



REPUBLIC OF BULGARIA

To the Ministers of the ECOFIN Council

99-00177

Sofia, 19 July 2024

Dear colleagues,

As you are aware the euro accession is a long-standing goal of Bulgaria and is among the main priorities of the Bulgarian government. The current caretaker government advances the rapid implementation of the National Plan for the Introduction of the Euro in the Republic of Bulgaria with the aim to complete the full integration of the country in the Economic and Monetary Union of the EU. I would like to use the opportunity to make you familiar with the progress of our ERM II post-entry commitments with a short overview of the achievements in an attachment to this letter.

Bulgaria acceded to the ERM II on 10 July 2020 with the expressed commitment to continue on the path to euro area accession. That intent was conveyed through the adoption of an Action plan with measures to address the ERM II post-entry commitments in the following four areas: supervision of the non-banking financial sector, the insolvency framework, the anti-money laundering framework, and state-owned enterprises with most of the commitments having been fulfilled successfully. The current implementation rate is approximately 94%, with only two outstanding measures.

The remaining obligations pertain to the alignment of the composition of the State-Owned Enterprises (SOEs) boards with the Law on Public Enterprises, which is almost fully completed, and the other concerns the adoption and implementation of the SOEs' transformation programme with the aim to restructure the state-owned enterprises into joint stock companies or public administrative bodies. It is important to outline that even though such a programme has been adopted in 2022, following an analysis, we are witnessing serious resistance on its implementation from society, different non-governmental organisations, the SOEs and their principals, with opposition being especially robust in the forestry sector. The resistance is triggered by the assertion that the analysis is based predominantly on accounting and financial data, without taking fully into account other relevant factors such as the public functions of the SOEs, their legal framework and their joint fulfillment of national and European policy goals. On the other hand, the policy environment and the circumstances have changed substantially

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REPUBLIC OF BULGARIA

with new legislation and sectoral strategic documents in place, reflecting on the environment in which the SOEs operate and on the main conclusions of the analysis.

That being said, I would very much appreciate if you could share your country's **national organisational model of forestry management**. In particular, general information on the **ownership of the forests** (what the share is between privately and publicly own forests) and more specifically the **legal and regulatory base; legal form of the forestry entities; governance structure and organization; public and social functions; policy objectives; administrative role, mandates and responsibilities**. Also any past or present experience related to the transformation/restructuring of SOEs in this field and concrete steps and stages of transformation, in case such processes have been implemented. I hope Bulgaria can benefit from the experience of your country in this specific sector by scrutinising your approach to the management of the state-owned enterprises with the intent to emulate germane designs.

I would appreciate your informative reply at your earliest convenience but if possible by the beginning of September. This will give us an opportunity to analyse the information and assess what would suit best to our national specificities with a view of updating the SOEs transformation programme.

I avail myself of the opportunity to express to you the assurance of my highest consideration.

Sincerely yours,

LYUDMILA PETKOVA
DEPUTY PRIME MINISTER AND
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Enclosure: Infographic – progress of post ERM II commitment implementation



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Post-ERMII commitments

94%

implementation

