



# THE EUROPEAN TIMES BULGARIA







# BULGARIA

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## Most Favourable Tax Treatment in the European Union

Bulgaria is located in the Southern-Eastern part of the Balkan Peninsula. The country shares its borders with Romania to the north, Serbia and Macedonia to the west, Greece and Turkey to the south, and the Black Sea to the east. With a territory of 110,994 square km and 7.1 million inhabitants, Bulgaria is Europe's 16th largest country. With its strategic location, Bulgaria has always been an important transport hub and a coveted base for international trade.

Bulgaria joined NATO in 2004 and the European Union in 2007. Furthermore, the country is a member of WTO, a founding state of OSCE, and has taken a seat at the UN Security Council three times.

### Presidency of the EU Council

On the 1 January 2018, Bulgaria took over the Presidency of the Council of the European Union, which rotates among the EU Member States every six months.

The priorities of the Bulgarian presidency are driven by its motto 'United we stand strong', which is also the motto of the coat of arms of the country. The presidency will work with its partners on unity among the member states and the EU institutions to provide concrete solutions to build a stronger, more secure and solidary Europe. During the next six months, the presidency will focus on four key areas: future of Europe and young people, Western Balkans, security and stability and digital economy.

### Major advantages

Bulgaria's strategic geographic location and well-developed energy sector and infrastructure make it a key European energy centre and transport hub, offering access to the markets of the EU, Turkey, CIS, North Africa and the Middle East. In addition, the export-driven economy and its growth potential, complemented with a stable macroeconomic environment, the most favourable tax treatment in the European Union, highly skilled labour force and one of Europe's lowest operational costs, continue to attract investors and have secured Bulgaria's place among the preferred investment destinations in the world.

### Investor-friendly climate

Bulgarian economy has always attracted an impressive amount of foreign direct investment, mainly from EU members. The Government has taken concrete steps to present Bulgaria as an investor-friendly destination for investors. Invest Bulgaria within the Ministry of Economy, Energy and Tourism serves as the gateway to Bulgaria for foreign investors. It provides information on potential projects, helps set up links with local partners, and offers support for new businesses. Invest Bulgaria reports that around 90% of foreign investors in Bulgaria to date are from the EU, although other international investors are beginning to target the country.

Besides the 10% flat tax rate, the Government also offers





reduced corporate tax for investors investing in less industrialized regions or regions with high unemployment. In addition, there are other subsidies depending on the type of investment. Acquiring property is fairly easy, and office and utility expenses are favourable. Bulgaria's educated and low wage workforce provides added economic benefits to high productivity sectors that are looking for a regional base in EU, which is visible through the substantial development in the logistics, high-tech and BTO sectors.

### **Managers expect business to grow in 2018**

Most managers in Bulgaria expect business to grow in 2018. More than 82% of top executives in Bulgaria expect their businesses to grow in 2018 and 78% plan to recruit new employees. More than 77% of the companies reported growth in 2017, mainly in the sectors of outsourcing (60%), technology (45%), industrial (42%) and consumer products and services (41%).

Key specialists, or experts with specific functions were identified as the most wanted during 2018. In this respect, many companies consider taking advantage of the Blue Card work permit to attract foreign professionals for their businesses. Considering the speed of development of technologies, the top new areas of expertise in organizations which are key for businesses include digital sales and marketing, technology innovations and business intelligence.

### **FDI into Bulgaria rises 36.7% in 2017**

Foreign direct investment in Bulgaria in 2017 amounted to €901.9 million, the equivalent of 1.8% of the country's GDP, which is an increase of 36.7% compared to the €660 million recorded in 2016, according to the preliminary statistics published by the Bulgarian National Bank.

Investment in equity, including in the real estate sector, stood at €189.4 million, compared to €632.6 million in 2016. Re-invested earnings accounted for €229.8 million, compared to the €341.2 million in 2016. Net receipts from real estate investments by foreign entities totalled €10.8 million, compared to €63.1 million in 2016. The largest inflow of real estate investment came from Russia, 53.6% of the total volume. Germany followed with 11.5% and Ukraine with 11.1%.

The central bank data showed €482.7 million in investment inflows as debt instruments, recorded as the change in the net liabilities of Bulgarian companies towards their foreign investor owners, compared to outflows of €313.8 million in 2016. Such financial flows include financial loans, suppliers' credits and debt securities. By country, the largest direct investment in Bulgaria in 2017 came from the Netherlands (€875.7 million), Switzerland (€126.6 million) and Germany (€94 million), while the largest outflows were recorded towards the Czech Republic (€300.4 million) and Austria (€143.3 million). Bulgarian investment abroad increased by €275.6 million in 2017, compared to €320.2 million in 2016.





# Strong Government Focused on Growth and Stability

Bulgaria is a parliamentary representative democratic republic, with a Prime Minister as the Head of Government and a President as Chief of State. The country's Constitution was adopted on 13 July 1991, and most recent amendments were made in 2015. The country proclaimed its independence on 3 March 1878 as an autonomous principality within the Ottoman Empire. Complete independence from the Ottoman Empire was proclaimed on 22 September 1908. Bulgaria's national holiday is Liberation Day, celebrated on 3 March.

## Government organization

### Executive branch

Bulgaria's Chief of State is the President, currently Rumen Radev (since 22 January 2017); Vice President is Iliana Yotova (since 22 January 2017). The Head of the Government is the Prime Minister, officially the Chairman of the Council of Ministers, currently Boyko Borissov (since 4 May 2017), who served two previous terms (2009-2013 and 2014-2017). The Prime Minister is assisted by Deputy Prime Ministers from the Council of Ministers.

### Legislative branch

Bulgaria's legislative branch is a unicameral National Assembly or Narodno Sabranie. It consists of 240 deputies who are directly elected in multi-seat constituencies by

proportional representation vote to serve four-year terms. The votes are for party or coalition lists of candidates for each of the 28 administrative divisions. A party or coalition must garner a minimum of 4% of the vote in order to enter the National Assembly.

### Judicial branch

Bulgaria is a civil law system. At the international level, Bulgaria accepts compulsory ICJ jurisdiction with reservations. The highest courts in the country are the Supreme Court of Cassation, which consists of a Chairman and approximately 72 judges organized into penal, civil, and commercial colleges; Supreme Administrative Court, organized in two colleges with various panels of five judges each; and the Constitutional Court, which resides outside the judiciary and consists of 12 justices. The Supreme Court of Cassation and Supreme Administrative



judges are elected by the Supreme Judicial Council, which consists of 25 members with extensive legal experience and are appointed by the President. Judges can serve until mandatory retirement at age 65. Constitutional Court justices elected by the National Assembly and appointed by the President and the Supreme Judicial Council for nine-year terms with renewal of four justices every three years. Subordinate courts include appeals courts, regional and district courts, administrative courts, courts martial.

## Elections

Bulgaria has universal suffrage and all citizens age 18 or older may vote. The President and Vice President are elected on the same ballot by absolute majority popular vote in two rounds if needed for a five-year term and are eligible for a second term. The Prime Minister is elected by the National Assembly. Deputy Prime Ministers are nominated by the Prime Minister and are elected by the National Assembly.

## Administrative System

The territory of Bulgaria is divided into provinces and municipalities. Bulgaria has 28 provinces, each headed by a provincial Governor appointed by the Government. In addition, there are 263 municipalities.

## Government

The Prime Minister is elected by the National Assembly. Deputy Prime Ministers are nominated by the Prime Minister and are elected by the National Assembly.

Boyko Borisov  
Prime Minister

### Deputy Prime Ministers:

Ekaterina Zaharieva  
Deputy Prime Minister for Judicial Reform  
Minister of Foreign Affairs

Tomislav Donchev  
Deputy Prime Minister

Valeri Simeonov  
Deputy Prime Minister for Economic and Demographic Policy

Krasimir Karakachanov  
Deputy Prime Minister for Public Order and Security  
Minister of Defence

### Other ministers:

Vladislav Goranov  
Minister of Finance

Valentin Radev  
Minister of Interior Affairs

Nikolay Nankov  
Minister of Regional Development and Public Works

Biser Petkov  
Minister of Labour and Social Policies

Tsetska Tsacheva  
Minister of Justice

Krasimir Valchev  
Minister of Education and Science

Ivaylo Moskovski  
Minister of Transport, Information Technologies and Communications

Temenuzhka Petkova  
Minister of Energy

Kiril Ananiev  
Minister of Health

Lilyana Pavlova Nikolova  
Minister in charge of the Bulgarian Presidency of the Council of the European Union in 2018

Boil Banov  
Minister of Culture

Neno Dimov  
Minister of Environment and Water Resources

Rumen Porozhanov  
Minister of Agriculture, Food and Forestry

Emil Karanikolov  
Minister of Economy

Nikolina Angelkova  
Minister of Tourism

Krasen Kralev  
Minister of Youth and Sports

Zorica Apostolska  
Minister Without Portfolio in charge of Foreign Investments





## Buoyant Economic Growth Driven by Consumption and Investment

Bulgaria has undergone a significant transformation over the past three decades. It has changed from a highly centralized, planned economy to an open, market-based, upper-middle-income economy. For the last decade, Bulgaria has been one of the fastest growing Eastern European economies. It is characterized by a stable macroeconomic environment, the most favourable tax treatment in the European Union, highly skilled labour force and one of Europe's lowest operational costs. The strong fiscal performance is confirmed by the one of the lowest budget deficits in the EU and low government debt to GDP ratio. With an estimated 0.8% growth, Bulgaria was one of 18 countries of the European Union to record economic growth during the fourth quarter of 2017, with the EU economy as a whole and the euro zone both posting 0.6% growth.

### **Economic growth estimated at 3.7% for 2018**

The European Commission estimates that Bulgaria's economy would continue growing strongly in 2018, and the economic growth of the country in 2018 will be 3.7%

and 3.5% in 2019. The economic growth, driven by both consumption – fuelled by wage increases in the public sector and tighter labour market conditions in the private sector – and investment, especially in the public sector, thanks to the implementation of EU-backed investment programmes, which supported government spending, will remain strong in the following years. Bulgaria's growth is significantly higher when compared to the growth predicted for the EU, which stands at 2.3% for 2018 and 2% for 2019.

The main engine of growth in 2018 and 2019 will continue to be strong domestic demand, while the trade balance, which showed a surplus in 2016 before turning to deficit last year, is expected to turn positive again in 2018. Both investment and private consumption were expected to remain the main drivers of growth.

### **Budget surplus recorded at the end of 2017**

Bulgaria ended 2017 with over €432 million Budget surplus, as announced by the country's Ministry of



Finance. According to the data published by the ministry, the consolidated Budget surplus for the full year 2017 was €432.12 million, or 0.8% of the estimated GDP, exceeding the prior estimates of the Ministry, which were set at €408.29 million.

The figure represented a drop compared to 2016, when Bulgaria recorded a Budget surplus of €750 million, in part due to the higher inflow of EU funds at the start of 2016, in connection to final payments on the 2007-2013 EU budget cycle.

The 2017 Budget surplus was structurally more balanced, with the national budget recording a surplus of €158.03 million and an EU funds surplus of €274.09 million (compared to a national budget deficit of €379.92 million and an EU funds surplus of €1.13 billion in 2016).

Compared to the targets set in the 2017 Budget Act, which included a deficit of €680 million, Bulgaria's consolidated fiscal programme showed an improvement of €1.1 billion. Higher revenue was the main reason for the continued improvement of public finances, coupled with the reduction of government spending compared to the same period in 2016.

### Revenue exceeds expectations

Revenue in 2017 was €18.05 billion, an improvement of 5.5% compared to the same period of last year and 99.6% of the target set in the Budget Act. Tax revenues were up by 10% compared to 2016, at €15.12 billion, which was also 5.5% higher than the amount targeted.

Budget spending was €34.47 billion in 2017, up from €16.61 billion in 2016, representing 93.7% of the Budget target. In part, the increased spending was due to higher pension and health insurance payments resulting from the two pension hikes in 2017.

### Targeting a 1.0% budget deficit in 2018

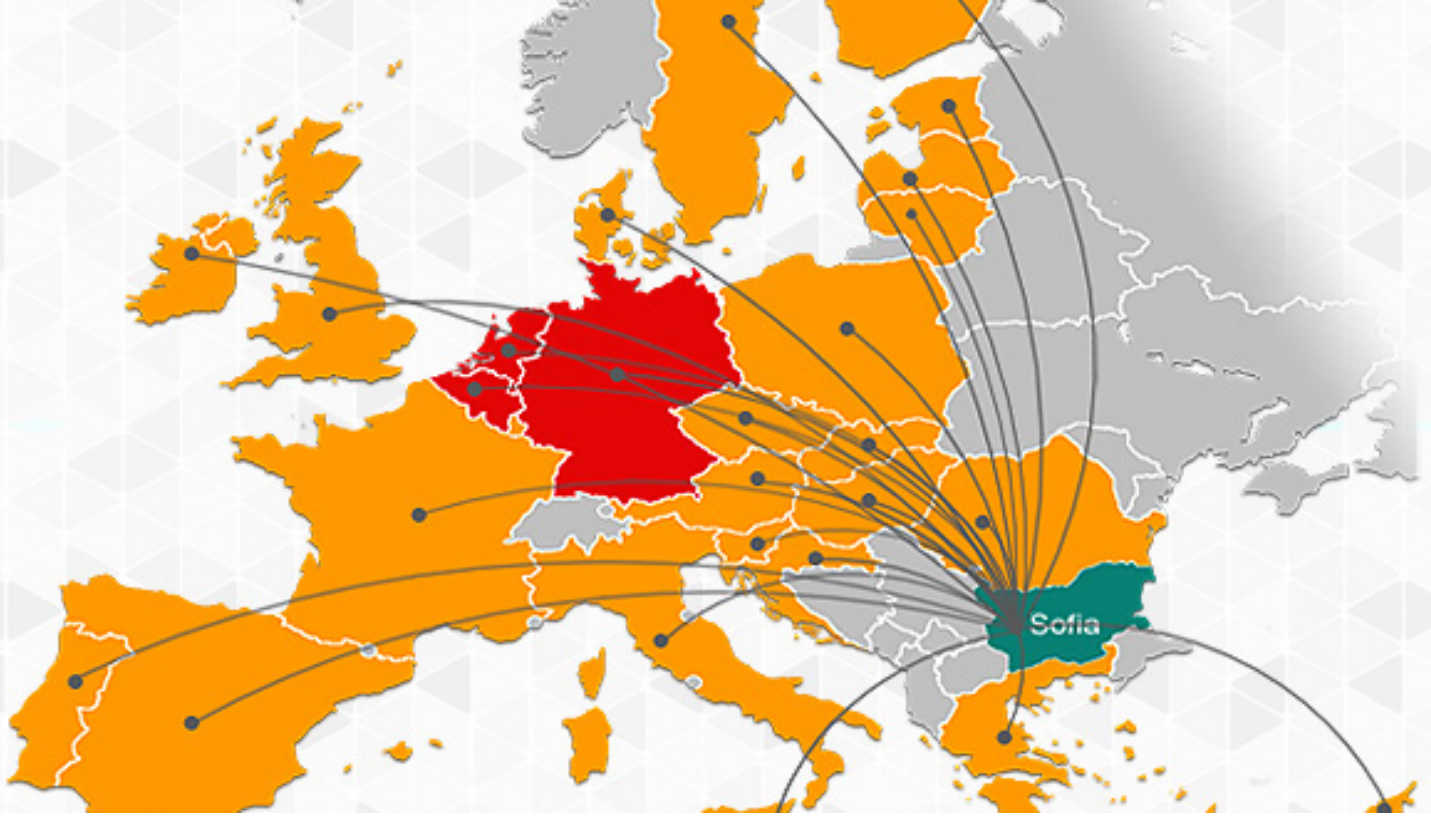
Bulgaria is targeting a consolidated budget deficit equivalent to 1.0% of GDP in 2018, 0.5% in 2019 and 0% for 2020. The country will aim for a balanced budget in 2020, as announced by the Ministry of Finance in a medium-term budget forecast for the 2018-2020 period.

Consolidated budget revenue is expected to amount to 36.5%-36.6% of GDP during the period. With regard to the set budget deficit targets, expenditure is expected to range from 37.5% of GDP in 2018 to 36.5% of GDP in 2020. Tax levels are expected to remain unchanged during the period and improving tax collection will be the government's priority for ensuring a stable level of tax revenue. The general government debt is expected to decrease to 22.3% of the GDP forecast for 2020. The minimum wage is expected to increase from the current 460 levs to 510 levs in 2018, 560 levs in 2019 and 610 levs in 2020.

### Marginal increase of inflation

Inflation, which had been negative for three years, was 1.2% in 2017 and is expected to increase marginally to 1.4% in 2018 and 1.5% in 2019. This is mainly due to the global oil prices, which are assumed to continue pushing upwards energy prices, but at a declining rate.





## Strategic Logistics Hub and Superb Investment Destination

With its political and economic stability, low cost of doing business, strategic location, access to markets, and high quality human resources, Bulgaria is among the best investment destinations in the region and beyond. Bulgaria has macroeconomic and financial stability and most favourable EU taxes – only 10% tax on corporate and personal income, and a dividend tax of only 5%.

Investments in Bulgaria are governed by the Investment Promotion Act, which has the main purpose to stimulate investment in Bulgaria, to enhance the competitiveness of the Bulgarian economy through investment in scientific research, innovations and technological development in production and services adding high value while observing the principles of sustainable development and to improve the investment climate.

Bulgaria is a member of the European Union, NATO and WTO and has a stable currency supported by a currency board. Investors are also attracted by the substantial incentives offered by the Government and the low risk for their investments. The governing regime in Bulgaria is liberal and its main goal is to attract foreign investors.

### Strategic location for transport and access to key markets

Located at the heart of the Balkans, Bulgaria is a strategic logistics hub. Ease of transportation is provided by Five Pan-European corridors (Corridor 4, Corridor 6, Corridor

7, Corridor 9 and Corridor 10), which pass through the country. Bulgaria is also part of the transport program TRACECA, which connects Europe with the Caucasian and Central Asian region. There are four major airports: Sofia, Plovdiv, Bourgas and Varna; two main seaports: Varna and Bourgas; numerous ports at the Danube River.

### Access to markets

Due to its location Bulgaria provides direct access to key markets, including the European Union - zero tariff market with population of 500 million; CIS – still not well penetrated market with a high potential; Turkey - zero tariff market of nearly 80 million population; the Middle East – a market with high purchasing power; and the North African market.

### Most favourable tax regime in Europe

Bulgaria has the most favourable tax regime in Europe. Corporate income tax rate is 10%, the lowest in the EU. Personal income tax is 10 %, flat rate. Industries in high-unemployment areas are granted 0% tax rate. Furthermore, there is a 2-year VAT exemption for imports of equipment for investment projects over €5 million, creating at least 50 jobs. Depreciation time for computers and new manufacturing equipment is two years. There is 5% withholding tax on dividends and liquidation quotas (0% for EU tax residents). Furthermore, Bulgaria has one of the most competitive costs of labour in Central and



Eastern Europe, as well as favourable office rents and low cost of utilities. Bulgarian cost of electricity for industrial users is 70% of the European average.

### Well educated, highly skilled and multilingual human capital

In Bulgaria, the workforce is well educated, highly skilled and multilingual, and 62.2% of the total population, or 4.6 million, is in working age. Annually, there are 60.000 students graduating from 51 universities. 98% of the high school students study a foreign language (usually English) and 73% study a second language (mainly German, French, Spanish, Russian). 94% of the schools in Bulgaria have Internet access. In general, Bulgaria is ranked among the top 20 countries in the world with fastest internet connection.

### Equal treatment of investors

Bulgarian investment legislation introduces the principle of equality between Bulgarian and foreign citizens and entities: investors are treated equally regardless of their nationality. Restrictions on business activity carried out by foreign persons could be imposed in very limited sectors (e.g. gambling, tobacco processing, medical research). Doing business in Bulgaria does not require mandatory registration for the purpose with the exception of certain sectors where licensing regime is introduced. At the same time, there is no limit as to foreign participation in registered.

### Important player in the automotive industry

The automotive industry is a major employer and has an important multiplier effect on the economy. The Bulgarian economy has made a qualitative leap in terms of restructuring of the automotive sector for the manufacturing industry. For the period 2004 - 2016 under the Investment Promotion Act, the 12 projects with a total investment amount of €335 million were certified, which led to the opening of 7.130 jobs.

Bulgaria is an important player in the automotive industry, with more than 130 companies registered in the sector which produce components for top international automotive brands. These are predominantly Tier 1, 2 and 3 suppliers and include producers, which service other industries as well. The components are produced for leading brands such as Tesla, Audi, Mercedes-Benz, BMW, Mini Cooper, Porsche, Bentley, Lamborghini, Ford, Nissan, Seat, Alfa Romeo, Volkswagen, Volvo, Renault, Mitsubishi, Skoda, Fiat. 80% of the cars in Europe have parts produced in Bulgaria and more than 90% of the air bag sensors in European cars are made in the country. Bulgaria's automotive industry employs over 37.000 people, who were accountable for more than 4% of the country's GDP in 2016. The automotive companies are located mainly in areas around Sofia, Pernik, Vratsa, Mezdra, Plovdiv. Big manufacturing plants exist also close to Sliven, Yambol, Kardzhali, Targovishte and Ruse. High potential regions are Vidin and Stara Zagora.







According to a recent survey, the automotive companies in Bulgaria forecasted positive development in industry, and 70% of them projected revenue increase for the upcoming period. About 55% intended to hire new employees, compared to 41% from previous surveys. 85% of the companies are also looking to expand further in the country. The companies would develop new projects and products, related with innovations and would increase their investment in real estate and equipment.

According to the Ministry of Economy, Bulgaria can expect nearly €180 million in new investments in the production of car parts. In 2017, investment in the automobile industry in Bulgaria amounted to €36 million.

### IT & BPO are the fastest growing sectors

IT & BPO sectors are currently the fastest growing sectors in Bulgaria. Aiming towards the high-tech workforce, the sectors have reached average salary of 1.350 euro, which is way above the average for the country. The workplaces in the sectors are growing by nearly 5% each year, making the sector reachable for qualified workers. More than 70.000 people are currently employed in these sectors.

Being one of the largest sectors in Bulgaria, machine building offers great variety of different labour subsectors such as construction, robots etc. This sector creates many jobs, offering wages larger than the average for the country, and is expected to grow in the following years due to the constantly developing and smart-seeking technologies.

The electronics sector is one of the most traditional in Bulgaria, due to the qualified workforce at an affordable price. 75% of the created goods are being exported outside Bulgaria, whereas only 25% is held in Bulgaria. The sector is interesting because of the cooperation between universities and companies to create qualified workforce.

### Plans new industrial zones

A new industrial zone is planned to be built near Sandanski, following the signing of the memorandum for the construction of the area near Sandanski with the Mayor of the Sandanski and the Executive Director of the National Company Industrial Zones, after which a foreign business delegation was introduced with the possibilities of the future zone. The zone will be built in the village of

Damianitza because of the good road and railway connection, thus contributing to further development of the region and increasing employment. According to officials, the zone may be attractive to third-country investors, since talks have already been held with companies in India and China seeking a place near the port of Thessaloniki and the European market. The zone will offer excellent strategic location, 500 km from nine European capitals and the largest city in Europe - Istanbul, and two hours from the economic centres of Bulgaria, Greece and Macedonia.

Furthermore, the Municipality of Varna is planning to build an Industrial-technological Park in Varna. As the sole owner of the capital, the Municipality plans to invite the National Company Industrial Zones as a shareholder at a later stage. The largest part of the terrain needs to be refined with state aid. The company 'Industrial and Technological Park Varna' was established in implementation of the Memorandum of Cooperation signed on March 20, 2017 between the Municipality of Varna, the National Company Industrial Zones and the Transit Trade Zone.

### Plans for a new 'Smart City' near Sofia

The large-scale Saint Sofia development, initially announced in 2014, has been granted the status of priority investment project and will benefit from a number of state-guaranteed incentives for a three-year-project. As announced by the Invest Bulgaria Agency, this was made possible after the government adopted a package of measures intended to aid the project which is being implemented by Chinese-owned company Bulgarian Development Holdings Limited.

The massive project, which is still at an early stage, foresees the construction of a tourist and entertainment complex which would include hotels with casinos, an aquapark, conference halls, a shopping mall, offices, green spaces and other facilities near the town of Elin Pelin. The total amount of investment is planned to reach around €750 million euros and to create 1.850 new jobs. The project is expected to be realised in the next three years.

In May 2017, the project was presented in Beijing as a future high-tech innovation which can become a part of the China's ambitious Belt and Road Initiative, after which BDHL informed that another key investor had joined the project – the leading Chinese telecom company ZTE, through its subsidiary ZTEICT.







# Bulgaria – Come for a Visit, Return on Investment

InvestBulgaria Agency (IBA) is a government organization, established to attract investment to Bulgaria, to assist project set-up and to ensure successful project development resulting in new jobs, exports and know-how transfer for the Bulgarian economy. The Agency's primary aim is to help potential and existing investors explore the investment opportunities in Bulgaria and carry out greenfield investment projects in the country.

Since the Agency reports directly to the Bulgarian Ministry of Economy, as a government institution, they have direct access to all Bulgarian government and local institutions to facilitate the entry and development of business in the country.

## Large portfolio of services

InvestBulgaria Agency provides a complex of services to the potential investors, which include: macroeconomic data on Bulgaria; legal advice; data on operational costs; regional information: industrial zones and infrastructure, data on unemployment, skilled labour force and level of education; recommendation of investment project sites; identification of potential suppliers, contract manufacturers and joint-venture partners; and personalized administrative servicing. Furthermore, the Agency serves as a liaison with the central and local government, as well as with branch chambers and NGOs.

The services provided by InvestBulgaria Agency are completely free of charge. In addition to providing detailed information about Bulgaria as a business location and full information assistance, their services include site identification and selection, support with the application for investment incentives, contacts with suppliers and prospective business partners, etc. The Agency cooperates with some of the leading consultants in the country, to provide most accurate and comprehensive information and advice about real estate, human resources, and legal inquiries.

## Pre-investments, investment, and post-investment support

In addition to the pre-investments services, such as the provision of macroeconomic data, company and industry profiles, legal advice, information on FDI incentives and EU funds, information on site and facility locations, informa-

tion on industrial and free zones, the Agency also offers investment project support, including visa and other administrative support for potential investors; identification of potential project location, including identification of facilities for Brownfield projects or office locations for outsourcing and IT projects; organization of bespoke site visits; identification of potential suppliers, clients and other business partners; legal assistance with setting up a Bulgarian company; administrative support with permits and regulations with regards to hiring personnel, purchasing or renting facilities; support with application for Government and EU incentives, etc. Furthermore, InvestBulgaria Agency is also dedicated to offering post-investment assistance, including intermediation with other government and local administration; administrative and legal support, etc.

## Global campaign promoting investment benefits

In March 2013, InvestBulgaria Agency launched a global campaign promoting the investment benefits that Bulgaria offers. The campaign focuses on the benefits and the incentives that the country offers to investors, such as low tax burden, qualified workforce, low operational costs, strategic location, stable fiscal and economic policies, moderate climate, preserved nature.

The campaign, co-financed by the European Regional Development Fund, is focused on presenting the specifics of the most attractive investment sectors in Bulgaria – BPO, IT, machine building and transport equipment, chemical industry, electronics and electrical, transportation and logistics, healthcare and health tourism, agriculture and food processing. Furthermore, representatives of companies operating in these sectors shared their impressions on the investment attractiveness of Bulgaria in five short movies, proving the campaign slogan – Come for a visit, return on investment.

## Strategic Partner for Investors in Bulgaria

# Industrial Zones with Attractive Conditions and Excellent Infrastructure

The industrial zones in Bulgaria offer attractive conditions for establishing production, warehousing, logistics and other activities at very competitive prices (around 25-40 €/m<sup>2</sup>). Investment projects are supported by the Government, the Municipal Authorities and by the various domestic and foreign Chambers of Industry and Commerce in Bulgaria.

Currently, in Bulgaria there are about 14 functioning zones, with active local and foreign investors. Also, there are about 21 zones, either with fully or mostly developed infrastructure and ready to be invested in, and about 27 zones under development.

Industrial zones in the North West of the country include the Dolna Mitropoliya Industrial Zone, Montana Technology Park, and Vidin Free Zone. Gabrovo Industrial Zone, Peristar Razgrad Business Zone, Ruse Free Zone, and Ruse Industrial Park are located in the North Centre, whereas Dobrich Business Zone, First Industrial Zone – Avren, General Toshevo Industrial Zone, and Kaspichan Industrial Zone are located in the North East. South West Industrial zones include Delta-S Industrial Park, Elin Pelin Industrial Park, Gorna Malina Industrial Zone, and Sofia East Industrial Park. Assenovgrad Industrial Park, Dimitrograd Industrial Zone, Karlovo Industrial Zone, and Kuklen Industrial and Commercial Zone are located in the South Centre, and Aytos Industrial and Business Park, Burgas Free Zone, Industrial and logistics park Burgas, and Kabile Industrial Park are located in the South East of the country.

### National company specialized in industrial park development

Established with the purpose to carry out the strategy of the Bulgarian Government for developing the economy and facilitating the inflow of FDI, the National Company

Industrial Zones is 100% state-owned company specialized in industrial park development, management of industrial zones and innovation centres, provision of additional services to investors. In the course of its work, aimed at developing modern industrial parks and to attract foreign investors, NCIZ collaborates actively with all relevant state institutions, NGOs and business organizations.

NCIZ operates four fully functioning zones – Free Zones Ruse, Vidin and Svilengrad and Transit Trade Zone – Varna and is currently developing five additional industrial terrains – in the cities of Bozhurishte, Burgas, Karlovo, Telish /Pleven/ and Varna. In advanced stage of development are Sofia-Bozhurishte Economic Zone and Industrial and Logistics Park Burgas. All zones are strategically located in regions with educated and highly skilled workforce and situated in areas that qualify for preferential treatment and investment incentives.

### A law on industrial zones

In order to facilitate investors, NCIZ, together with other business representatives, have joined in discussing the creation of a law on industrial zones. The law would describe the industrial zones in details and the benefits of investing in industrial zones, and it will regulate the sector both for the benefit of the zone's management and owners and for the benefit of the investors.





# Substantive Incentives for Certified Investors

Investments in Bulgaria are governed by the Investment Promotion Act, which aims at raising the competitive abilities of the Bulgarian economy through increase of the investments for science research, innovations and technological development in high added value production and services by observing the principles of steady development, as well as towards improvement of the investment climate and overcoming the regional divergence in the socioeconomic development and creating new and highly productive job positions. Bulgarian investment legislation introduces the principle of equality between Bulgarian and foreign citizens and entities: investors are treated equally regardless of their nationality.

The Investment Promotion Act aims at attracting prospective investors to Bulgaria by introducing a system of incentives for initial investments in tangible and intangible fixed assets and new job opportunities arising out of such investments. The system of investment encouragement is in accordance with EU requirements for state aid, in particular with Commission Regulation on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union.

## Three-tier classification of investments

Under Bulgarian law, investors can obtain certificates for class of their investment. Depending on the size of the investment, the economic sector and region of the country in which the investment is implemented, the investor can receive a certificate for class of investment. Investments are classified as follows: Priority Projects, with investments of €50 million and the number of created jobs ranging from 50 to 150; Class A, with investments ranging from €1 million to €5 million and the number of created jobs ranging from 25 to 150; and Class B, with investments ranging from €500,000 to €1 million and the number of created jobs ranging from 10 to 100.

## Substantive investments

Getting certified under the Investment Promotion Act (IPA) for Class A and B investments or priority investment projects is encouraged through substantive investments. Incentives for Class A and Class B investment include information services; shortened administrative procedures (the central and local government authorities provide





administrative services shortened with one-third of the time period established by the law); financial support for vocational training of persons for obtaining professional qualifications; on the request of certified investor the corresponding authorities may transfer ownership rights or establish a limited ownership right over real estate (private state or private municipal property) without a tender. Additionally, Class A investments receive consulting and individual administrative services (investors are able to authorize Agency officials to obtain from the corresponding competent bodies on investors' behalf and for investors' account any documents for implementation of the corresponding investment project as may be required under the existing legislation); and financial support for construction of technical infrastructure elements to the borders of the project site, needed for implementation of one or more investment projects. Furthermore, Priority Projects receive all abovementioned incentives, as well as institutional support; financial grants of up to 50% for education and R&D projects and up to 10% for manufacturing projects; state tax exemption for changing the land zoning; acquisition of real estate private state or private municipal property without a tender and at a price lower than the market, but not lower than the tax assessment of the property; establishment of public-private partnerships with municipalities, universities, other organizations from the academic society, etc.

## Criteria for certification

Investments that can receive a certificate for class are investments in tangible and intangible assets and the related thereto creation of new jobs that meet cumulatively the following conditions: the investments are connected with the creation of a new enterprise or expanding an existing enterprise/business activity; the investments take place in one of the following economic sectors: manufacturing, high-tech activities in the field of information technology and services, R&D and professional activities in central offices, education, human health and medical care

services, and warehousing and support activities for transportation; the revenues from the investment project to be at least 80% of total revenues of the company; the investment to be maintained for at least five years (three years for SMEs); the term for implementation of the investment should be up to three years; the amount of investment for the project to be no less than the established thresholds (threshold may be reduced for investments in economically disadvantaged regions and for investments in high-tech activities of the industrial and service sectors); at least 40% of eligible costs to be financed through own resources of the investor or through external financing in a form which excludes public support; plans to create and maintain employment directly related to the implementation of the investment project, and which represents a net increase in the number of employees in the company, which is maintained for a minimum period of five years for large enterprises (three years for SMEs); and the assets acquired for the purposes of the investment to be new and purchased at market conditions by persons independent of the investor.

## Increasing number of certified investors

Since the beginning of 2018, 10 certificates have been issued under the Investment Promotion Act, with a total amount of over €600 million and 877 new jobs planned. At the end of 2017 and early 2018, the Ministry of Economy signed contracts for the promotion of seven certified projects under the IPA with a total investment of €51 million and 1.905 new jobs.

According to Bulgaria's Ministry of Economy, there is a positive trend and the number of certified projects under the IPA continues to increase every year. In 2017, 31 certificates were issued, with total investment amounting to nearly €160 million and 5.850 new jobs which are expected to be opened. Of these, 15 projects are implemented in high-tech production and services and are distributed in different regions of the country. In 2016, the number of certified projects was 24, and in 2015 only 12.







# Agriculture Sector Offers Significant Investment Potential

Bulgaria's agriculture sector has significant potential and has grown even during the global economic downturn, providing many opportunities for foreign investors. Much of Bulgaria's territory is covered by very fertile farmland, and extensive forests with a very diverse biosystem. Bulgaria has around 3.5 million hectares of agricultural land, covering 46% of the country's territory, and its climate is favourable for the production of a variety of crops.

Bulgarian agriculture is characterised by relatively small farms, with 83.2 % of holdings under two hectares, but the country is renowned as an exporter of quality fruits, vegetables and associated food products and processes. The agricultural sector has high contribution to the economy and comprises 5.1% of Bulgaria's overall GDP. The total agricultural production in 2016 amounted to US\$3.84 billion.

## Strong EU support

Bulgaria's membership in the EU has a positive impact on the food and agricultural products trade. EU Funds provide Bulgaria with an opportunity for technology upgrades designed to increase the country's agricultural output and agricultural export competitiveness.

With the Common Agricultural Policy (CAP), between 2007 and 2013, more than €4 billion were invested in Bulgaria's

farming sector and rural areas. These assets were directed towards stabilising farmers' income, modernising and increasing the sustainability of farms and securing the supply of safe, affordable and quality food.

Bulgaria's direct payment allocation for 2014-2020 amounts to around €5.1 billion. Farmers in Bulgaria, as across the EU, are subject to so-called 'greening' rules, designed to ensure that they farm in a sustainable way and help contribute to the EU's efforts to tackle climate change, biodiversity loss and soil quality. Under this system, 30% of the direct payment allocation, paid per hectare, is linked to three environmentally-friendly farming practices: crop diversification, maintaining permanent grassland and dedicating 5% of arable land to environmentally friendly measures.

The Ministry of Agriculture and Food is helping to implement the EU's Common Agricultural Policy, which aims to provide farmers with a reasonable standard of living, to ensure high quality food and good prices for consumers, and to preserve rural heritage and environment.

## One in five Bulgarians works in agriculture

An overall European statistic shows that 20% of Bulgaria's population works in agriculture or is employed at a related job, which is four times more than the average



European rating and twenty times more than the UK and Luxembourg. According to national statistics there are 3.3 million people working in the country, of which 600.000 are working in agriculture or a related field. The average rating for all of Europe is 5% of the population's work being related to agriculture.

## Wine industry a leader in agriculture

Renowned for its quality, Bulgarian wine makes 2% of the world's market share. Bulgaria is the sixth largest exporter of wine. Traditionally, the most significant quantities of wine are exported to EU markets – over 90%. Bulgaria welcomes investors in its high-potential wine industry. As stated by the Bulgarian Minister of Agriculture and Food Roumen Porozhanov, “The wine industry is a leader in agriculture in Bulgaria and deserves to take its place in the development of the country's economic policy”.

Aiming to promote the country as a leading wine producer, Bulgaria hosted the 40<sup>th</sup> World Congress of Vine and Wine, which took place in May 2017 in Sofia, and was attended by more than 1.000 delegates from all 46 member states of the International Organization of Vine and Wine.

## Significant opportunities for investments

Bulgaria's agriculture sector needs modernisation and investment to make the most of its potential. The Government of Bulgaria considers agriculture a target area for future investments, growth and development, including increased foreign direct investments. The sector has numerous opportunities, including wine and beer production, food processing, fisheries, and organic farming.

Concerning food production, Bulgaria has a well-developed system of food research and development institu-

tions. The country has a strong tradition in the production and processing of vegetables and fruits, but needs investments in modern marketing, crop production and distribution systems. Bulgaria has a lot food processing plants producing canned vegetables, fruit products, juices, fresh and dried mushrooms, herbs and other products.

## A large variety of crops and products

Bulgaria's main agricultural crops are tomatoes, peppers, tobacco, grapes, wheat, beans, potatoes, sunflowers, peaches, apricots, apples, melons and nuts. When it comes to farming, the country has a long tradition of raising sheep, pigs, cattle and poultry, and is renowned for its high-quality honey. The dairy sector is another investment opportunity. Bulgaria is famous for its white Bulgarian cheese and the yoghurt, made from cow, sheep and goat's milk.

## Organic farming boom

With the growing interest in consuming organic products, Bulgaria, witnessed the highest rate of expansion in organic farming sector in the entire European Union in recent years. The country achieved triple-digit growth of its organic farming sector in the recent years. While the total area of organic production in the EU grew by 18.7% from 2012 to 2016, in Bulgaria, the growth rate was over 310%.

Furthermore, Bulgaria holds the largest shares of areas of land under conversion to fully organic land, which, according to EU data, shows the potential for growth in the organic sector. In Bulgaria, this share is 77.5% of all organic lands. The producers of organic products are organized under Bulgaria's Association of Bioproducers, which grew from 25 members in 2009, to nearly 7.200 in 2018.







# Ambitious Upgrades of the Transport System

The development of transport infrastructure and inter-modal terminals remains among the priorities indicated in Bulgaria's Integrated Transport Strategy until 2030. Bulgaria spent more than €2.5 billion on inland transport infrastructure within the period 2007-2013. Between 2014 and 2020, Bulgaria is entitled to spend €1.917 million from the European budget on transport. According to the country's Operational Programme Transport and Transport Infrastructure 2014-2020, this allocation will be distributed on four priority axes encompassing actions related to the modernisation and construction of railway and road infrastructures along the TEN-T, the improvement of intermodal transport (passenger and freight), the development of sustainable urban transport, and the advancement of innovations in management and services.

## New roads for faster development

In Bulgaria, transport by road remains the predominant mode for both passengers and freight. At the end of 2016, there were 740 km of motorways in Bulgaria, out of a total road network length of 19.902 km in the country. The country has set the targets of constructing as many as 575 km of new motorways, of rehabilitating over 4.200 km of roads and of building or renovating nearly 1.800

km of railways. These objectives are to be achieved in 2030, and financed from both EU funds, as well as from national sources and loans. Additionally, Bulgaria intends to increase financing of road and railway infrastructure's maintenance, which should reach cumulatively 2.9% of GDP by 2030. The development of road infrastructure along the TEN-T to remove bottlenecks and missing links is among Bulgaria's key priorities.

There are two multimodal TEN-T Core Network Corridors (CNC) that cross Bulgaria. The Orient/East-Med Corridor connects large parts of central Europe with ports of the North, Baltic, Black and Mediterranean Seas. In Bulgaria, the main part of the corridor's road section overlaps with the international road route Via Carpatia, which offers the shortest connection between northern and southern Europe, with extension to Ukraine and Turkey. The Rhine-Danube Corridor runs along the Danube River and connects Strasbourg and the southern Germany with the central European cities of Vienna, Bratislava and Budapest, before passing through the Romanian capital Bucharest to culminate at the Black Sea port of Constanta in Romania. Among the key projects that need to be implemented along the corridor are improvements to navigation on the Danube River in all the countries.

## Improving the rail system

The development of the railway sector is a strategic priority for the Bulgarian Government, since strengthening this sector is crucial for diminishing congestion on the roads and for improving the environmental performance of transport.

There are 5.114 km of railway lines in use in Bulgaria. A significant part of the country's railway infrastructure needs to be modernized, and there are already several projects underway. Three projects of the Connecting Europe Facility (CEF) foresee actions on the railway line between two largest Bulgarian cities Sofia and Plovdiv. €471.5 million from the Cohesion Fund are invested in the development of the railway line between the towns of Elin Pelin and Kostenets, as part of this high-speed railway line. After completing the construction works on the Sofia-Plovdiv line, passengers will be able to travel between the two cities in less than 80 minutes at speeds of up to 160 km/h.

The extension of the metro in Sofia is one of the major projects implemented within the framework of the OPTTI 2014-2020, which will contribute to meeting the country's climate change goals. The development of its third line is important also from the point of view of increasing intermodality of the capital's transport system, as the line will facilitate connections with the national railways, local network of trams and buses, as well as with the Sofia's airport.

The rail freight market in Bulgaria is among the most open to competition. Competitors to the main operator have a market share of 48.8%, the third highest in the EU, and growing.

## Plans for improvement of maritime and internal waterways

The system of ports in Bulgaria consists of sea and river ports. There are two seaports along the Black Sea coast that constitute part of the TEN-T network – Varna and Burgas, and a total of six inland ports located along the Danube River, with the ports in Russe and Vidin included in the core TEN-T network. The improvement of the fairway parameters and safety navigational conditions along the whole Bulgarian section of the Danube through optimisation of the waterway maintenance activities is one of the key priorities of the country.

## Continuous rise of the air transport

There are 10 civil airports in Bulgaria, five of which have the status of international airports (Sofia, Varna, Burgas, Plovdiv and Gorna Oryahovitsa). The largest one is the

Sofia Airport. Among 18 air operators registered in the country, "Bulgaria Air" is the largest national airline holding a 33% market share.

Sofia Airport recorded a 6.6% year-on-year increase in passenger numbers in January 2018, nearly half a million – 499.688 versus 468.968 in the first month of 2017 – despite a small decrease in the number of flights operated in the first month of the year. International traffic, which accounted for 92% of total passenger numbers, grew by 4.4% in January, while domestic traffic nearly doubled from more than 10.000 passengers carried to just under 20.000. The reason for the sharp increase in domestic numbers was due to the fact that a second airline began operating Sofia-Varna flights. The number of total flights operated by the airport in January 2018 was almost 4.500, compared to the 4.529 flights in the first month of 2017. The amount of cargo handled by the airport also showed strong growth, by 9.6% year-on-year, to 1.687 tonnes. In 2017, Sofia airport received more than 6.5 million passengers.

Combined passenger numbers at the Bulgarian coastal airports of Varna and Burgas added 85.4% year-on-year in January, increasing to 72.905. Passenger traffic at Burgas airport increased by an annual 24.1% to 10.506, while passengers at Varna airport doubled to 59.862. Combined aircraft movements at the two airports rose by 33.5% on the year. At Burgas airport, aircraft take-offs and landings decreased by 6.7%, while at Varna airport, aircraft movements increased 55%.

## BULATSA and IATA to develop national airspace strategy

The Bulgarian Air Traffic Services Authority, a branch of the Bulgarian Civil Aviation Administration responsible for air traffic management within Bulgaria's airspace, and the International Air Transport Association agreed to develop a national airspace strategy for Bulgaria. The project includes coordination for more efficient flight paths, airspace optimisation at a regional level, improved punctuality and better sharing of information. IATA estimated passenger demand for air transport in Bulgaria is set to double over the next two decades and servicing this demand while ensuring safety, cost management, lower CO2 emissions and less delays requires Bulgaria to further modernise its airspace and ATM network. Successful airspace modernisation is expected to create significant benefits, generating an extra €628 million in GDP p/a and 11.300 jobs by 2035. According to IATA CEO Alexandre de Juniac, "Bulgaria will occupy an ever-more important position in European airspace as East-West traffic increases in the coming years. Ensuring that the airspace is optimised to cope with increased traffic will benefit not only Bulgaria but the wider European travelling public".



# Bulgaria's Reliable Energy Sector is a Strong Base for Economic Growth

With its crucial geo-strategic position and stable energy sector, Bulgaria is set upon a quick pace of economic development. The production of electrical energy in the country is shared by the Kozloduy Nuclear Power Plant which generates one-third of the electricity, thermal power plants contributing with 41%, while the share of renewable sources is 16%. Regarding gas supplies, since Bulgaria is dependent on production coming from a single supplier country, it is actively engaged in programmes for diversification of gas routes and sources. Following an ambitious plan for improvement of the conditions in the energy sector, Temenuzhka Petkova, Minister of Energy says that her ministry follows three main principles: effectiveness, transparency and benefits for both businesses and society.



Temenuzhka Petkova, Minister of Energy

## European Times: Minister Petkova, could you reflect on the main policy achievements in your sector?

**Temenuzhka Petkova:** The main principles that have been followed by the Ministry of Energy but also of the whole economic sector of Bulgaria are based on transparency and efficiency in the management of public funds. Energy is a vital sector of the economy of every country, touching the lives of all citizens and the operations of each business. Therefore, the effective management and proper allocation of public funds are of high importance.

The Government program has clearly stipulated our priorities: the establishment of the European energy union, the security of supplies and the full liberalisation of the gas and electricity market. We aim to ensure competition in the energy sector to achieve prices that are affordable to the customers. We need to have different routes and sources of gas supplies; therefore, we are working on the building of interconnectors between Bulgaria and neighbouring Greece, Serbia, Turkey. We are also considering our possible participation in the construction of an LNG terminal in Alexandroupolis, Greece.

The development of nuclear energy is also among our essential priorities which are connected to the extension of the operational life of units five and six of the Kozloduy Nuclear Power Plant. The Bulgarian Nuclear Regulatory Agency has granted a license for the extension of Kozloduy's unit five for another ten years. The investigation carried out foresees that the operational life of this unit can be extended up to 30 years.

As mentioned before, we aim to achieve a complete liberalisation of the energy market and in that regard, we benefit from the assistance of the World Bank. At the moment, we are working on amendments in the energy act so that this plan can be fully implemented in our legislation. In parallel with that, we are looking into measures to protect the most vulnerable customers.



The development of the local extraction of oil and gas is also on our list of priorities. There are ongoing explorations in the deep waters of the Black Sea, in the blocks Han Asparuh and Han Kubrat. All of these efforts go in the direction of the desired diversification of our gas supplies.

**European Times: What kind of challenges is your Ministry currently facing?**

**Temenuzhka Petkova:** One of the significant challenges that we are dealing with stems from the reference document that has been adopted by the EU Commission, related to large combustion installations, setting higher requirements than the ones featured in our thermal power plants.

It is not a simple task to replace such significant capacity with another capacity for a short time, especially given fact that we have the required reserves of coal here. However, Bulgaria has excellent communication and support from the EU Commission which provides hope that we will find mutually acceptable solutions – we will apply for a derogation. One of our companies, Bulgartransgaz is obtaining funds from the EU regarding connectivity. The EU is also supporting projects on the establishment of a gas distribution hub in Bulgaria and the construction of interconnectors with Greece and Serbia. Our electricity system operator is a beneficiary of EU funds focusing on the ways to connect our system with the neighbouring countries.

The primary task that the ministry and companies within the energy sector have to fulfil is to ensure a competitive environment and to implement the entire body of EU legislation. Together, we will overcome any challenges on that path.

**European Times: What is your advice to future investors in the Bulgarian energy sector?**

**Temenuzhka Petkova:** The best advice would be to carefully follow the development of Bulgarian economy, as its growth is a clear sign of its potentials. Coupled with the country's political stability and attractive taxation system, investors see the advantages in coming with their businesses to Bulgaria. The energy sector is stable, and the financial condition of the state-owned companies is very good. Investors in Bulgaria can be assured that their investments will be secured, guaranteed and protected. Our country is a significant factor on the gas map of EU and ensures the transmission of natural gas which ensures the security of supplies for the whole region.

As of January 2018, Bulgaria will have the honour and privilege to hold the Presidency of the EU Council, and we are very motivated to show our full capacity. Energy topics will be high on our agenda, and I am confident that we will have a very successful presidency, contributing to the implementation of our common European goals and values and improving the overall business climate and the sustainable development of our country.



# Modernisation of the Healthcare System Underway

Solidarity – ensuring that everyone has access to high quality healthcare is the guiding principle of Bulgaria’s health system. The health status of people in Bulgaria has improved significantly in recent years, and several recent reforms have been introduced in an attempt to shift the Bulgarian health system away from over-reliance on hospital care and to increase efficiency. The Government has announced major structural reforms in the sector, with the aim to improve patient care, to increase effectiveness and to decrease costs.

## Major reforms announced

In 1998, Bulgaria introduced a centralised SHI system, a decision that ran in parallel with the country’s transformation from a centrally planned economy to a market economy. The Ministry of Health is responsible for overall organisation and policy formulation, while the National Health Insurance Fund (NHIF) is the core purchaser in the system. By law, all citizens are required to obtain insurance and have a right to access care. The SHI system guarantees access to a basic package of health services for the insured population. It covers primary and specialised outpatient medical and dental care; laboratory services; hospital diagnostics and treatment; and highly specialised medical activities. In addition, emergency care, inpatient mental health care, renal dialysis, in vitro fertilisation and transplantations are covered by the state budget or other dedicated funds.

New reforms have aimed to strengthen the purchasing process in Bulgaria. The main purchaser of health services is the NHIF, which operates through 28 Regional Health Insurance Funds. A National Framework Contract signed with national provider associations governs the relationship between the NHIF and providers. Since 2015, there have been plans to allow selective contracting of hospitals if the capacity exceeds population needs as defined by National and Regional Health Maps. Furthermore, changes to the Law on Health introduced the concept of integrated care (2015). This law established and allowed a new type of health care provider, integrated social and health service centres for children with disabilities and chronic conditions. Furthermore, progress has been made in terms of governance and accountability. Given the wide range of challenges – a fast ageing society, revenue mobi-

lisation, professional migration and workforce shortages – the direction of recent reforms is encouraging and already shows positive impact.

In February 2018, Minister of Health Kiril Ananiev announced his intention to change the entire model of functioning of the country’s health system. The Minister promised to conduct the most comprehensive reforms in this area since 1999 when Bulgaria introduced the current system of health care financing. “Today, we are committed to developing a new model for the functioning, management and financing of medical care within a few months”, he announced. Recently, the Minister stated that the current model for financing the system is “completely exhausted” and cannot be restored by temporary measures and he reminded that every year the system is becoming more and more expensive and does not offer better quality and people are still dissatisfied. It is expected that the reform will be proposed by the end of the summer and will come into force from the beginning of 2019.

## Growing pharmaceutical sector

Although the Bulgarian pharmaceutical market is one of the smallest in the EU, over the last 10 years this market has grown at 7-10% annually. Most of the largest pharmaceutical companies have been in the Bulgarian market for over 15 years.

In 2016, the sale of pharmaceutical products exceeded US\$1.8 billion, a growth of 6.5% compared to 2015 due to increased market share of innovative products, which constitute about 75% of the market and generic drugs which constitute 25% of the market.

Bulgaria has some 3,500 licensed pharmacies that each average US\$350,000 in annual revenue. Trends to consolidate and decrease individual pharmacies will continue with an increase of pharmacy chains that already control nearly 75% of the market.

The Association of Research-based Pharmaceutical Manufacturers in Bulgaria (ARPharM), one of the leading local associations, represents 23 research-oriented manufacturers of medicines from all over Europe, US and Japan, investing in the development of the pharmaceutical



industry. The main priority of the Association is to contribute to the safety and supply of better human health and human life providing high-quality medical products for prevention, diagnostics and treatment of diseases.

### Potential to become Azerbaijan's main supplier of pharmaceutical products

The recent strengthening of the relations between Bulgaria and Azerbaijan has increased the prospects of Bulgarian pharmaceutical companies, which are increasingly interested in investing in Azerbaijan's Pirallahi Industrial Park, specializes in the production of pharmaceutical products. A joint plant is being considered, which will cost more than US\$20 million and is planned to be operational in summer 2018 and in the first stage to produce 84 medicines. "Great prospects for cooperation between the two countries exist in pharmaceutical sector. Bulgaria was traditionally considered one of the main countries supplying pharmaceutical products to the countries of the USSR", Nargiz Gurbanova, Azerbaijani Ambassador to Bulgaria, recently stated.

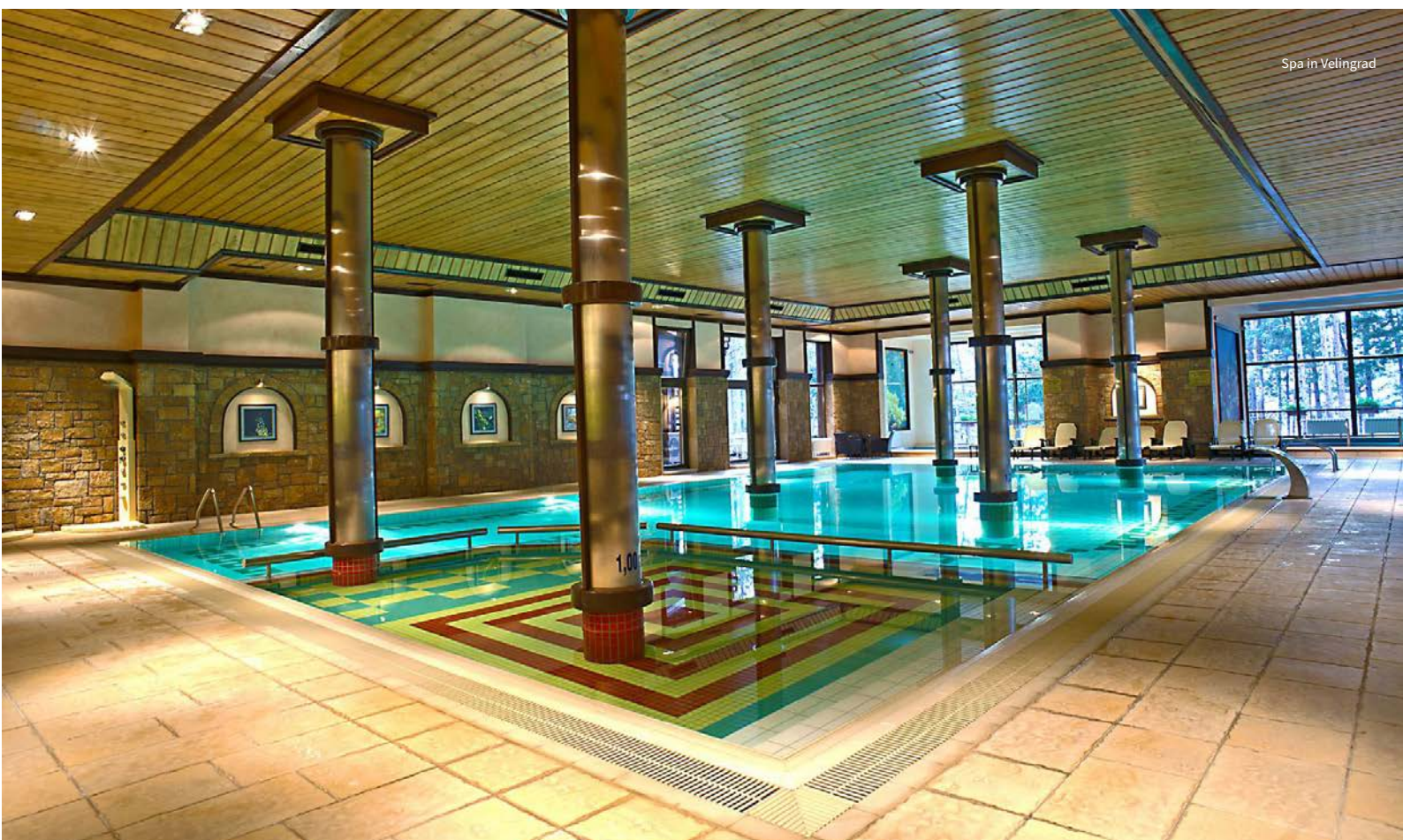
### A country of health

Bulgaria is implementing EU funds for healthcare development and this process is creating new investment opportunities. The Government welcomes more private investments in the sector, and it is working to attract more foreign patients, including health tourists.

Spa tourism offers excellent growth potential. Bulgaria is ranked second in Europe in the number of natural hot

springs which can be developed as spas. The country's most popular spa resorts are Velingrad, Sandanski and Hisaria, but other spa resorts have the potential to greatly increase their visitor numbers. Over 1.600 mineral springs are located in three main regions: South Bulgaria, including Rila, Rhodopes and Pirin mountains, Sredna Gora and the Balkan Mountain Range; North Bulgaria, including the surroundings of Montana, Vidin and Pleven; the northern part of the Black Sea Coast. Furthermore, more than forty hydrothermal springs can be found near the capital Sofia. The Bulgarian mineral waters are known for their greatly varied chemical composition and their mineralization and type of dissolved mineral salts, curative gases and biologically active micro components. Scientists agree that all kinds of known mineral waters around the world find their counterpart in Bulgaria. The Firth Mud Sources, along the Black Sea coast, the Curative Peat, Spring Curative Mud and Bentonite Clays possess a particularly great potential in the treatment of many different diseases.

The Bulgarian spa resorts have the advantage of being located in various favourable climatic regions, combining balneal-therapy with climatic treatment. The Bulgarian climatic mountain resorts also offer diverse prophylactic and therapeutic possibilities. The lovely scenery, clean air, short-wave ultraviolet radiation, negative air ionization, particularly close to mountain waterfalls, as well as the many mineral springs, different in temperature and composition, are their major assets. This enormous wealth of natural factors, combined with modern hotels and spa facilities, provide excellent possibilities for the year-round effective treatment and truly make Bulgaria a Country of Health.





# Significant Contribution to the Bulgarian Tourism Sector

Blagoi Ragin  
President of the Bulgarian Hotel and Restaurant Association



Established in 1993, the Bulgarian Hotel and Restaurant Association – BHRA is a non-profit association with the main aim to sustain the development of hotel and restaurant hospitality, to support entrepreneurship and private initiatives, as well as the tourism business in Bulgaria. The Association is a member of the International Hotel & Restaurant Association – IHRA and a member of the Balkan Alliance of Hotel Associations – BAHA. Furthermore, in conjunction with Veliko Tarnovo Municipality and Tsarevgrad Tarnov, BHRA is the initiator and founder of the first International Tourism Market – Cultural Tourism in Bulgaria, operating since 2004 in the town of Veliko Tarnovo – the culture capital on the Balkans.

The Association has regional structures throughout the whole country: Sofia, Slanchev Bryag, Zlatni Pyasatsi, Varna, Bansko, Veliko Tarnovo, Sandanski, Dobrich, Zlatograd, Smolyan, Velingrad, Pomorie, Chepelare, Blagoevgrad, Targovishte, Razgrad, Vidin, Pernik, the Stara planina region, Stara Zagora, Rouse and others. The

numerous members of the Association include leading Bulgarian companies, manufacturers and partners from the Bulgarian tourism industry.

BHRA nurtures a continuous working relationship with the state and public organisations in Bulgaria – the Ministry of Tourism, the Ministry of Economy, the Ministry of Finance, the Ministry of Regional Development and Public Works, the Ministry of Culture, various commissions within the National Assembly, the Bulgarian Association of the Tourist Agencies, the Bulgarian Association for Alternative Tourism (BAAT), the Association of the Bulgarian Touroperators and Tourist Agents (ABTTA), Sofia Tourist Council, the Bulgarian Union for Balneology and Spa Tourism (BUBST), the Bulgarian Association of Professional Chefs (BUPC), the National Association of Municipalities in Bulgaria (NAMB), the New Bulgarian University. BHRA also enjoys long-term and beneficial membership in the National Tourist Council, the Confederation of the employers and industrialists in Bulgaria – CEIBG, etc.

Among its activities, BHRA develops proposals for amendments in the legislative deeds, related to tourism. The members of the Association participate in numerous meetings and discussions, seminars and round tables on the issues of tourism every year. Additionally, BHRA ensures the participation of its members in the biggest national markets and exhibitions. It organises seminars and training programmes in hotel and restaurant management, as well as courses for additional qualification of its members. The Association also provides consultations and advertisement and public relations campaigns for the purpose of sustaining the image of the organisation, of its members and of Bulgarian tourism. Moreover, for the past eight years, BHRA manages one of the the most popular information sites of the Bulgarian tourism - [www.bhra-bg.org](http://www.bhra-bg.org), where visitors can learn about the Association, its members and the most pressing issues and problems of Bulgarian tourism.

For the past 25 years, BHRA's success has been recognized with numerous prestigious professional awards and distinctions for best achievements in the sphere of hotel and restaurant management, investments, etc. The Association also publishes the 'Best Hotels and Restaurants in Bulgaria' catalogue, representing its members and their colleagues throughout the whole country, along with many partners from the Bulgarian tourism industry.



## Among Europe's Fastest Growing Tourist Destinations

Bulgaria is the perfect destination for all kinds of holidays, from beach holidays on the Black Sea coast to hiking in the three national parks, winter sports at the recently developed ski resorts and cultural trips to the ten UNESCO world heritage sites. The Government is supporting positive development with an exemplary tourism strategy and the institution responsible for expanding tourism industry and promoting Bulgaria as an attractive tourist destination is the Ministry of Tourism.

Bulgaria is profiting extensively from tourism and, taking indirect effects into account, the travel industry contributes 13% to the country's GDP, with the direct contribution to GDP of 4%. It is expected that the sector's contribution to GDP, including indirect effects, will be 16.7% by 2027. The tourism industry provides over 360.000 jobs and one in nine people rely on tourism and tourism-related activities. This number is expected to rise to over 480.000 people by 2027.

For many years Bulgarian tourism was geared to budget holidays, but in recent years the investment focus has switched to the higher hotel categories and the diversification of the tourism market.

### High-quality MICE venue

While leisure travellers remain the most important market segment for Bulgaria, the country's attractiveness as a high-quality MICE venue has grown significantly in recent years. Bulgaria occupies a strategic location at the heart of the Balkan Peninsula, at the crossroads of three continents, and has four international airports, so the country is no more than two hours by plane from most European capitals and their large international airports with scheduled flights to destinations around the world. These advantages, together with the growing number of three, four, and five-star hotels in the large city centres, along the Black Sea coast, and at the mountain resorts, make the country more and more attractive for congress tourism.

Particularly suitable conditions for MICE tourism are offered in Sofia, the nation's capital. There are numerous hotels with suitable conference halls, as well as congress centres, such as the National Palace of Culture and the INTER EXPO centre. Almost all larger hotels can provide equipment for business meetings and seminars. In the city there are also many institutions of higher education that also offer facilities for such gatherings. Additional facilities





ties are available at the Central Army Club, the Boyana Residence, the Universiada Hall, and in the recently completed multifunctional sports hall, the Sofia Armeets Arena. Participants in business meetings can also enjoy the varied possibilities for cultural tourism in the city, and facilities for mountain tourism at Vitosha are practically within the city limits.

Plovdiv, located in the south-central Bulgaria, is another excellent choice for congress tourism. Plovdiv not only hosts a variety of cultural events, but also attracts visitors interested in the city's rich history, architecture, educational institutions, and research centres. The city is also justly famous for its international trade fairs.

The Black Sea resorts also offer a perfect combination of congress tourism, sea relaxation, and spa facilities. Many resorts at Bulgaria's Black Sea coast provide facilities and accommodations year-round, such as those in the cities of Varna, Burgas, and Dobrich, and at the resort complexes at Albena, Golden Sands, Sunny Beach, St. Konstantin and St. Helena, Dyuni, St. Vlas, and Primorsko. The guests of resorts at the northern Bulgaria's Black Sea resorts also have the option of playing golf on some of the best courses in Europe.

## UNESCO World Heritage Sites

There are ten UNESCO World Heritage Sites in Bulgaria. The first four properties were inscribed in the World Heritage List in 1979, and the last in 2017. Seven of

these are cultural, showcasing Bulgaria's history from the time of the Thracians through the Middle Ages to the Ottoman period, and three of them are nature reserves conserving two very different natural habitats. These include: Nesebar, an ancient city-state with mesmerizingly elaborate architecture and seaside location which make it a tourist favourite; Rila Monastery, the beacon of Bulgarian spirit and a culture treasure trove; Pirin National Park: the mountains' marble giant with highest reaches that are a heaven for adrenaline seekers; the Thracian Tomb of Kazanlak, with amazing antique frescoes that bring Ancient Thrace to life; the Madara Rider, a horseman on the rocks, which serves as a national symbol and a remnant of a turbulent age; the Boyana Church: a predecessor of the Renaissance with lifelike mural portraits; the Thracian Tomb of Sveshtari, a Getic sculptural masterpiece with unique columns; the Rock-hewn Churches of Ivanovo, a medieval cave monastic complex with labyrinthine cave corridors; the Srebarna Nature Reserve, a green bustling wetland bird site which is one of Europe's most vital bird areas; and the Primeval Beech Forests of the Central Balkans, a transnational composite nature UNESCO World Heritage Site, encompassing forests in 12 countries of Europe. Bulgaria currently has 14 additional properties on the Tentative List.

## Growth trend exceeds expectations

Bulgaria is on the list of the fastest-growing tourist destinations in Europe. The data of the European Travel Commission's 2017 Travel and Trends Report show that Bulgaria is

looking at a nearly 10% growth rate in the tourism sector, which exceeds initial expectations and will continue the increasing trend in the following years.

## Significant growth in international tourism

Bulgaria's revenues from international tourism in Bulgaria during the January-November period of 2017 amount to over €3.2 billion, which represents a 9,1% growth compared to the same period of 2016 and proves the sector's sustainable development.

From the start of 2017 up to November 2017, Bulgaria was visited by over 8.4 million international guests, which is one million people more than the country's population. Bulgaria also registered over 7% growth in the number of international tourists compared to the same period of 2016, which was a record-breaking in the sector's history. The total number of international tourists for the entire 2017 is estimated at 8.7 million.

EU countries remain the biggest international tourism generating market for Bulgaria, with a relative share of nearly 62% and a total volume of 5.2 million visits for the first 11 months of 2017. This amounts to almost 8% growth, compared to the previous year's same period. The most tourists – over one million each – come from Greece and Romania. There is growth on most European and non-European markets – Germany - 5% growth, Turkey - 12%, Poland - 8%, Serbia - 5%, UK - 24%, the Ukraine - 15%, Moldova - 17%, Israel - 12%, France - 19%, Italy - 11%, the Netherlands - 23%, Belgium - 35%, USA - 10%, Spain - 37%, Sweden - 35%, Ireland - 19%, etc.

Furthermore, Bulgaria is aiming to attract Chinese tourists and the Ministry of Tourism hopes that the number of Chinese tourists can exceed 100.000 on annual level. Last year, over 30.000 Chinese tourists visited Bulgaria, and that number is expected to rise to 40.000 – 50.000 in 2018.



Rila Monastery



## Significant Contribution to the Bulgarian Tourism Sector



Offering an intimate and charming atmosphere complemented by a high-quality service, Geneva Hotel is a cosy tourist and business hotel that guarantees customer satisfaction. With a restaurant, lobby bar, seasonal panorama bar on the rooftop, modern conference room, fitness and spa centre, high-speed Wi-Fi, the hotel attracts both international and domestic visitors by offering them the finest Bulgarian tradition and hospitality in a home-like atmosphere. The hotel has 24 rooms, including five junior suites and 19 double rooms, at an average price of €40.

Geneva Hotel is located in the vicinity of Sofia's main political and cultural buildings, only 15 minutes away from the capital's centre, yet it still offers an intimate atmosphere which allows guests to enjoy the heart of the city feeling like home. "At the moment we are best tourist and business hotel in the city centre", General Manager Chavdar Georov says, pointing out that he is always present at the hotel to ensure high-quality service.

With an annual occupancy rate of 75%, the hotel is a top choice among international travellers, most of them coming from Western Europe. What sets Geneva Hotel apart from other hotels is the dedication to maintaining a close relation with its guests. The hotel management never forgets to send holiday greetings, and guests really appreciate this unique gesture, which is visible through the high number of returning visitors. "Our excellent facilities, friendly and flexible staff, superb location and high-quality service, and our dedication to meeting everyone's demands, guarantees visitors' satisfaction and a home-away-from-home experience", Chavdar Georov concludes.

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# Blend of Modern Accommodation and Bulgarian Hospitality in the Heart of Sofia

Settled in the heart of Sofia, amidst the main shopping street Vitosha Boulevard, the Alexander Nevsky Cathedral and the National Palace of Culture, Marrinella Apartments provides a true home-away-from-home experience mixed with the Bulgarian warmth and hospitality.



Established in 2004, as a rental company with only one apartment, Marrinella Apartments has shown constant growth in the number of managed apartments and continuous improvement in the quality of provided services. Owner Iliana Miltenova points out, “We are flexible, reliable and friendly. We work to satisfy our clients, to make them happy and ensure they come back. They are on the pedestal of our work”. She adds, “Some of our clients even decided to buy apartments in Sofia and let us manage the apartment rental. We help them in the designing and furnishing process, considering our 13 years of experience in the field”.

## Ensuring personalized service for leisure and business clients

Iliana Miltenova, emphasizes, “Most of the apartments are located in the strict centre of the city, on five minutes walking distance from our office. We also have five apartments very near to the central bus and railway station, which is very convenient for clients that are constantly travelling”. All apartments offer contemporary design and are individually furnished with modern furniture. Every apartment offers flat-screen cable TVs, free access to Wi-Fi, air-conditioner, and a fully equipped kitchen with kitchenware and a microwave. The company also provides individual drivers on the request of the clients. She explains, “The driver is very good, very polite and speaks several languages. We also offer laundry service for our clients and basically we fulfil every request they have, such as special salad mixers and safe“. The company accommodates

business and leisure travellers. “In summer and during the Christmas Holidays most of our clients are families for a short-term stay. 70% of our overall guests are foreign business clients, mainly from the IT sector, staying in our apartments for a longer period”, Iliana Miltenova says. Marrinella Apartments collaborates with taxi and rent-a-car companies, in order to provide better conditions and discounts for the clients.

## Envisioning continuous development and international partnerships

Discussing company’s further perspectives, Iliana Miltenova highlights, “We are interested in foreign investors that will entrust us with the management of their apartments here in Sofia. My dream is to have the apartments in one building and expand as a real estate agency considering the connections in the business”. She concludes, “I would like to invite everyone to visit Sofia, to see, taste and feel the Bulgarian culture”.

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