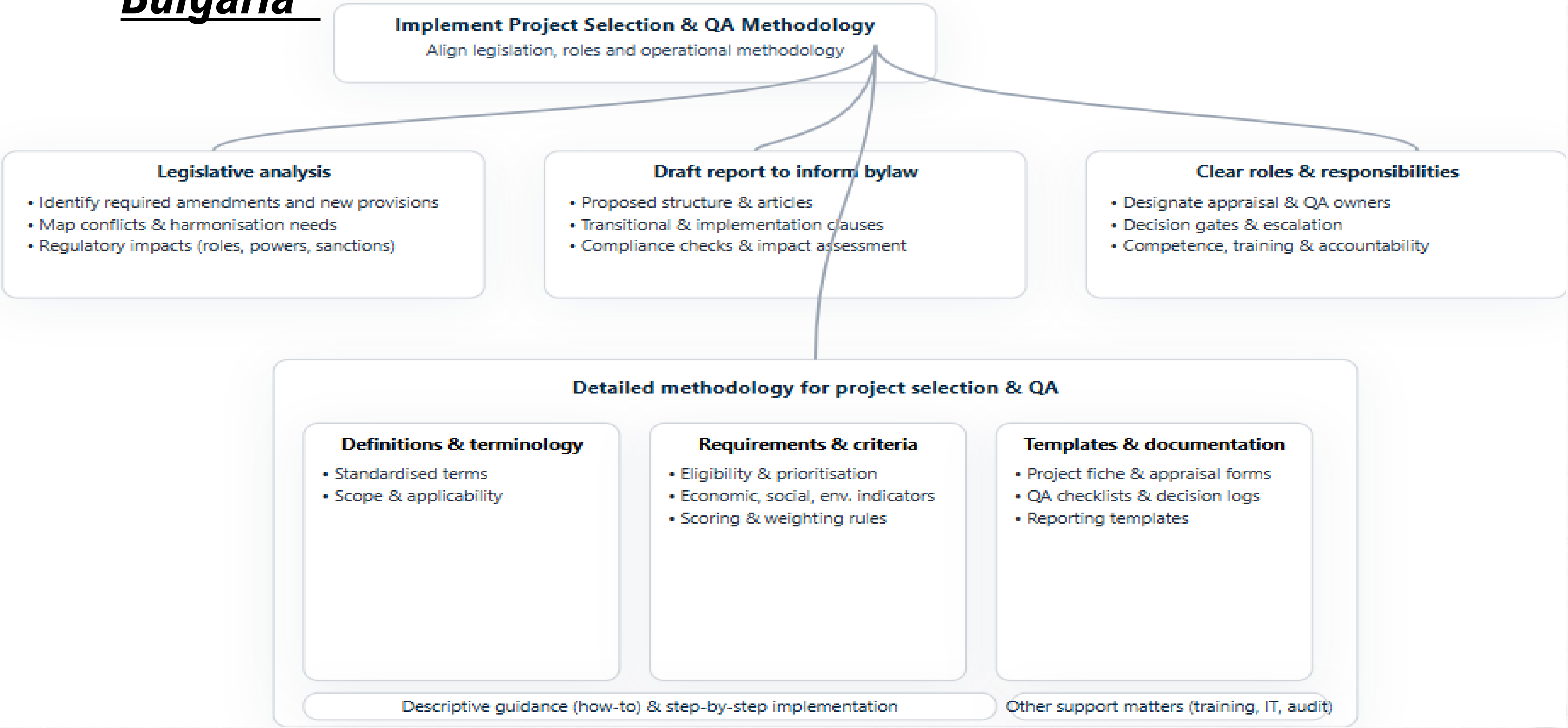


THE WAY FORWARD

25BG11 TSI project with the OECD on "Improving the Efficiency and Quality of Public Investments in Bulgaria"

- A proposal for **a bylaw on the assessment method and approval procedure of investment projects;**
- A proposal of **a methodology for assessing and prioritizing investment projects;**
- **Capacity-building** in and out of the Strategic Planning and Management of Capital Investments, State Participation and Concessions Directorate.

“Improving the Efficiency and Quality of Public Investments in Bulgaria”



Expected Impact

- Improved public investment efficiency;
- Enhanced accountability and transparency;
- Sustainable development outcomes in line with global and national priorities;
- Robust capacity building and knowledge sharing;
- Strengthened foreign investment attraction;
- Increased economic growth.

Lessons learned as part of public investment reform process

- ❑ Building Sustainable Legal Base for PIM and Strengthening Institutional Frameworks are Crucial;
- ❑ Importance of Comprehensive Planning and Prioritization;
- ❑ Straightening Monitoring and Evaluation is Essential.

Key remaining reform challenges for Bulgaria

- Coordination and Fragmentation Across Government Levels;
- Weak Capacity for Project Preparation and Management;
- Public Trust Challenge.

Thank you for your attention!

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