

## Many things are underway

Just like many other new EU accession countries, Bulgaria needs to modernise its water supply and discharge substantially. Even though many efforts have been undertaken, there is still urgent need for action. The "Businessletter" interviewed Prof. Dr. Valeri Nikolov, President of the Bulgarian Water Association, about the current development.



### Dear Reader

All good things come in threes, as the saying goes. This also applies to WATER SOFIA which will take place in the Bulgarian capital next May for the third time. But this event is more. It is not laid out to take place three times – as the saying goes – but on a continuing basis and towards permanent growth. This is not last backed by the figures: The number of exhibitors and the exhibition space could be increased significantly this year compared to the kick-off event. And the registrations we have received so far for 2009 are also very promising.

This is a development which doesn't come as a surprise. After all, Bulgaria has a lot to do since its EU accession on 1<sup>st</sup> January 2007 in order to reach the European standard also in the extension of the infrastructure of supply. In this issue of the BusinessLetter, you will find articles about the current economic situation as well as about the situation in the water industry intended to indicate perspectives and business potentials which may also serve as a little guideline for your decision. Another report aims to bring Bulgaria a bit closer to you in terms of tourism. Last but not least, since the exhibitors who are represented both at WASSER BERLIN and at WATER SOFIA are given the opportunity to take part at a trip on the Black Sea on extremely favourable terms. Furthermore, we are informing you about the congress which will take place again with top-class speakers parallel to WATER SOFIA.

We wish you an interesting reading!  
Yours

Cornelia Wolff von der Sahl

**Businessletter:** Bulgaria has a clear need for modernisation in the water supply and treatment. It needs to enhance its standard as a consequence of its EU accession on 1<sup>st</sup> January 2007. A task which requires high investments.

**Valeri Nikolov:** Without question. The investment required to be made in the Bulgarian water industry is estimated to approx. € 10 billion. Some € 3.5 billion are required for the extension of urban wastewater treatment, with € 2.2 billion accounting for the modernisation of the sewage network.

**Businessletter:** But you are not at the very beginning. Substantial funds have already been invested in enhancements, haven't they?

**Valeri Nikolov:** From 1997 to 2001, the European Investment Bank has provided the equivalent of some € 730 million for the extension of wastewater discharge in Bulgaria. Additional funds were granted by the European Bank for Reconstruction and Development which intends to support the countries of Central and East Europe in their further development. In this context, our coun-

try has so far received € 31 million for the renewal of the sewage system in the capital Sofia. Further European support programs are PHARE and Interreg. Five million euros of these funds were invested e.g. in the completion of a state-of-the-art wastewater system in the city of Raslog. Another six million euros are being invested, along with € 2.3 million from the national budget in the modernisation of the sewage system in the cities of Madan, Rudosem and Slatograd. These are only a few measures, but they show that many things are underway.

**Businessletter:** Could you state further concrete projects?

**Valeri Nikolov:** One example is the ISPA program of the EU whose funds are shared out among the areas of the water industry and transport infrastructure in Bulgaria. It provides for the implementation of eleven projects in the municipal water supply and waste water discharge by 2010. Almost 1.8 million citizens will benefit from this in our country.



Sofia: Capital with Flair



**Valeri Nikolov:** President of the Bulgarian Water Association

**Businessletter:** Is Bulgaria under time pressure?

**Valeri Nikolov:** Bulgaria is among the countries with the lowest water resources in Europe with an estimated 2,400 m<sup>3</sup> per capita. To date, only 42 per cent of the resources can be utilised due to contamination by industrial effluents and discharges from agriculture. And there is the danger that the global warming may lead to a further deficit of available water reserves. We must act quickly and comprehensively.

**Businessletter:** What about the situation in the water supply?

**Valeri Nikolov:** The water supply in Bulgaria provides of a network extending

to 73,500 kilometres 57 per cent of which dates back to the period before 1970, and 72 per cent of which consists of cement asbestos. As little as 0.1 per cent of the network is newly built. This is why more than 60 per cent of the water is presently lost on its transport. Thus, it is just as important to enhance the infrastructure in this respect as it is for wastewater.

**Businessletter:** Against this background, the economical use of water definitely is an issue.

**Valeri Nikolov:** Yes, and we can also observe a change here. 99.8 per cent of the Bulgarian population is supplied

with drinking water from central supply systems. Since the installation of water meters and an increase in prices, the households have economised water consumption. In 1991, it amounted to 132 litres per capita, whereas in 2006, it amounted to 97 litres.

**Businessletter:** Can this be established in the total consumption?

**Valeri Nikolov:** Over the last five years, annual consumption varied between 5.3 and 5.8 billion m<sup>3</sup>. It is remarkable that the water requirements in the energy sector have significantly increased, while the requirements in agriculture have decreased.



**Building a modern infrastructure**

## Advantage for companies which show their colours in Berlin and Sofia

Messe Berlin has organised Water Sofia in cooperation with Bulgarreklama for more than two years now. The exhibitors will also benefit from this cooperation now. If you are represented with a stand at Water Sofia next May, besides WASSER BERLIN, you will get substantial benefits.

In detail, these benefits are as follows:

- **20 per cent discount on the stand fee at WATER SOFIA**
- **Special hotel offer in the city centre of Sofia**
- **Shuttle service from the airport to your hotel and to the exhibition**
- **Participation in a journey on the Black Sea on extremely favourable terms**

“Due to the close cooperation with Water Sofia, we were able to put together an attractive package for interested exhibitors”, pointed out Cornelia Wolff von der Sahl, the project manager in charge of WASSER BERLIN. “I assume that this offer will be well received since

both events are worth the effort even taken alone.” While WASSER BERLIN is the European trade meeting with a com-



**Attractive destination: Black Sea Coast**

prehensive program, Water Sofia stands out above all for its proximity to the water supply and waste water discharge of Bulgaria and its neighbouring countries. And above all: Both events provide good opportunities to get in touch with potential business partners and to generate orders. So there are even more reasons for you to show your colours at both events.

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# Positive signals and ongoing growth

With its accession to the EU on 1<sup>st</sup> January 2007, Bulgaria has taken an important step to push its own economic development focussing on its efforts to fulfil the EU criteria. As a consequence, the prospects for foreign companies should improve even more in the short and medium term with the kick-off of big new infrastructure projects and the inflow of funds from the EU structural funds, the German Office for Foreign Trade forecasts.

Bulgaria is presently fulfilling four out of the five Maastricht criteria for the accession to the European Monetary Union scheduled for 2011/2012. The rate of inflation is the only "outlier" whereas interests, foreign exchange rates, budget and debt level are complied with. In 2007, it amounted to some 7.6 per cent and the experts believe that it will increase further in 2008. However, it is looking good for the gross domestic product which should amount to almost six per cent in 2008 despite a decline. Following a wage increase of 15 per cent compared to the previous year the average monthly gross wage in Bulgaria presently amounts to approx. € 260. Various large projects which are currently running or are tendered prove that the country is making progress. Examples are the construction of a nuclear power plant in Belene worth some four billion euros, the erection of an additional coal-fired power plant or the modernisation of the railway line Vidin — Sofia. The investments add up



Major economic factor: Sofia Trade Fair

to amounts worth tens of billions, including the other infrastructural measures.

### Trade volume exceeding € 35 billion

As far as the trade is concerned, the volume amounted to more than € 35 billion in 2007. Germany is one of the main partners. German exports to Bulgaria added up to € 2.3 billion in the last year, and the imports from Bulgaria amounted to € 1.4 billion. It is no wonder that more than 5,000 German companies do business with Bulgaria on the trade

sector, 1,200 of which with their own branches in Bulgaria. But there are also critical points. The main point of criticism is the weakness of the Bulgarian judicial system and cases of corruption. However, corrective measures are underway. Recently, the Ministry of the Interior was reformed and a "State Authority for the National Security" was set up aimed at combating bribery. And last but not least, the Vice Prime Minister Meglena Plugtschieva hopes to contribute to an enhancement of the Bulgarian position in Brussels.

## Bulgaria – Partner country of WASSER BERLIN

Bulgaria will be the official partner country of WASSER BERLIN next year. To underline the particular role of the Balkan state, Meglena Plugtschieva, the new Bulgarian Vice Prime Minister, will open the trade fair in Berlin.

Further visible signs are the German-Bulgarian trade program which will take place in hall 5.2 within the country forums on Monday, 30 March, from 3.00 to 5.00 p.m. and on Tuesday, 31 March from 10.00 a.m. to 12.00 p.m. Selected experts will especially report on current challenges in the water industry of Bulgaria. Enterprises and scientific institutions will furthermore present themselves with their achievements at a joint stand. No question about it - also numerous Bulgarian decision-makers from industry, science and politics will be expected in view of these key data. The decisive factor for the "partner country Bulgaria" was the international commitment of Messe Berlin regarding the development and shaping of "WATER SOFIA" which has been organised in

Sofia in close cooperation with Bulgareklama since 2007 focusing on the exchange of expertise and the set up of joint business relations in order to push

the modernisation of the South East European water industry further. Bulgaria will now present itself in this very spirit in Berlin.

### Key figures of Bulgaria

Size	110.994 km <sup>2</sup>
Inhabitants	7,679
Capital	Sofia, 1.5 million inhabitants
Gross national product in 2007	28,898 million euros
Growth rate of the gross national product in 2007	6.2 per cent
Rate of inflation in 2007	7.6 per cent
Average monthly gross wage in March 2008	256 euros
Unemployment rate in 2007	6.9 per cent
Turnover tax	20 per cent
Income and corporate tax	10 per cent (flatrate)

Source: Invest in Bulgaria 2008, Federal Agency for Foreign Trade; own research

## Bulgaria is very popular among tourists

It is well known that Bulgaria has a lot to offer to tourists. Not only the capital Sofia, but also the Black Sea coast and many natural preserves enjoy great popularity. Last year, more than four million foreigners spent their holiday there. Compared to the previous year, this is an increase of seven per cent.

Good for the visitors: Bulgaria has on the one hand wonderful landscapes and a very good infrastructure, especially in the tourist centres. On the other hand, it is more and more realised that tourism strongly depends on its quality. Foreign tourists above all come to Bulgaria to enjoy the untouched nature and the cultural treasures. As a result, there are more and more offers which go beyond the obligatory framework of mass tourism, e.g. upcountry trips to explore the cloisters or medieval fortresses. But



The Rila cloister is a World Heritage

also jeep safaris or hiking tours in the untouched nature are offered. After all, there are still eagles, wolves and even bears. The country is supported by the EU. Numerous projects for a sustainable development of tourism were launched with Community funding, including the revival of the domestic folklore and craft or the restoration of ancient buildings. On the whole, there are good reasons to take some time to enjoy the country and its people besides WATER SOFIA.

## The congress will discuss topical water issues

Also the upcoming WATER SOFIA will be accompanied again by a parallel trade congress with top-class speakers. It will be organised by BWA, the Bulgarian water association.

The association, which was founded in 2005, represents more than 70 members from science, technology and industry which are closely connected with the Bulgarian water industry. The two-day event which will take place parallel to WATER SOFIA on 27 and 28 May 2009 will discuss topical issues such as water extraction, distribution and discharge as well as legal and administrative issues.

The conference languages will be Bulgarian and English. The BWA states that its aim is to further extend the congress to becoming the meeting point and informative forum for all communities involved in the development of the water industry. The Businessletter will report on the details of the program and the contents of the event in its next issue.

### WATER SOFIA: Data in brief

Initial event	2007
Exhibitors in 2008	130 from 10 countries on 1,500 m <sup>2</sup>
Visitors in 2008	more than 3,000 trade visitors
Event in 2009	26 to 29 May 2009
Target group	Decision-makers from the Bulgarian water industry and the neighbouring countries
Organisers	Bulgarreklama, Messe Berlin
Stand fees	€ 125.00 per m <sup>2</sup> (including electricity, cleaning etc.)
Closing date	20. November 2008
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