

**Report from the Republic of Bulgaria**  
**on the provision of services satisfying the conditions of Article 9 of the**  
**SGEI Decision<sup>1</sup> and paragraph 62 of the SGEI Framework<sup>2</sup> and falling**  
**within their scope for the period 2016-2017.**

Based on the information and data received from the authorities responsible for the entrustment and administration of services of general economic interest (SGEI) in Bulgaria, this report contains information on support measures under the SGEI Decision and additional information. Please note that where no information is given, no such information has been provided by the responsible authorities. The SGEI Framework has not been applied in Bulgaria in the period 2016-2017.

## 1. EXPENDITURE OVERVIEW

<b>General SGEI government expenditure by functions (millions EUR)</b>		
<b><i>Compensation for Services of General Economic Interest (1+2)</i></b>	<b>2016</b>	<b>2017</b>
	<b>23.509</b>	<b>54.925</b>
	Item 2.1) - 4.254	Item 2.1) - 4.850
	Item 2.2 a) - 0	Item 2.2 a) - 13.480*
	Item 2.2 b) 0.043	Item 2.2 b) 0,039
	Item 2.2 e) - 0.106	Item 2.2, e) - 0.126
	Item 2.5) i - 6.400**	Item 2.5) i - 19.400**
(1) Compensation granted on the basis of the SGEI Decision	Item 2.5)iii - 5.037	Item 2.5)iii - 9.361
(2) Compensation granted on the basis of the SGEI Framework	Item 2.5)vii - 7.669***	Item 2.5)vii - 7.669***
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**Notes:**

\* The compensation funds for the public service of paying out pensions at post offices are indicated in the table above.

The total disbursements amount to EUR 14.97 million based on § 7 of the Transitional and Final Provisions of Council of Ministers Decree No 168 of 8 July 2016 amending the Regulation on Pensions and Contribution Periods (State Gazette No 54/2016, in force from 1 July 2016). The disbursements amount includes:

- compensation of EUR 13.48 million;
- value added tax paid (VAT) for the first semester of 2017, in the amount of EUR 1.49 million. During this period, the provider received a commission for the service of paying out pensions.

It should be noted that in 2016 two fundamentally different ways of financing the service of paying out pension were applied: commission for which VAT is due for the first semester and compensation for the second semester, which is exempt from VAT.

For 2017, the funds from the central Budget of Bulgaria to compensate for the unfair financial burden for the public service of paying out pensions at post offices in 2016 were granted to Bulgarian Post EAD on the basis of Article 92(5) of the Regulation on Pensions and Contribution Periods.

The compensation for the year concerned does not exceed EUR 15 million and falls under Article 2(1)(a) of the SGEI Decision.

<sup>1</sup> Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (OJ L 7, 11.1.2012)

<sup>2</sup> European Union framework for State aid in the form of public service compensation (OJ C 8, 11.1.2012)

\* \* The above table sets out the amounts paid for the compensation of the provision of the universal postal service (UPS) during the period 2016-2017.

The amount of EUR 19.4 million paid in 2017 includes:

- The annual compensation amount for the UPS provision in 2015 — EUR 6.1 million;
- Additional compensation for the UPS provision in past periods - EUR 13.3 million, including:
  - for 2011 - EUR 6.8 million.
  - for 2012 - EUR 1.2 million.
  - for 2013 - EUR 2.1 million.
  - for 2014 - EUR 3.2 million.

It should be borne in mind that the funds received in 2016 and 2017 compensate for the unfair financial burden from the provision of the universal postal service in 2014 and 2015 respectively, in accordance with the mechanism set out in the Postal Services Act. In the light of this and taking into account the additional compensation granted for 2014, the total compensation for the provision of the universal postal service in 2014 is EUR 9.6 million.

\*\*\* The values reported include VAT.

\*\*\*\* The funds were advanced in accordance with Council of Ministers Decree No 374 of 22 December 2016. Following the submission of the report on factual findings by the auditor, the Committee will meet, examine and decide on the amount of compensation due to Napoitelni Sistemi EAD for the provision of a public service in 2016.

\*\*\*\*\* The fixed exchange rate EUR 1 = BGN 1.95583 was used for the calculation of the amount.

Optional: If your Member State has not granted State aid for the provision of SGEI in certain sectors on the basis of the SGEI Decision or the SGEI Framework, information regarding other instruments to ensure the provision of those services would be very useful. If available, please provide a brief description of these instruments (e.g. direct aid to users, compensation complying with all four Altmark criteria, SGEI de minimis aid ...) and the sectors in which they are used. If you consider that for the sectors listed below your Member State only grants public financing to activities that are non-economic in nature and hence would not be in scope of State aid rules we invite you to also inform us about this (by describing why the subsidized activity is non-economic).

*Municipalities provide subsidies to community centres, sports clubs operating in the public interest and having local coverage and for health and long-term care.*

## **2. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION**

**Please structure this part of your report by the following sections:**

### **1) Hospitals (Art. 2(1)(b))**

*Medical activities outside the scope of mandatory health insurance performed by municipal medical institutions.*

### **2) social services (Art. 2(1)(c));**

- a) Health and long-term care;
- b) Childcare;
- c) Access to and reintegration into the labour market;
- d) Social housing;
- e) Care and social inclusion of vulnerable groups.

- 3) Air or maritime links to islands with average annual traffic not exceeding the limits set in Art. 2(1)(d)
- 4) Airports and ports with average annual traffic not exceeding the limit set in Art. 2(1)(e)
- 5) SGEI compensation not exceeding EUR 15 million (Art. 2(1)(a))

i. Postal services:

*Funds from the 2016 and 2017 national budget of the Republic of Bulgaria to compensate for the unfair financial burden for the provision of the universal postal service in 2014 and 2015, respectively, were granted to the postal operator obliged to provide the universal postal service (Bulgarian Post EAD) in accordance with Article 29 of the Postal Services Act. National laws in the field of postal services are in line with Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008 amending Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services (OJ L 52 of 27.2.2008, p. 3). The compensation for the year concerned does not exceed EUR 15 million and falls under Article 2(1)(a) of the SGEI Decision.*

ii. Energy

iii. Waste collection

iv. Water supply

v. Culture

vi. Financial services

vii. Other sectors (please specify)

*A SGEI has been formulated in the agriculture sector which is provided pursuant to Article 2(1)(a) of the SGEI Decision and related to reducing the adverse effects of floods.*

For each of the items outlined above please provide information in the form of the following table:

Clear and comprehensive description of how the respective services are organized in your Member State <sup>3</sup> .
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list <b>the contents of the services entrusted as SGEI</b> as clearly as possible.
<p><b><u>Item 2.1)</u></b>  <i>Medical activities listed in the Decision on the Operation of Medical Institutions, issued by the Minister for Health which are outside the scope of the mandatory health insurance and which are in line with the approved medical standards and the rules of good medical practice. They are listed in a separate annex to the agreement concluded with each healthcare establishment.</i></p> <p><b><u>Item 2.2, a)</u></b>  <i>Paying out pensions at post offices</i>  <i>Under Article 51(1) of the Regulation on Pensions and Contribution Periods (PES), pensions and supplements are paid out at post offices competent for the permanent or current address of pensioners in accordance with the procedure set out in the Regulation. The pensioner may receive his pension at home at his permanent or current address if he is entitled to a long-term disability pension or is 68 years of age or older (Article 62(1) of the Regulation). The service of paying out pensions at post offices is defined in national law as an SGEI. By paying out pensions at post offices and allowing for receiving pensions at home, the State is helping to protect the most vulnerable social group: the pensioners.</i></p> <p><b><u>Item 2.2 b) and e)</u></b>  <i>Social services under Article 36 of the Implementing Provisions of the Social Assistance Act (PPZSP)</i></p> <p><b><u>Item 2.5) i</u></b>  <b><i>Universal Postal Service (UPS):</i></b>  <i>The scope and characteristics of the UPS are regulated by the Postal Services Act (ZPU). The UPS is a service of specified quality uniformly performed within set working hours at affordable prices and accessible to all users throughout Bulgaria.</i>  <i>The UPS includes the following types of postal services:</i>  <i>1. Clearance, transport and distribution of the following domestic and cross-border mail:</i>  <i>(a) items of correspondence up to 2 kg;</i>  <i>(b) small packages up to 2 kg;</i>  <i>(c) print products up to 5 kg;</i>  <i>(d) postal items for blind and partially sighted persons.</i>  <i>2. Clearance, transport and distribution of the domestic and cross-border postal packages up</i></p>

<sup>3</sup> If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial.

to 20 kg. The weight limit for packages from other countries may be higher;  
3. Additional services for 'registered items' and 'insured items'.

**Item 2.5)iii**

*For Sofia Municipality: waste treatment and disposal services, operation and maintenance of waste treatment facilities acquired under the project 'Integrated system of municipal waste treatment facilities for Sofia Municipality'.*

**Item 2.5)vii**

*In the agricultural sector, the service of general economic interest related to reducing the adverse effects of floods is provided in accordance with Article 2(1)(a) of Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest. It is provided by Napoitelni sistemi EAD, which is a commercial company 100 % state owned within the system of the Ministry of Agriculture, Food and Forestry (MAFF), on the basis of a contract concluded between the Ministry and Napoitelni sistemi EAD. The activities related to reducing the adverse effects of floods are set out in the Contract and include the following:*

- *Visits and monitoring for the purpose of identifying the technical and operational condition of dikes on the Danube and protective dikes, corrections of rivers and gullies, drainage fields and of related systems and facilities as well as of retention dams;*
- *Maintaining the capacity of river and gully corrections, including their cleaning from construction waste, domestic waste and soak deposits, removal of trees growing along the water course, of trunks, bushes and all trees which have fallen or are at risk of falling;*
- *Measurements and maintenance of the design parameters of dikes on the Danube and protective dikes, river and gully corrections, removal of grass, shrubs and trees, restoration of degraded profiles;*
- *Maintenance and ongoing repair works of the open and closed drainage network and facilities of drainage fields and systems;*
- *Operation and maintenance of the good working order of drainage pumping stations and related facilities;*
- *Rectification of any faults which might impair the constructive and technological security of retention dams;*
- *Carrying out of emergency repair works of the facilities for reducing the adverse effects of floods in case of accidents posing a threat to the personnel and population, engineering infrastructure and populated areas.*

Explanation of the (typical) **forms of entrustment**. If standardised templates for entrustments are used for a certain sector, please attach them.

**Item 2.1)**

*Contract for the execution of medical activities pursuant to Article 106(1) and (2) of the Medical Institutions Act concluded between the respective municipality and the medical establishment.*

**Item 2.2,a)**

*The provision of the public service of paying out pensions at post offices was entrusted by the Council of Ministers to Bulgarian Post EAD - the postal operator with the densest own network of offices in the country including offices in sparsely populated areas and difficult to access areas (Article 926(1) NPOS)*

**Item 2.2 b) and e)**

*Entrustment is performed on the grounds of and in accordance with the procedure under Article 18a(3) of the Social Assistance Act and Articles 37-39a of the Implementing Provisions of the Social Assistance Act after a tender procedure or direct negotiations with a single bidder. A contract for the service is concluded.*

**Item 2.5) i**

*The obligation to perform the UPS is entrusted under the Postal Service Act and an individual licence is issued by the national regulatory authority, the Communications Regulation Commission (KRS).*

*The obligation to provide the UPS includes:*

- *Provision of the UPS throughout the country, ensuring that it is available to all users regardless of their geographic location;*
- *Provision of the UPS at the operator's points of access to the postal network on all working days, at least five days a week, with at least one collection of post every working day and one delivery to recipients, except in settlements and residential areas with difficult access;*
- *Provision of the UPS at a level of quality that meets the standards adopted by the regulator.*
- *Provision of the UPS by type of service at affordable prices that are the same for the entire country and are established in accordance with the requirements of the Ordinance on determining rules for setting and implementing the price of the UPS and the Methodology for determining the affordability of the UPS, adopted by the Council of Ministers (published SG No 70/2011);*
- *Provision of the UPS free of charge in the cases specified in the Postal Services Act.*

**Item 2.5)iii**

*It was entrusted by contract to a specially created municipal enterprise under the Municipal Property Act. It was effected by a decision of the Sofia Municipal Council.*

**Item 2.5)vii**

*A service of general economic interest related to reducing the adverse effects of floods is provided on the basis of a public service contract concluded between Napoitelni Sistemi EAD and the MAFF in accordance with §4a(1) of the Transitional and Final Provisions of the Water Act, in line with the provisions of the SGEI Decision. The funds to compensate for the unfair financial burden for the public service of reducing the adverse effects of floods are granted to Napoitelni Sistemi EAD.*

*An unfair financial burden in providing the public service of reducing the effect of floods arises where the performance of the contract results in a net cost for the company.*

Average duration of the entrustment (in years) and the proportion of entrustments that are **longer than 10 years** (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

**Item 2.1)**

*One-year period.*

**Item 2.2 a)**

*The public service obligation to pay out pensions at post offices is for a period of 10 years starting on 1 July 2016.*

**Item 2.2 b) and e)**

*All services are entrusted for a period of 3 years, except for the following: care for children in day-care facilities, care for children in care establishments and 'home social patronage' where the decisions are taken annually with the adoption of the corresponding municipal budget.*

**Item 2.5) i**

*Pursuant to § 70 of the Transitional and Final Provisions of the Act Amending the Postal Services Act, in force since 30 December 2010, the postal operator entrusted by law with the operation of the UPS is the commercial company Bulgarian Post EAD, for a period of 15 years starting on 30 December 2010. In the postal services sector the share of entrustment for more than 10 years is 100 %.*

*At the end of each five-year period from the entrustment of the UPS, the Communications Regulation Commission draws up a report on the implementation of this obligation with a view to maintaining, amending or revoking it. The National Assembly is the body empowered by the Bulgarian Constitution to amend or revoke such an obligation through amendments to the Postal Services Act.*

*The entrusted obligation for the operation of the UPS for a period of 15 years starting on 30 December 2010 does not contradict Article 2(2) of Decision 2012/21/EC. This period is determined on the basis of the significant investment made (and which needs to be depreciated over a longer period) for the organisation and maintenance of the postal network of the operator entrusted with the operation of the UPS, built on the entire territory of the country, including sparsely populated and hard-to-reach areas.*

**Item 2.5)iii**

*The period of entrustment is 15 years since the average period of operation of such facilities is 15 years and, under the project, replacement of facilities is foreseen after 15 years of operation.*

**Item 2.5)vii**

*The public service contract is concluded for a definite period of time (5 years and enters into force as of the date of signing) within the limits specified in Article 2(2) of the Decision and it covers the years 2016 - 2017.*

Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.

**Item 2.1)**

*No exclusive or special rights are granted. The rights granted are only with regard to specific medical activities, as listed in the annex which is an integral part of the contract for medical activities outside the scope of the mandatory health insurance.*

**Item 2.2 a)**

*No exclusive or special rights are granted.*

**Item 2.2 b) and e)**

*No exclusive or special rights are granted.*

**Item 2.5 i)**

*No exclusive or special rights are granted to the postal operator entrusted with the operation*

of the UPS.

**Item 2.5 iii)**

*No exclusive or special rights are granted.*

**Item 2.5 vii)**

*The responsibility for activities to reduce the adverse effects of floods is conferred upon the Minister of Agriculture, Food and Forestry and, within the meaning of Article 10(1)(2) of the Water Act, Napoitelni Sistemi EAD has been entrusted with the operation and management of this service.*

Which aid instruments have been used (direct subsidies, guarantees, etc.)?

**Item 2.1)**

*Direct grant*

**Item 2.2 a)**

*The aid is a direct subsidy from the central budget of Bulgaria for the corresponding year.*

**Item 2.2 b) and e)**

*Direct grant*

**Item 2.5) i**

*The aid is a direct subsidy from the central budget of Bulgaria for the corresponding year.*

**Item 2.5)iii**

*An annual compensation is paid for the purpose of covering the operating costs related to the operation and maintenance of the facilities of the municipally-owned undertaking Metropolitan Waste Treatment Company. The company is supported by budget funds and is a secondary authorising officer. Budget formation is cost-based.*

**Item 2.5)vii**

*Direct grant*

Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

**Item 2.1)**

*The compensation funds for the medical activities performed outside the scope of the mandatory health insurance are determined using a non-standardised methodology approved by the mayor and developed on the basis of the specific internal rules on the operations and organisation of the corresponding municipality. The methodology is based on the net avoided cost. The allocation of funds by healthcare establishments is made following the adoption and publication of the State Budget Act of the Republic of Bulgaria for the respective year and in accordance with provisions enacted by the Ministry of Finance associated with the budgetary procedure, and based on the budget of the respective municipality. After determining the amount of funds provided in the municipalities' approved budgets for the year appropriated for financing the municipal healthcare establishments, the Committee develops funding options for the healthcare establishments using the historical cost method by analysing their funding and operations during the previous three years, their current scope of activities, the licence issued by the Ministry of Health for medical care (types of medical activities, specialisations and structures with levels of competence); the medical and social importance*



*of the services provided to citizens. The compensation funds are in line with the laws and regulations and the national rules and regulations for financing medical activities approved by the Ministry of Health and the National Health Insurance Fund.*

**Item 2.2 a)**

*The compensation mechanism for the provision of the public service of paying out pensions through post offices nationwide is set out in an annex to Article 92(3) of the NPOS. The mechanism is applied in compliance with the requirements of Decision 2012/21/EU.*

*The mechanism is based on the net avoided cost approach. Where the net costs incurred in paying out pensions at post offices nationwide exceed those incurred in carrying out business without having to meet such an obligation to provide this public service, an unfair financial burden arises which is eligible for compensation. The compensation amount is the amount of the net cost for the year concerned constituting an unfair financial burden.*

**Item 2.2 b) and e)**

*For the provision of social services, the municipalities give external providers funding from the municipal budget based on a subsidy from the executive budget, in accordance with the cost standards for state mandates approved by a Council of Ministers decision for the corresponding financial year.*

**Item 2.5) i**

*The compensation mechanism for the unfair financial burden resulting from the provision of the UPS is regulated in the Act Amending the Postal Services Act in effect since 30 December 2010. This Act transposed Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008 amending Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services (OJ L 52/3 of 20 February 2008) in connection with the financing of the universal postal service after the abolishment of the reserved area as of 1 January 2011.*

*Pursuant to the Postal Services Act, the postal operator obliged to provide the UPS receives compensation from the state budget where the UPS obligation results in net costs and constitutes an unfair financial burden on it. The amount of the unfair financial burden resulting from the UPS is determined on the basis of the net costs. The compensation is determined in the State Budget of the Republic of Bulgaria Act for the corresponding year and may not exceed the amount of the unfair financial burden resulting from the provision of the universal postal service. Net costs resulting from the provision of the UPS are calculated using a methodology prepared by the Communications Regulation Commission and approved by the Council of Ministers (Council of Ministers Decree No 199 of 11 July 2011, published in SG No 55 of 19 July 2011). The methodology is based on the net avoided cost method.*

*The methodology defines the procedure and manner in which the postal operator obliged to provide the UPS in the entire territory of the country via the postal network organised and managed by it, calculates and substantiates the net costs resulting from the obligation to provide the service. The methodology has been developed in accordance with Part B: Calculation of net cost of Annex I 'Guidance on calculating the net cost, if any, of universal service' to Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008 amending Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services (OJ L 52 of 27 February 2008, p. 3).*

**Item 2.5)iii**

*The compensation is calculated on the basis of cost allocation.*

**Item 2.5)vii**

*Pursuant to §4b of the Transitional and Final Provisions of the Water Act:*

*“(1) The company obligated to provide the public service related to reducing the harmful effects of floods shall submit to a committee appointed by order of the Minister for Agriculture and Food a report for the previous year on the costs incurred in the provision of the public service, along with the required evidence, by 31 March of the current year.*

*(2) The documents pertaining to calculation of net costs resulting from the provision of the public service for the protection against the adverse effects of floods shall be submitted to the Committee under paragraph 1 and shall be inspected by an auditor appointed by the same committee.*

*(3) Within a period of three months following the submission of the report under paragraph 1, the committee shall announce their decision on :*

*1. the presence of an unfair financial burden resulting from the provision of the public service related to reducing the adverse effects of floods;*

*2. the amount of the compensation payable to the company obligated to provide the public service related to reducing the adverse effects of floods for the preceding year;*

*3. a comparison between the unfair financial burden and the funds provided in advance for the respective period.*

*(4) Within the period specified in paragraph 3 the committee may demand from the applicant to present additional information and evidence within a seven-day period.*

*(5) The Minister for Agriculture and Food shall, in the course of the budget procedure, present to the Minister for Finance the decision under paragraph 3 and the relevant materials thereto.'*

*The amount of the unfair financial burden is determined based on the net costs calculated using the Methodology adopted by the Council of Ministers:*

*“ Article 4 (1) The amount of the unfair financial burden is the compensation necessary to cover the sum of the net costs incurred by Napoitelni Sistemi EAD in the fulfilment of their obligations under the contract, including a reasonable profit.*

*(2) The annual compensation under paragraph 1 shall not exceed the amount in BGN which equals EUR 15 million. For the term of the Contract, the annual amount shall be calculated as an arithmetic mean of the annual amounts of the compensation expected to be received in the period of entrustment, and the investment costs for the period.*

*Article 5 The net costs are the difference between the costs incurred for the provision of the service of general economic interest, and the earnings from the service of general economic interest.*

*Article 15 To ensure the transparency and traceability of the funds spent for the public service, Napoitelni Sistemi EAD shall carry out separate analytical accounting for the cost items and activities under Article 9.'*

*Article 17 (2) The annual statement of expenditure incurred in the provision of the public service for reducing the adverse effects of floods in the previous year, together with the necessary evidence, shall be submitted by 31 March of the current year to the committee and shall be reviewed by an auditor on the basis of § 46(2) of the Transitional and Final Provisions of the Water Act.*

*In fulfilment of the Rules of Procedure of the Committee, the following decisions were adopted in 2015:*

- The amount of funds granted in advance to Napoitelni Sistemi EAD for 2014 is BGN 15 000 000 including VAT, Council of Ministers' Decree No 69/27.3.2014;*
- Amount of the compensation payable to Napoitelni Sistemi EAD for the provision of the public service for 2014 - BGN 13 727 954.44 including VAT;*
- Funds granted in advance, exceeding the amount of the compensation payable to Napoitelni*

*Sistemi EAD for 2014 - BGN 5 772 045.56 including VAT.*

*On the basis of Article 20(5) of the Methodology used to determine the unfair financial burden and Article 3(4) of the Rules of Procedure of the Committee, Report No 93-116/6.1.2016 was drawn up and approved by the Minister of Agriculture and Food, based on which Agreement No RD 50-40/25.3.2016 was concluded on the reimbursement of the amount by offsetting and on the repayment of the amount of overcompensation for 2014 exceeding 10 percent of the average annual compensation to the budget of the Ministry of Agriculture and Food.*

*In execution of Contract No RD 50-43/3.4.2014 between Napoitelni Sistemi EAD and the Ministry of Agriculture, Food and Forestry and in line with Article 17(2) of the Methodology used to determine the unfair financial burden , Napoitelni Sistemi EAD submitted by 31 March 2016 to the committee established by order of the Minister for Agriculture and Food the annual report on the costs incurred in the provision of the public service related to reducing the adverse effects of floods for 2015, along with the required evidence. The report, together with the additional information, has been submitted for an audit and an Auditor's Report of Factual Findings is being drawn up.*

*In fulfilment of the Rules of Procedure of the Committee, the following decisions were adopted in 2016:*

- The amount of funds granted in advance to Napoitelni Sistemi EAD for 2015 is BGN 15 000 000 including VAT, in line with Article 23(4) of the State Budget Act of the Republic of Bulgaria for 2015 (ZDBRB for 2015);*
- Amount of the compensation payable to Napoitelni Sistemi EAD for the provision of the public service for 2015 - BGN 18 460 264 including VAT;*
- The amount of the compensation payable to Napoitelni Sistemi EAD for the provision of the public service for 2015 exceeds advance payment granted by BGN 3 460 264 including VAT.*

*On the basis of Article 20(3) of the Methodology used to determine the unfair financial burden and Article 3(4) of the Rules of Procedure of the Committee, Report No 93-116/6.1.2016 on the compensation exceeding advance payment granted for 2015 was drawn up and approved by the Minister for Agriculture and Food.*

*Pursuant to Article 20(4) of the Methodology used to determine the unfair financial burden and Agreement No RD 50-40/25.3.2016, Napoitelni Sistemi EAD repaid the overcompensation for 2014 to the Ministry of Agriculture and Food by offsetting the amount from the compensation for 2015 amounting to BGN 3 460 264 and BGN2 311 781.56 including VAT of the advance funds granted for 2016.*

*In execution of Contract No RD 50-43/3.4.2014 between Napoitelni Sistemi EAD and the Ministry of Agriculture, Food and Forestry and Article 17(2) of the Methodology used to determine the unfair financial burden Napoitelni Sistemi EAD submitted by 31 March 2017 to the committee established by an order of the Ministry for Agriculture, Food and Forests the annual report on the costs incurred in the provision of the public service related to reducing the adverse effects of floods for 2016, along with the required evidence. The report, together with the additional information, has been submitted for an audit and an Auditor's Report of Factual Findings is being drawn up.*

*In fulfilment of the Rules of Procedure of the Committee, the following decisions were*

adopted in 2017:

- The amount of funds granted in advance to Napoitelni Sistemi EAD for 2016 is BGN 15 000 000 including VAT, in line with Article 23(4) of the State Budget Act of the Republic of Bulgaria for 2016 (ZDBRB for 2016);
- Amount of the compensation payable to Napoitelni Sistemi EAD for the provision of the public service for 2016 - BGN 17 675 237 including VAT;
- Amount of the compensation payable to Napoitelni Sistemi EAD for the provision of the public service for 2016 exceeds the advance payment granted by BGN 2 675 237 including VAT.

In execution of Contract No RD 50-43/3.4.2014 and Article 17(2) of the Methodology used to determine the unfair financial burden, Napoitelni Sistemi EAD will submit by 31 March 2018 to the Committee the annual report on the costs incurred in the provision of the public service related to reducing the adverse effects of floods for 2017, along with the required evidence. The report, together with the additional information, will be submitted for an audit and an Auditor's Report of Factual Findings will be drawn up.

The amount of funds granted in advance to Napoitelni Sistemi EAD for 2017 is BGN 15 000 000 including VAT, Council of Ministers Decree No 374/22.12.2017;

Following the submission of the report on factual findings by the auditor, the committee will examine and decide on the amount of compensation due to Napoitelni Sistemi EAD for the provision of the public service in 2017.

#### **Typical arrangements for avoiding and repaying any overcompensation.**

##### **Item 2.1)**

Medical activities performed by medical institutions outside the scope of the mandatory health insurance are not financed with additional funds.

##### **Item 2.2 a)**

Under national law, pensioners are exempt from paying for the service and the supplier does not generate any operational revenue from this activity.

In this connection, pursuant to Article 92(2) of the Regulation on Pensions and Contribution Periods (NPOS) concerning the compensation of the costs of paying out pensions at post offices, the National Social Security Institute (NSSI) transfers in advance by the 7th day of the month to the company entrusted with the operation of the public service on the territory of the entire country, an amount equal to 1/12 of the compensation allocated for that year. Each year the obliged company draws up and submits to the Minister for Transport, Information Technologies and Communications a summary of the annual report on the net expenditure incurred and the investment costs involved in carrying out the public service of paying out pensions during the previous year. The report includes the amount requested to compensate for the net costs that constitute an unfair financial burden calculated in line with the mechanism defined in the regulation.

The documents relating to the calculation of the net cost and the determination of the compensation amount and the application of the distribution system by the obliged company are subject to an annual inspection by an independent auditor. The cost allocation system is approved by the Communications Regulation Commission and uses an objective approach to calculate costs by type of service— ABC method (Activity Based Costing). Based on the results of the calculation of the net cost and of the auditor's assessment, the Minister for

*Transport, Information Technologies and Communications determines by order the amount of the compensation due for carrying out the public service relating to the payment of pensions at post offices over the preceding year. The final amount of the compensation is set by the State Budget Act for the following year.*

*The compensation for performing this service of general economic interest is exempt from value added tax and may not exceed the amount specified in Article 2(1)(a) of Decision 2012/21/EU, the equivalent of EUR 15 million. In the event of the amount being set at more than the BGN equivalent of EUR 15 million, the compensation is notifiable as State aid and is not to be paid until a positive decision has been received from the European Commission.*

*If the appropriations received in advance for a given year exceed the set amount of the annual compensation by up to 10 %, the excess amount is deducted from the amount of the compensation for the following period.*

*If the amounts received in advance for a given year exceed the amount of the set annual compensation by more than 10 %, the full amount of the excess is refunded by the obligated company to the National Social Security Institute, within one month of issuing the order which determines the amount of compensation.*

*The Minister for Transport, Information Technologies and Communications oversees the entire compensation process, carrying out checks at least every three years during the period of entrustment and at the end of that period so as to ensure that the company is not overcompensated, and in the event of inconsistencies issues relevant instructions.*

#### **Item 2.2 b) and e)**

*Together with the tender documentation the provider submits to the respective municipality a Programme for the Development of Social Services, comprising a Technical Proposal and a Financial Proposal for the entire period in which the service will be managed, which is binding on the provider upon the award of the tender and constitutes an integral part of the contract. The service provider is to submit monthly reports accompanied by copies of the documents supporting the costs corresponding to the Financial Proposal. Funds not used by the end of the budget year are to be repaid by 31 December of the current year.*

#### **Item 2.5) i**

*Pursuant to the Postal Services Act, the amount of the compensation is determined in the State Budget of the Republic of Bulgaria Act and may not exceed the amount of the unfair financial burden resulting from the provision of the UPS, calculated in accordance with the Methodology for calculating the net costs resulting from the obligation to provide the UPS. The documents relating to the calculation of the net costs and the unfair financial burden resulting from the provision of the UPS, and the implementation of the cost allocation system by the postal operator obliged to provide UPS are subject to an annual examination by an independent auditor. The cost allocation system is approved by the KRS and uses an objective approach to calculate costs by type of service — ABC method (Activity Based Costing).*

*Based on the results of the calculation of net costs and the auditor's assessment, KRS issues a ruling regarding:*

- the existence of an unfair financial burden resulting from the provision of the UPS;*
- the amount of the compensation due to the postal operator's being obliged to provide the UPS.*

*Pursuant to the procedure envisaged in the Postal Services Act for the calculation of net costs (based on the previous year's data), proving an unfair financial burden and determining the amount of the compensation, the postal operator obliged to provide the UPS receives compensation at the earliest during the second year after the year for which net costs were calculated.*

*The legal arrangements for calculating the net costs resulting from the obligation to provide the UPS, for determining the amount of the unfair financial burden and the amount of compensation eliminate, in practice, any possibility of overcompensation.*

**Item 2.5)iii**

*The budget of the municipally-owned undertaking 'Metropolitan Waste Treatment Company' is planned on an annual basis by entering the quantities of waste to be treated by the facilities and calculating the staff, electricity, water, fuel and mechanization costs, the administrative costs, etc. by facility.*

**Item 2.5)vii**

*Pursuant to Article 20 of the Methodology used to determine the unfair financial burden:*

*'Article 20 (1) The funds under the Contract shall be provided in advance according to a schedule approved by the Minister for Agriculture and Food in view of the planned annual value, and shall be adjusted on a quarterly basis according to the works completed by Napoitelni Sistemi EAD.*

*(2) The adjustment to reflect the real costs, including the investment costs and real income, shall be made as of 31 December of each budget year pursuant to the provisions of § 46 of the Transitional and Final Provisions of the Water Act within the time limits for financial closure of the relevant year and without exceeding the amount determined in Article 2(1)(a) of Decision 2012/21 /EU – EUR 15 million.*

*(3) In case the compensation determined by the committee exceeds the advance funds received, the amount of the difference shall be included in the estimated advance funds for the following year.*

*(4) Where the received advance funds exceed the amount of the compensation due, the amount of the overcompensation, if not exceeding ten per cent of the average annual compensation, shall be carried over to the following year and shall be deducted from the compensation for the following year.*

*(5) Where the amount of overcompensation exceeds 10 per cent of the average annual compensation, it shall be repaid to the budget of the Ministry of Agriculture and Food.'*

A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

**Under all items:**

Not applicable.

**Amount of aid granted**

**Total amount of aid granted (in millions EUR)<sup>4</sup>.** This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

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<sup>4</sup> As stipulated in Article 9 b) of the 2012 SGEI Decision.

2016		2017	
<u>Item 2.1)</u>	4.254	<u>Item 2.1)</u>	4.850
<u>Item 2.2)a):</u>	0.00	<u>Item 2.2)a):</u>	13.480
<u>Item 2.2)b)</u>	0.043	<u>Item 2.2)b)</u>	0.039
<u>Item 2.2 e):</u>	0.106	<u>Item 2.2 e):</u>	0.126
<u>Item 2.5) i</u>	9.6	<u>Item 2.5) i</u>	6.1
<u>Item 2.5)iii</u>	5.037	<u>Item 2.5)iii</u>	9.361
<u>Item 2.5)vii</u>	7.669	<u>Item 2.5)vii</u>	7.669
<u>Total:</u>	26.709	<u>Total:</u>	41.625
A: Total amount of aid granted (in millions EUR) paid by national central authorities <sup>5</sup> 2016 2017			
2016		2017	
<u>Item 2.2)a):</u>	0.00	<u>Item 2.2)a):</u>	13.48
<u>Item 2.5) i</u>	9.6	<u>Item 2.5) i</u>	6.1
<u>Item 2.5)vii</u>	7.669	<u>Item 2.5)vii</u>	7.669
<u>Total:</u>	17.269	<u>Total:</u>	27.249
B: Total amount of aid granted (in millions EUR) paid by regional authorities <sup>6</sup>			
2016		2017	
-		-	
C: Total amount of aid granted (in millions EUR) paid by local authorities <sup>7</sup>			
2016		2017	
<u>Item 2.1)</u>	4.254	<u>Item 2.1)</u>	4.850
<u>Item 2.2)b)</u>	0.043	<u>Item 2.2)b)</u>	0.039
<u>Item 2.2 e):</u>	0.106	<u>Item 2.2 e):</u>	0.126
<u>Item 2.5)iii</u>	5.037	<u>Item 2.5)iii</u>	9.361
<u>Total:</u>		<u>Total:</u>	

<sup>5</sup> If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

<sup>6</sup> See footnote 5

<sup>7</sup> See footnote 5.

<b>9.440</b>	<b>14.376</b>
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
<b>2016</b>	<b>2017</b>
-	-
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) <sup>8</sup>	
<b>2016</b>	<b>2017</b>
<b><u>Item 2.5)iii</u></b> <i>1 beneficiary — Municipal enterprise 'Sofia Municipal Waste Treatment Plant'</i>	<b><u>Item 2.5)iii</u></b> <i>1 beneficiary — Municipal enterprise 'Sofia Municipal Waste Treatment Plant'</i>
<b><u>Item 2.5)vii</u></b> <i>1 beneficiary - Napoitelni Sistemi EAD</i>	<b><u>Item 2.5)vii</u></b> <i>1 beneficiary - Napoitelni Sistemi EAD</i>
<b><u>Item 2.5)vii</u></b> <i>Napoitelni Sistemi EAD is a commercial company 100% owned by the state within the system of the Ministry of Agriculture and Food.</i> <i>The main activities of the company comprise:</i> <ul style="list-style-type: none"> <li>➤ <i>Management, operation, repair, maintenance, expansion, investment, study and design; research, development and engineering activities for the complex use of the irrigation fund;</i></li> <li>➤ <i>Water supply for irrigation and industrial water supply, amelioration and agricultural development;</i></li> <li>➤ <i>Carrying out of specialised works and provision of specialised services in the field of irrigation engineering and construction.</i></li> </ul>	

### 3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

*The SGEI Framework has not been applied in Bulgaria in the period 2016-2017.*

### 4. COMPLAINTS BY THIRD PARTIES

*No complaints by third parties regarding the provided SGEI have been received in the period 2016-2017.*

### 5. MISCELLANEOUS QUESTIONS

a) We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:

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<sup>8</sup> The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.



drawing up an entrustment act that complies with Article 4 of the SGEI Decision;  
specifying the amount of compensation in line with Article 5 of the SGEI Decision;  
determining the reasonable profit level in line with Article 5(5)-(-8) of the SGEI Decision;  
regularly checking overcompensation as required by Article 6 of the SGEI Decision;

Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

b) We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:

carrying out a public consultation in line with paragraph 14 of the SGEI Framework;  
complying with public procurement rules in line with paragraph 19 of the SGEI Framework;  
determining the net avoided cost as required by paragraphs 25-27 of the SGEI Framework;  
determining the reasonable profit level in line with paragraphs 33-38 of the SGEI Framework;

Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

c) If you have any other comments on the application of the SGEI Decision and the SGEI Framework on issues other than the ones covered in the previous questions please feel free to provide them within your report.

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