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# AMCHAM MAGAZINE BULGARIA



## Positive Signs in Industrial Production

Statistics show growth in manufacturing and decrease in income growth

### AmCham Events:

AmCham Ski Tournament 2011

Leading CSR Expert Explains New Bottom Line

EBRD's Top Priority Is to Ensure Bulgaria's Economic Recovery

AmCham Bulgaria Confers with Fellow Chambers in Brussels

### Special Report:

Commonalities between Egypt 2011 and Bulgaria 1989

American Chamber of Commerce in Bulgaria

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**Dear readers:**

I am somewhat confused after reading the official statistical data for the last quarter of 2010. On the one hand, manufacturing has grown, on the other – people have become poorer (see our analysis on pages 4-11). It may seem strange, but the signs apparently point to a nascent recovery in the textile and wood processing industries, along with high tech companies, most of which had reduced their staff during the peak of the crisis and now are coming back with smaller personnel, but increased productivity.

I might be risking the wrath of trade unions if I say that the best way for economic development is a constant increase of productivity and skills of workers. This is apparent from Bulgaria's example. We may be dead last in the European Union by income, but our work force is also suffering from low productivity and lack of sufficient professional training. Construction, where most of the unqualified personnel were employed two or three years ago, is still in the doldrums. The infrastructure projects commissioned by the government (read more about Bulgaria's highway development on Page 12) require such an intensive effort that only companies with highly skilled workers can be involved in these projects.



Since the consumers in Bulgaria have been losing their purchasing power, the most profitable sectors of the economy are the ones that produce export goods. Clearly, such companies also depend on highly qualified personnel, which leads to a cycle of fewer and fewer people keeping their income levels, and more and more losing their jobs and becoming impoverished. The crisis exposed mercilessly the most acute problem of Bulgaria's economy, namely, the lack of qualified workers who can be competitive in 2011. I am certain that most manufacturing companies – members of AmCham – have managed to optimize their production lines. The overall impoverishment and decreased consumption have affected severely all companies in the services, advertising, real estate and transportation. Some of them already see the light at the end of the tunnel, though, because Bulgaria is on track to becoming a coveted tourist destination this summer again after the events in Egypt (read Boyko Vassilev's analysis on Page 16) and North Africa scared away many European customers. This is good news. EBRD's Daniel Berg discusses the perspectives of our tourism on Page 22. He also told AmCham Magazine that Bulgaria's economy in 2010 outperformed 2009 by a vast margin.

The real question is, of course, what will be the comparison between 2011 and 2010?

Sincerely,

**Milen Marchev**  
Editor-in-Chief



AmCham Bulgaria Magazine is a primary forum for political and economic analyses, news, viewpoints as well as for the presentation of new business opportunities. The articles in the AmCham Bulgaria Magazine express the opinions of the authors and do not necessarily reflect the position of the American Chamber of Commerce in Bulgaria.

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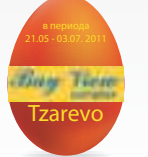
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# Purchasing Power is Down, Production and Exports are Up

Bulgaria ranks at the bottom of the list in all studies of income growth. Still, Bulgaria's economy switched to growth in the first quarter of 2011

By Marina Georgieva



Photo by BGNES

*Decrease of income is not a Bulgarian problem only. In the Romanian capital Budapest nearly 45 000 trade union members participate in protest rally against poverty and unemployment in the EU organized by the European Trade Union Confederation. A Bulgarian delegation (on the photo) was at the Pan-European protests as well.*

„I do not believe in any statistics I have not doctored myself.” These words are attributed to Winston Churchill. Whether he really said this, or not, is not of any consequence. What is important is that using statistics is a delicate matter.

When speaking of poverty, one would always imagine people digging in the garbage containers, competing with stray dogs. Or the homeless, wrapped in rugs and trying to get some warmth from the subway vents. Or the people, carrying bagfuls of glass bottles or heaps of discarded cardboard they have

collected and will be selling to recyclers.

Unfortunately, genuine poverty could not be described easily by external features, by numbers or ratios. Misery does not have a single image and cannot be reduced to one definitive indicator, such as, for instance, whether Bulgarians have something to eat, regularly. Maybe the reason for this lies in the fact that poverty, in one form or another, has left such deep marks on the way of life and thinking that more than 90 percent of the Bulgarians

would not notice it any more.

## How poor are the Bulgarians, actually?

Bulgaria will manage to find its way out of the crisis in 2011, according to forecasts released by the Institute for Social and Trade Union Studies. The households living above the level of 479 Leva per month per person are fewer than 20 percent. Another 20 to 25 percent of the households are living at the edge of poverty.

A distinct tendency has emerged since

the beginning of the year towards an increase in prices. At the same time, there is trend towards freezing the level of incomes, which is a prerequisite for impoverishment, and is now seen and felt clearly by all households. The price of normal existence, measured in figures, would be as follows: two adults with two children would need a minimum of 479 Leva per month per person. Anything below this level would mean that households would have to restrict their spending. It could not be otherwise, as the average monthly salary in Bulgaria is 302 Leva per month, which is far less compared to countries, which has suffered wars – like Serbia, with 469 Euro, Macedonia – with 488 Euro, Bosnia and Herzegovina with 615 Euro.

Bulgarians have

### the lowest purchasing power among all EU citizens

and are at the bottom of the list of all states in Europe, according to the latest research by the largest German market analyses institute GfK, quoted by the Sofia-based daily Dnevnik. Countries like Montenegro and Serbia, which are not EU members, were found to fare better than Bulgaria. Moreover, the 2010 aggregate indicator, which accounts for net income, GDP expectations, consumer price inflation, prices of products and services, and others, for Bulgaria was lower than in 2009, while the average figures for the rest of the EU and Europe increased. This means that the standard of living in Bulgaria is falling more and more behind the European averages.

## Bulgaria ranks third in terms of concealing incomes in the EU

Bulgaria ranks third in terms of concealing incomes among the 27 EU member states, according to a report by the Association of Italian taxpayers. Ranking is based on data that the Association had received from tax authorities in the EU member states. The survey, conducted by the Association, indicates that 39.3 percent of Bulgarians conceal their income in order to avoid paying taxes. The top position was assigned to Italy, where 51.2 percent of the people conceal their incomes. Romania was ranked second, with 42.2 percent of its citizens failing to report their incomes. Estonia and Slovakia were listed immediately after Bulgaria, with 37.2 percent and 34.5 percent, respectively.

The purchasing power in Bulgaria for 2010 and 2011 was calculated at 2,618 Euro per capita per year, compared to the EU average of 14,202 Euro per capita, and the overall European average (43 states) of 11,945 Euro per capita. The average increase for Europe was set at 2 percent, while Bulgaria had a decrease of 8 percent. The state with the highest purchasing power is Lichtenstein, with 50,000 Euro per capita per year.

Bulgaria was not the only state to register a fall in the purchasing power of its citizens – similar trends were observed in some Western state; most of the states in Central Europe, however, had an increase. The falling purchasing power of Bulgarians is one more sign, that the restoring internal consumption will be delayed, while the prices of basic goods (food) continue to increase on the background of shrinking incomes. This opinion has been shared by the majority of economists and businessmen over the last several months.

The citizens of Luxemburg are seven

times richer than Bulgarians, who are the poorest citizens of a united Europe, according to welfare statistics, released by the European Statistics Office, Eurostat. The EU member states were compared in terms of purchasing power, with a relative average set at 100. The citizens of Luxemburg received a record high estimate of 268 percent of the average, while the Bulgarians are at the bottom with 41 per cent of the EU average purchasing power. The Irish came in second, followed by the British and the Germans, with 117 percent and 116 percent, respectively. The citizens of Norway, which is not an EU member, but has access to the European market, have a purchasing power of 177 percent of the EU average, while Albania, which is still fighting for membership, has the lowest indicators, with a mere 27 percent.

### Bulgaria is suffering a large-scale impoverishment,

the World Bank wrote in a new report. It stated that East Europe and Central Asia have been affected more than the




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## Money = Happiness?

"The saddest place in the world, relative to its income per person, is Bulgaria," wrote *The Economist* in its Christmas issue in a comment, titled "The rich, the poor and Bulgaria." Money can really buy you happiness, the magazine wrote in the comment, focused on the latest studies of a possible statistics correlation between income and wellbeing.

The notion that money can't buy happiness is popular, especially among Europeans who believe that growth-oriented free-market economies have got it wrong. Although richer countries are clearly happier, the correlation is not perfect, which suggests that other, presumably cultural, factors are at work. Western Europeans and North Americans bunch pretty closely together, though there are some anomalies, such as the surprisingly gloomy Portuguese. Asians tend to be somewhat less happy than their income would suggest, and Scandinavians a little more so. Hong Kong and Denmark, for instance, have similar income per person, at purchasing-power parity; but Hong Kong's average life satisfaction is 5.5 on a 10-point scale, and Denmark's is 8. Latin Americans are cheerful, the ex-Soviet Union spectacularly miserable, and the saddest place in the world, relative to its income per person, is Bulgaria, *The Economist* concluded.

rest of the world by the global crisis; Bulgaria was quoted as an example, in which the shrinking expenditures for basic necessities is seen as a source for concern. Bulgaria, which seems to have a relatively low apparent level of unemployment, is suffering of large-scale impoverishment caused by the substantially reduced income. Many Bulgarians have been forced to limit spending on basic necessities like food and medical services in order to be able to survive.

A decline in visits to medical establishments was found in more than 20 per-

cent of the Bulgarian households, affected by the crisis, even when there were ill among the members of the household. The number of the people, whose income has decreased substantially despite the fact that they did continue to work, is 6 times higher than the number of people, who lost their jobs.

The figures:

- 5.1 percent of the Bulgarians have lost their jobs;
- 15.4 are paid less, although they work the same number of hours per day as before;
- 15 percent are paid less, because

they work fewer hours than before.

The World Bank stated in its report that the poorer among Bulgarians were forced to resort to "risk strategies" for survival, as 36 percent of the poorer citizens in this country have simply stopped to buy prescribed medication. A token 7 percent among the more affluent households remained without medicines, though. The members of these households seem to be capable of finding additional work more easily, while the poorer people and the representatives of the minorities were ranked at the opposite pole.

Education is one more sphere affected by the crisis and the lack of funds, according to the World Bank. Less and less children attend private language or informatics lessons. Some of the parents find it difficult to provide their children even with the compulsory school aids. These examples of forceful privation may result in lower professional qualification and a more bleak professional future for today's students.

Most of the countries, subject to the World Bank's analysis, did not change the expenses for education during the crisis. Bulgaria, however, did exactly this. It is true that the funding for education was reduced by a percentage, which is lower than the overall GDP decrease, but other critically important expenses – for instance for healthcare

## Industry Watch: Bulgarians save less

According to an Industry Watch survey titled "Personal assets in Bulgaria: Financial wealth and the housing market, first quarter of 2011," the increase in prices, particularly of food and other necessities, has limited the saving opportunities for Bulgarians. If we take into account the reduced purchasing power of Leva, it turns out that the growth of financial wealth, measured in goods and services, has slowed significantly in the second half of 2010 to 6 percent year over year. The financial wealth of the population in nominal reached 39.7 billion Leva at the end of 2010. The growth of financial assets is due mainly to rising private pension savings and the increase in bank deposits by 3 billion Leva in 2010, of which 1.2 billion Leva were interest income received for the year.

Wealth will grow more slowly over the next few quarters not only because of moderate income growth and appreciation of the consumer basket, but also because of declining yields of the biggest asset of the population - bank deposits. Bulgarians respond quickly to changes in economic condi-

tions, shifting from short- to long-term deposits, which carry higher interest rates. To keep the value of their savings, some households choose higher-risk instruments such as investments in shares and mutual funds.

The purchasing power of wages measured in residential area increased by over 90% versus the third quarter of 2008, the peak of housing prices. In parallel, mortgage lending continued to grow by 3 percent annually, which stimulates the natural housing market expansion. Analysis has confirmed the impression that there is a withdrawal of speculative capital from the local property market, both because of drying out capital inflows, and because of household channeling funds to other forms of saving, as evidenced by the rapid growth of bank deposits.

There is some risk of increasing property sales on the secondary market in connection with the restructuring of loan portfolios, which could produce additional pressure on housing prices in the medium term.





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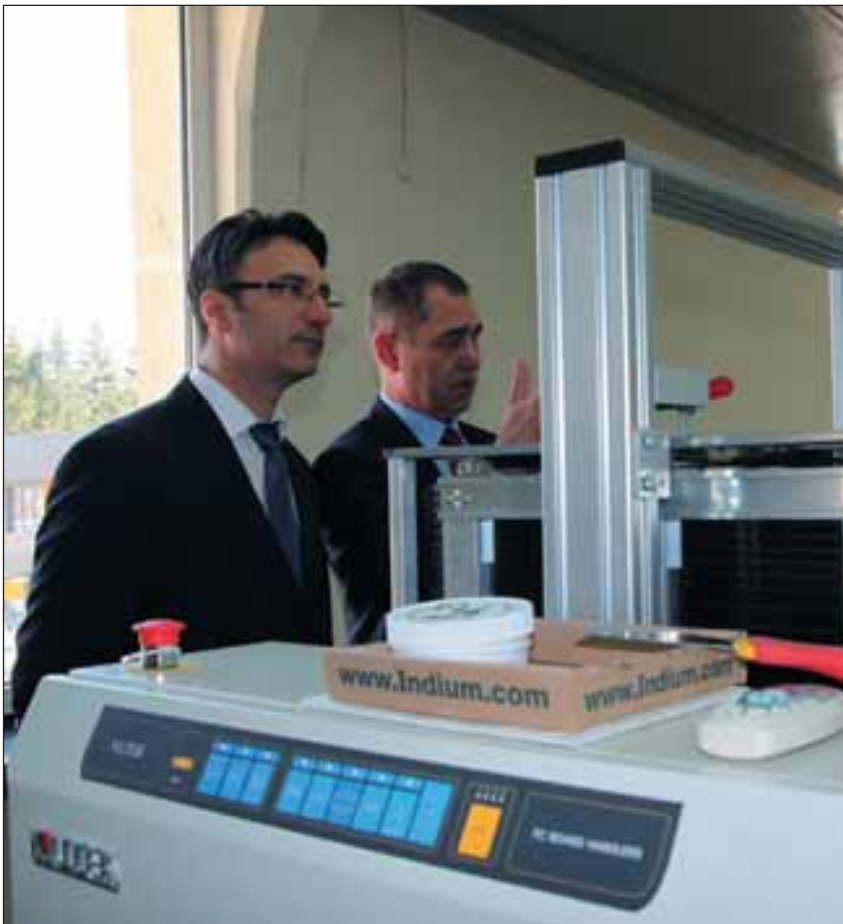
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*Minister of Economy, Energy and Tourism Traicho Traikov at the ribbon-cutting ceremony of a new production line for semiconductors in Botevgrad in April. Production and exports are increasing, according to the statistics.*

- were more than was warranted by a declining economic output.

### Measures for improvement were drafted by the Syndicates and the government

Bulgarian trade unions raised in late March the issue of the steep price rise of basic commodities. Minister of Labor and Social Policies Totyo Mladenov also urged for measures to compensate the impoverishment of the population. The proposition by the experts was that the businesses should increase salaries by 11.07 percent or 11.67 percent by the end of the current year. In general it is possible to increase the minimum salary from 240 Leva to 270 Leva, Minister Totyo Mladenov said. He announced on April 1 that he has found the required funds for such an increase – at it has been recommended by Finance Minister Simeon Dyankov several days before that.

The unions insist on an increase of the minimum salary from 240 Leva to 290 Leva and suggested that the salaries in

the private sector shall be increased by 7.35 percent. The increase had been calculated on the basis of the average annual inflation and of the average labour efficiency for last year. The unions insist also that the incomes in the budget sphere should be indexed as well according to the average annual inflation for 2009 and 2010 plus the cumulative inflation for this year.

The funds, which are necessary to finance these measures, should come from the default payments to the National Revenue Agency, from the higher amount of VAT collected due to higher prices, from the sale of greenhouse emissions, and from privatization. All these would amount to about BGN 1 billion, according to syndicate estimates.

The President of the Confederation of the Independent Trade Unions in Bulgaria (CITUB), Plamen Dimitrov said in support of the claim for compensation of incomes that the minimum salary in Bulgaria, unlike other countries in Europe, has not been increased since

the crisis erupted. At the same time, he added, the cumulative inflation for the first two months of the year stood at 1.9 percent, while the prices of basic commodities and services continue to rise.

### There is a certain optimism in the attitude

expressed by independent economists, as much as a substantial economic growth was recorded for the last quarter. This is a sign that we have pushed off the bottom, said Georgi Angelov of the Open Society Institute. Positive trends have emerged in investments as well, even though the employment rate remains a source of concern. According to Angelov, a number of opportunities were missed in 2010 because of misjudged economic policies. The 2010 economic growth was practically zero – a token 0.2 percent – which is less than even the possible statistical error, he said. Angelov attributed these developments to an overblown state budget, lack of fiscal discipline and a virtual freeze of reforms.

According to Georgi Ganev, program director of the Centre for Liberal Strategies, the inflation in the food prices is relatively low (compared to overall numbers) and is attributed mainly to the prices of dairy and fats, while meat prices have even decreased. The highest inflation between June 2010 and February 2011 was recorded in foods, transportation, and utilities. According to Ganev this means that initially the businesses absorbed most of the impact of the crisis. The retirees did not experience much of a crisis in 2009, as they received a 20-percent increase on the basis of a zero inflation, he said. Now some of the burden was shifted to them, which is one of the reasons for protests. Ganev claims that now the prices are rising at a higher rate than the income of specific groups of people. The protests indicate the accumulation of social energy, and the main issue is at what this energy will be directed. Pricing and combat against “speculators” will have a negative long-term effect as “speculators” are as precious as predators for the health of the ecosystem, Ganev said. Economists expect that the accumulated energy will be directed at positive objectives – towards reforms, which would guarantee a higher competitiveness on the Bulgarian market. ■



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# Bulgarian Economy Grows in Q4, Business Sentiment Deteriorates in March

In March, the statistics institute published the detailed data for the GDP growth in Q4 2010, which showed that real GDP in seasonally and working-day adjusted terms increased for a second quarter in a row by 2.8% y/y in Q4 speeding up from 0.5% y/y in Q3. The earlier reported GDP increase in the flash estimate stood at 2.1% y/y in Q4. On the supply side, the main positive impact came from the adjustments reflecting better general budget indirect tax revenues. Still, the total value added edged up 0.2% y/y driven by the utilities sector and financial, real estate, renting and business activities. All other branches contributed negatively. In terms of final use components, exports continued growing at a double-digit rate of 16% y/y and total investments turned to a growth of 4% y/y, including a 7.2% y/y expansion of gross fixed capital formation. Imports increase sped up to 15% y/y from only 3% y/y in Q3. Final consumption is still contracting due to individual spending while collective one turned to growth of 12.7% y/y from 7.8% y/y contraction in Q3. In quarterly terms, GDP in Q4 was higher by 2.1% as compared to Q3. GDP expanded by a real 0.2% in 2010 (0.3% in the flash estimate). The latest official government forecast was for a growth in the tune of 0.7% in 2010, which will accelerate to 3.6% this year on domestic demand recovery. The statistical office has revised GDP data for 2009 and the decline is now reported at 5.5% as compared to 4.9% in the previous readings. Meanwhile, EBRD chief economist Erik Berglof confirmed the January projection of the institution saying that the Bulgarian GDP will expand by 2.6% this year.

The composite business sentiment indicator deteriorated by 4.1pps m/m to 15.13 in March. The annual improvement slowed to 7.7pps as compared to 10.9pps a month earlier. The indicator was on positive territory in the past five months. In March, the sentiments in all surveyed sectors were more pessimistic than in February except for the retail business, which marked an improvement. All tradable sectors show clear inflationary expectations in line with the rising international prices of the resources. The managers from the services sector have moved from expectations for price cuts in February to keeping the levels in March. The latter may indicate that domestic demand has already bottomed out and is starting to recover.

This year began with some encouraging signs in industrial production, which increased by real 10.8% y/y in January, accelerating from 6.7% y/y in December. The growth rate of the manufacturing and the mining sped to 17.1% y/y and 14.7% y/y in January from revised 9.7% y/y and 2.2% y/y in December. The upsurge was due mainly to the much faster growth of the food industry, textiles, wooden materials, chemical products, drugs, mineral production, metal products, computer and optic goods, and machinery as compared to a month earlier. The metallurgy turned to growth again and so did the production of vehicles (cars excluded). As a result, the production of the investment and intermediate consumption goods surged by 30% y/y and 22.9% y/y. The utilities sector declined by 2.6% y/y after growing by 1.1% y/y in December. However, the number of branches, which posted annual growths in January declined to 20 (out of 27) as compared to 22 in December. In seasonally-adjusted terms, the industrial production rose by 3.2% m/m while working-day-adjusted data showed an increase of 9.3% on an annual base. The industrial turnover index increased by 35.9% y/y, indicating a further reduction in the inventories accumulated in the previous months. Exports surged by 65.5% y/y and domestic turnover went up by 23% y/y.

In the external sector, CA balance swung to a EUR 158.1mn surplus in January (0.4% of the full-year GDP projection) from a EUR 291.9mn deficit a year earlier (0.8% of GDP). In our calculations, the 12-month CA balance for the period ending in January turned positive of 0.3% of the GDP forecast as compared to a deficit of 1% of GDP last year. As already reported, the trade balance was positive at EUR 111.7mn (negative of EUR 169.4mn in January of 2010). The services balance was also on a surplus as compared to a deficit a year earlier. The income balance remained negative but improved by 58.2% to EUR 62.8mn during the period. Net current transfers were the only item with slightly negative contribution to the CA improvement (down by 3.5% y/y to EUR 49.1mn). At the same time, the financial account worsened significantly due to the activity of the banking sector during the period. Local banks raised their deposits abroad by EUR 358.8mn and foreign entities withdrew EUR 229.5mn from local accounts in January. The above moves accounted for 94% of the financial account deficit reported at EUR 624.8mn during the month, more



*This article is based on extracts from ISI Emerging Markets IntelliNews publications: Bulgaria This Week and Bulgaria Country Report. For more detailed information please contact ISI Emerging Markets office in Sofia at +359 2 8160404 or info\_bg@securities.com*

than tripling in a year. The portfolio investment balance also worsened and the net FDI were the only item with positive contribution. The overall balance of payments was negative at EUR 628.3mn reducing central bank foreign reserves with the same amount. We note also that the central bank has revised the balance of payments data since January of 2008 reducing the CA deficits in 2008 and 2009 by 0.1% and 1% of GDP respectively. The CA deficit in 2010 was revised up by 0.2% of GDP to 1% of GDP.

The general budget posted a deficit of BGN 477mn (EUR 244mn) in January, down by 4.4% y/y. The budget gap accounted for 0.6% of the projected full-year GDP as compared to 0.72% of GDP a year earlier. Total and tax revenues declined by 4.2% y/y and 7.7% y/y in nominal and by 8.3% y/y and 11.6% y/y in CPI-deflated terms respectively. Total expenditures declined by 4.2% in January. Last month, finance minister Simeon Dyankov said he expected the budget deficit to run below the set in the budget law target of 2.5% of GDP this year. Dyankov has based his expectations on a forecast for accelerated recovery this and next year with economic growth of 3.6% and 4.1% respectively as a result of higher domestic demand, exports growth and investment in construction as a result of EU-backed infrastructure projects. Dyankov said also that the fiscal performance has turned better than expected in Jan-Feb.

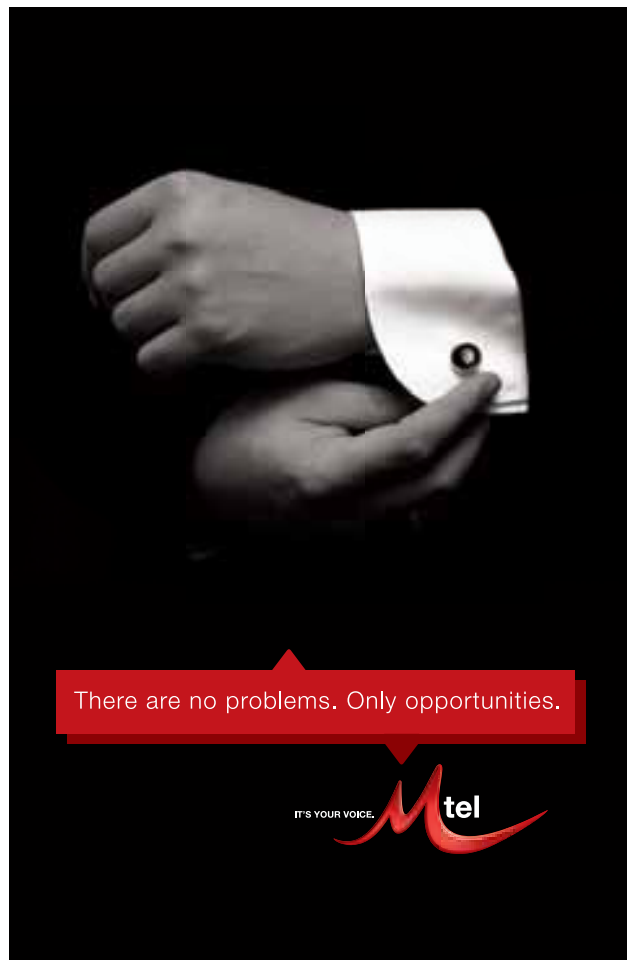
The general government debt, excluding state guarantees, declined by 2.3% m/m, but added 7.4% in a year to EUR 5.26bn as of the end of January, finance ministry data showed. The annual expansion decelerated from 11.5% a month earlier. Domestic government debt went up by 22.9% in annual terms and contracted by 4.8% during the month. External government debt edged up by 0.1% y/y to 63.6% of the total, up by 1pp during the month. The total public debt accounted for 13.7% of the full-year GDP forecast. Additional 1.6% of GDP are booked as state guarantees, slightly lower than a month earlier. The fiscal reserve covered 52.6% of the public debt at the end of January. The ratio was reported at 81.2% at end-2009 and 88.5% at the end of 2008 and 119.3% at end-November 2008.

On the labour market, the unemployment rate stayed flat at 9.78% in February, labour minister Totyu Mladenov said. However, in annual terms the indicator fell for a second consecutive month by 0.5pps and the contraction rate sped from 0.1pps in January. Director of the state employment agency Rositsa Stelyanova added that the trade sector faced the highest dynamics and the most job openings have been registered in the transport branch. The youth unemployment rate has declined. The unemployment rate was highest in Smolyan, Targovishte and Montana with rates of some 15-17%.

According to the latest available data, consumer price inflation accelerated to 5.2% y/y in February from 4.5% y/y in January. On a monthly basis, prices increased by 1.2% driven by foodstuffs and transportation mainly. Since the beginning of the year, the accumulated consumer price growth has reached 1.9% and the average inflation for the

period March 2010 through February 2011 reached 3.1% y/y up from 2.8% y/y for the period ending in January and the average of 2.4% last year. The EU harmonised inflation index (HICP), used as a benchmark for the euro adoption, went up by 4.6% y/y in February, accelerating from 4.3% y/y in January. In monthly terms, it rose by 0.6%. The government expects in its latest forecast, used in the 2011 budget law, harmonised inflation of 2.6% at end-December and an average of 3.7%. In view of the rising international prices of raw materials in the past months, we expect that the inflation in the country will overrun the above projection.

The industrial producer price index (PPI) increased by 11.1% y/y in January, decelerating from 12% y/y in December. The index change turned positive in January 2010 and has been gradually rising since then. In monthly terms, producer prices went up by 0.5%. The slowdown of the overall price index in January was due to the utilities mainly but the manufacturing sector also contributed. The prices of the extracting industry were rising at a faster rate than a month earlier. The price level of the intermediate consumption goods rose at an accelerated rate in January (11.3% y/y in January as compared to 9.7% y/y in December). Still, the main impact in annual terms came from energy products on base effects after the administrative corrections of the prices of natural gas, heating and electricity as of July. The broader index including export sales rose by 12.1% y/y in January, flattening as compared a month earlier. ■



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# 7 Highways Set for Completion by 2020

Some 177 kilometers of highways are currently under construction. The incumbent government plans to commission a total of 288 kilometers before the end of its mandate

By Mina Georgieva



Minister of Regional Development and Public Works Rosen Plevneliev (in the digger) announced that all the motorway construction projects are on schedule.

By mid-2012, Bulgarians will be able to travel to the Black Sea shore on a highway. They would have to stay patient for just another year or so. More than just convenience for vacationers, such infrastructure projects – highways and railways – are the bloodlines of any country. When these exist, the economy would perform efficiently, otherwise it would operate quite differently. Also, from a geostrategic perspective, the construction of highways means billions of Euro in revenues to the state. These come from saved lives, as currently the potential for accidents and the narrow roads suffice to make people refrain from travelling. That is why Bulgaria is launching sev-

## 55% of motor vehicles in Bulgaria are older than 15 years

The measures, which Bulgaria will have to initiate in order to reduce the road accidents mortality rate to the levels in developed European states, include the renewal of the motor vehicle pool and the improvement of second- and third-class roads, which amount to 82 percent of Bulgaria's national road network.

According to Traffic Police data the losses incurred by the state because of road accidents amount to some 2 percent of its GDP. Traffic Police has indicated that the most serious problem affecting road safety is the age of the motor vehicles in Bulgaria. There are some 3,300,000 registered motor vehicles. Of them about 10 percent are newer than 5 years old, another 30 percent are vehicles between 6 and 15 years old, and the remaining 55 percent of the motor vehicles are older than 15 years.

eral projects simultaneously – the construction of the Lyulin and Trakia highways, and planning of Maritsa, Hemus, Black Sea and Sofia-Kalotina highways.

Seven highways, seven high-speed sections, two bridges plus a third one across the Danube, and the Shipka tunnel are all set as priority projects for Bulgaria's government, Regional Development Minister Rossen Plevneliev said when he presented the cabinet's program in the road construction sector until 2020. Calculations indicate that Bulgaria will need between 5.5 billion Euro and 6 billion Euro in 2014-2020 to attain the average European level of its road network.

### The statistics of Bulgaria's road network

Currently, there are more than 3 million motor vehicles in Bulgaria, with about 2.5 million of them being passenger cars. Bulgaria's motor vehicles pool rose by 150 percent, or close to 1 million, in nine years. The number of heavy trucks has doubled. At the same time, 64 percent of all cargo in Bulgaria is carried by road, and 66 percent of the passenger traffic is carried by motor vehicles. The density of the national road network is comparable to the average for the EU member states; however, Bulgaria still lags behind in terms of highways and high-speed road sections.

According to data presented by Minister Plevneliev, there are a total of 421 km of highways in Bulgaria. Specific figures indicate that some 250 km of highways had been commissioned before 1989. A mere 170 km of highways were constructed between 1990 and 2009. Another 177 km are currently under construction, and the incumbent government plans to commission a total of 288 km before the end of its mandate. Bulgaria plans to complete the construction of three highways during the next four years in order to put an end to its geographical isolation and revive its shrinking economy, Minister Plevneliev said in a recent interview for Reuters.

The right-of-center cabinet of Prime Minister Boyko Borissov inherited a road infrastructure in neglect because

## High-speed road sections

The cabinet is currently working on the following road sections:

- Vidin – Botevgrad (along Corridor No. 4)
- Russe – the Shipka Tunnel – Makaza (road I-5 along Corridor No. 9)
- Russe - Shumen
- Gyueshevo - Sofia (Corridor No. 8)
- The Rila high-speed section (remote Sofia bypass road)
- Varna – Durankulak (to Constanța)
- Plovdiv – Assenovgrad

These priority projects will be implemented by creating a state-owned company for strategic infrastructure projects, which will operate in cooperation with the European Investment Bank, the World Bank, and with experts from the European Commission. It will launch a completely new type of tender procedures and will design the management of the new highways.

Road Projects Directorate of the Ministry of Regional Development and Public Works will cooperate with Road Infrastructure Agency for the implementation of the projects. The directorate, which has eight officials, will assist the minister and the deputy ministers in order to assure the proper coordination between the institutions for the purposes of the priority projects. Ministry of Regional Development and Public Works will be the second intermediate conduit for European funds allocated to road construction projects between 2014 and 2020.



of corruption, political turf wars and poor management, Reuters wrote. Brussels has already frozen hundreds of millions of Euro as financial assistance because of concerns, related to corruption and inefficient judiciary system.

Bulgaria is referred to as the most corrupt state in the EU. It arrogantly refused to initiate any measures in this aspect. There will be no EU funds until the relevant changes are made, said Minister Plevneliev for Reuters. He added that the measures to improve transparency and block political interference in public procurement contracts

would unlock some 900 million Euro in financial aid for the construction of about 200 km of highways along three different routes by 2013.

### The future highways

These are Trakia, Maritsa, Black Sea, Struma, Hemus, Lyulin, and Sofia-Kalotina. More than 60 companies have bought the tender documents for lots 1 and 2 of the Maritsa Highway, and its construction will start most probably in June. Struma Highway is a priority project for 2011. The approval of the tender documents for lots 1 and 4 is pending, and the concept for its development will



be ready by the end of May. The budget for the construction of this highway will be drafted by May 2012, and its completion is scheduled for 2015.

According to experts, the construction of the Sofia-Kalotina Highway will cost some 405 million Euro. The 50-kilometer Lot 1 should be completed by 2015 at the latest. The reconstruction of the Western Arc of Sofia's Ringway, which

is included in the project, is scheduled to start later this year and must be finished by 2013. The next phase of the Sofia-Kalotina Highway – the North High Speed Tangent – is scheduled for 2014. Sofia-Kalotina highway actually includes the Western Arc, the section comprising the junction linking Sofia Ringway to Lyulin Highway, and the Northern Arc with a junction to the Hemus and Trakia highways. This high-

way is designed to provide a direct link from the southern destination via Lyulin and Struma to the Greek ports and the Kalotina-Sofia junction.

By mid-2011, the European Commission is expected to announce whether it will provide financing for the Hemus Highway. Two of the highway sections should be completed by the end of the year. The Hemus route is expected to unlock the potential of North Bulgaria, as it is seen as the lost link between the Adriatic Sea ports and Varna. Hemus Highway is a top priority and should be financed through European funds. The completion of the highway will cost some 1.3 billion Euro.

The route of Black Sea Highway is currently researched. It will include also the Varna bypass section. Black Sea Highway is a priority project of the government's Transport Operative Program for 2014-2020.

The three strategic highway projects – Struma, Black Sea, and Hemus – will need a total of 2.3 billion Euro between 2014 and 2020; therefore, the government plans to assure a maximum level of cooperation with the European Union. ■



*Prime-minister Boyko Borisov said, that the government will finish three of the National Motorways during this mandate, and will go on with the next four motorways in the next term.*





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# Your Revolution – And Mine Sofia 1989 – Cairo 2011

Boyko Vassilev

**\*Our top writer Boyko Vasilev visited Egypt two weeks ago and presents his first hand information about the revolts in the region**



*An Egyptian is arrested by members of the Egyptian Army during the re-opening of Tahrir square in Cairo.*

“We are not changing a single man, we are changing the system,” said Bassem, and found a place to sit at the “island” in the middle of Cairo’s central Tahrir Square. Bassem Mishay is a documentary films producer and a photographer, who joined the protests in Egypt from the very beginning in early 2011. I smiled broadly and said, “You are right, Bassem.” I did not tell him that I had already heard those same words and, moreover, I used them myself, too. That was 21 years ago.

Every person has his or her own revolution. And whenever one sees another’s revolution, this “own revolution” immediately comes to mind. When I stepped on Tahrir (Liberation) Square, I felt like being swept back to Sofia in 1989-1990. The clock started ticking backwards –

bringing the enthusiasm and the anxiety of those days. Analogies swarmed, too.

Another young man, also named Bassem, finally managed to convince me. Bassem Kamal is an activist of the youth’s revolutionary movement, and he gravitates toward the Union for Change headed by Mohammed El Baradei. If he were a Bulgarian back in 1989, Bassem Kamal would be a like young Emil Koshlukov within the Union of Democratic Forces. Kamal started discussing the problems of Egypt’s democracy, while I was flooded with memories from way back, when Bulgaria’s democracy was born. The young architect spoke of emotions, of throwing away party membership cards, of mimicry, naiveté, plaza democracy, student demonstrations, wars in the immediate neighbourhood (Libya 2011

– Yugoslavia 1991), enchantment with ancient history (Egypt and the Thracians).

“We are concerned about the forces behind the former regime,” Bassem Kamal said. “I mean the secret services, the businessmen of old times and the millions they have managed to collect, and the corruption.” Well, one should be concerned. For the 30 years with Hosni Mubarak at the helm, political power has evolved into economic. Egypt’s revolutionaries are still to encounter the explosive mix of

**cops, politics, and money.**

“We want enough time before the parliamentary elections, so that the new democratic parties would be able to rev

up,” Kamal went on to say. “Otherwise, only the old organized structures, emerging under new disguises, would stand a chance.” How could I tell him, that we have already witnessed the very same game? And that the winners are known beforehand: the behind-the-scenes players of the old regime.

Meanwhile the military, who took the reigns for the transition period in Egypt, have failed to listen to people like the two Bassems. The parliamentary elections were scheduled for September – which is way too soon for the democratic opposition to prepare. There would be a mere seven months between the fall of Mubarak and elections: that was exactly the time given the Bulgarian opposition for preparation between the fall of Todor Zhivkov and first democratic vote. The last attempt of the Tahrir revolutionaries to win a score on the election field also failed: the presidential elections will take place AFTER, and not BEFORE the parliamentary vote. Someone has perhaps warned their opponents that the opposition in Bulgaria managed to take over the presidency, before proceeding to vote for parliament.

Political scientist Said Sadiq, who is close to the Tahrir Square ideas, admitted: „If the parliamentary elections are held now, then the fascist and religious groups would prevail, because the secular liberal parties are still not ready.” Sadiq also said, however, that the model seems to be universal: „What was the state of the opposition in Nazi Germany? What about the opposition against the Shah of Iran? Or against Marcos in the Philippines? Dictators would always undermine any serious alternative. Dictators have always tried to attract the high and the middle class by scaring them with the rise of fanatics“.

The Mubarak regime in Egypt used to warn the West, as well as its own educated community, against the Muslim Brotherhood – the oldest and largest Islamic political movement in the world. It was founded in Egypt in 1928. The Muslim Brotherhood was banned and persecuted by Presidents Nasser and Sadat; and they participated in the Tahrir revolution. But even the very first vote resulted in a clash between the Muslim Brotherhood and the rest of the

revolutionaries. The Muslim Brothers supported the proposed amendments to the constitution in a referendum held in March, while Kamal’s people voted against. The “pro” vote won by 78 percent.

I had a meeting with Essam El-Erian, who is one of the leaders of the Muslim Brotherhood – a doctor of medicine with four university degrees (two of which he received while in prison). A short man, with thin hair, a small beard and spectacles, and with a high forehead, which proudly bears scars received from zealous prayers, El-Erian, said exactly what he was

expected to say. The impression of a

### strong intellect

was supplemented by his perfect English. He looks like our Ahmed Dogan, while the well-developed structures of the Muslim Brotherhood in the provinces are reminiscent of what the Bulgarian Socialist Party used to be back in 1990. Although Sadiq expects that the Muslim Brothers will get no more than 15 percent of the vote, the divided democrats would hardly be able to challenge the Muslim Brotherhood with anything else by claims that „Time is ours.“



*A general view shows the Egyptian Army re-opening Tahrir square in Cairo, Egypt.*



*Egyptian protesters with a police officer (C-L) after they re-opened Tahrir square to traffic, in Cairo, Egypt, 12 April 2011. Protesters returned to the square, which had been the focal point of an 18-day uprising earlier this year, after clashes with army forces left at least one dead and 71 injured in the early hours of 09 April 2011.*

Witness the same enthusiasm – and the same likable lack of experience. The same reliance on civil energy – and the same failure to understand that this energy should be cared for and kept clean from weeds. The same enthusiasm – and the same disregard for partisan structures and economic power as the two main pillars of politics. The same optimism – and the same faith in the power of the street, plus the same underestimation of the role of the province.

Yet, we know from our own experience how fragile and unrepresentative the rallies in the streets and squares could be. Sometimes they can make history, but when it comes to elections, they may not be necessarily victorious. A silent majority may outvote “those irresponsible troublemakers from squares and streets.” On June 7, 1990, the Bulgarian Union of Democratic Forces brought hundreds of thousands on a Sofia boulevard (even a million, they claimed) in the greatest rally ever. Three days later, they lost the election.

After I mentioned the streets and the squares let me now tell you what an allusion they stirred. Two months ago, the Tahrir Square in Cairo looked the same as the tent “City of truth” in the summer of 1990. Now, the very same place is called Democracy Square and is used for demonstrations. The role of Sofia’s South Park was assigned in Cairo to the Sawi Center, where the former protesters gather to

### **maintain their revolutionary spirit,**

debate, argue, and exercise in direct democracy and freedom of speech. Even the building housing the headquarters of the National Democratic Party – the former ruling party headed by President Mubarak – has its analogue in Sofia. It had the same

fate as the Party House in Sofia: it was burned down.

There is one more similarity. “Mubarak has millions in Swiss banks,” Egyptian protesters say, exactly what we believed in 1989 about Zhivkov and his family. No big monies, however, were found stashed on the side by Zhivkov, who ruled just three years longer than Mubarak, whether in Switzerland or elsewhere. Quite the opposite, the concentration on one person and his close circle did not allow tracking the real transfers of funds, which numerous People’s Republic of Bulgaria foreign trade companies had organized, together with members of the nomenclature and security apparatus.

Egyptian intellectual leaders are well aware of analogies and similarities. They are driven by the hope that – by studying the history – they will be able to avoid the drawbacks and will benefit from the advantages of those, who had travelled the same road before.

“We started studying the events in East Europe and Latin America as early as the beginning of 2010,” said Bassem Kamal. “We organized clandestine training courses for Egyptian youth groups – teaching them the positive and the negative aspects of events in countries like the Czech Republic and Serbia. We searched for examples, fully aware of the fact that it is not possible to select a single pattern and start applying it in full. The major issue, which we are still concerned about is – what will happen after the revolution? How will parties be formed? How could the youth movements be transformed into parties? How could we learn to draft a new Constitution?”

Kamal and his friends have asked the same questions to



European ambassadors.

Sadiq added one more aspect: "Bulgaria had its state security apparatus, similar to what we had here. That is why Bulgaria should help in transforming the Egyptian police. Bulgaria had the experience with a fascist type of police, which violated human rights, monitored every movement and even the way people dressed. How could the police be transformed under a civil government, which respects human rights, acts strictly according to the law and never violates it? Stasi in East Germany, Securitate in Romania –

**these specific East-European experiences are very important,**

as our dictatorships had followed this pattern and had assumed the KGB mentality. We shall have to learn what happened in your countries, so that we could be able to see what we could borrow from your experience. This would be a good lesson."

Kamal and Sadiq are right. Bulgaria, along with the rest of Eastern Europe, has accumulated long lists of errors in politics, economy, the secret services, and the civil society. I hope the Egyptians and the people in the other Arab states will manage to avoid these errors.

History teaches us that revolutions devour their own offspring. But we are always angry to have that banal maxim tested on ourselves. "Our revolution was made by the enlightened city dwellers' class," said Bulgarian political scientist Ognyan Minchev, "but they eventually lost. Revolutions are seized by organized groups – and those present in 1989 were former state security services and their economic clientele." We could easily add to that former criminals, boys from sports schools, wrestlers, rowers. The same may happen to Egypt's revolt. Some people shout in the squares, others reap the benefits; this is our lesson.

Egypt's revolutionaries already had some instruction. Even during the Mubarak's regime, the democratic opposition was trained by Serbs on how to pull down a dictator from power by civil efforts. Still, former protesters behave today like they are inventing the bicycle.

Bulgaria has initiated a genuine event: it will bring together in May politicians and intellectuals from Egypt and other Arab states. The event was named SOFIA PLATFORM. Europe's East will try to help the Middle East (called by Germans and Bulgarians Nahosten and Near East, respectively) in developing democracy. "Do not be afraid, Egypt's revolution will not devour its offspring," one of Cairo's most famous political analysts, Amr Hamzawy, said in perfect German. "If we succeed, we shall emerge as an example to be followed by the entire region." Well, I do wish them success.

I left Tahrir Square with feeling vaguely nostalgic. I did not spare a single thought about the fact that I was leaving the most polluted city in the world, where some 5,000 people die each year of cancer because of the desert and the smog. I felt rather like leaving the romantics and the memories. I left behind – again – my 1990 and my own 20s. ■



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# AmCham Bulgaria Confers With Fellow Chambers in Brussels



*Susan Danger, Managing Director of the American Chamber of Commerce to the European Union (AmCham EU) and representatives of fellow AmChams in Europe at the annual Brussels Briefing, March 2-4, 2011.*

Senior AmCham managers from all over Europe gathered in Brussels, Belgium, on March 2-4, 2011, for their annual Brussels Briefing. Every year, AmCham EU, which hosts the secretariat for AmChams in Europe, invites all chambers from the Old Continent to attend policy briefings and share best practices in creating a suitable climate for American investment in Europe. AmCham Bulgaria staff also participated in this conference.

The main focus of the meeting was the transatlantic relationship and "The Transatlantic Economy 2011", an annual survey of jobs, trade and investment between the United States and EU. The "Transatlantic Week" was kicked off with a Leadership Development Workshop with Lori Collins, principle consultant, Orion International, a networking cocktail at the European Parliament with MEPs, national permanent representatives, U.S. mission to the EU personnel and AmCham EU members. A conference titled "Innovation in the Transatlantic Relationship: Unlocking the Potential of a 21st-century Economy" was highlighted by a presentation of Joseph Quinlan, co-author of "The Transatlantic Economy 2011." Quinlan noted that there had been an impressive rebound from the crisis, fully reflected in transatlantic trade and company growth.

He warned, however, that there is a clear need for the EU and U.S. GDP growth to be above the current 3%, and that in order to achieve this, the respective countries need to adopt more of a risk-taking approach found in emerging economies.

Other speakers at the conference included Maire Geoghegan-Quinn, European commissioner for research, innovation and science, who stressed the importance of a strong and supportive relationship between the United States and the European Union. She said she was pleased to note the striking parallels between the reports of President Obama's State of the Union address, the speech EU President Barroso gave back in September last year and the provisions of the EU Innovation Flagship Initiative. "A clear case of mutual learning" is how Geoghegan-Quinn labelled it, reflecting on the efforts that both the EU and the United States have had to sharpen separately and in cooperation to overcome major economic challenges on both sides of the Atlantic.

The conference was capped by a luncheon with a keynote speaker William Kennard, U.S. ambassador to the EU, who dwelled upon the critical importance of innovation for enhancing productivity and creating the necessary conditions for



*The US Ambassador to the EU, Hon. William E. Kennard, addressing the audience at the Transatlantic Conference in Brussels, March 3, 2011 with his speech "Winning the Future through Innovation".*

future growth and economic stability. Ambassador Kennard further discussed U.S. efforts to strengthen its ties to business including the creation of the Council for Jobs and Competitiveness.

Other hot topics at the Transatlantic Conference were data protection, patents, piracy, IPR, RoHS – Restriction on Hazardous Substances and Electronic Waste, WEEE – Waste Electrical and Electronic Equipment, clear technologies, alternative fuel vehicles, etc. Following the conference, AmCham executives participated in a series of briefings from AmCham EU on the top priorities for business in Europe for 2011 – including ways in which AmChams in Europe can cooperate on communicating key messages. In another interesting session, Thomas Spiller, vice president for global policy at SAS Institute, presented highlights from a new study, commissioned by AmCham EU, focusing on Europe's competitive position in the G20 multi-polar world.

Of particular relevance for AmCham Bulgaria is the invitation by the American-Hellenic Chamber of Commerce, AmCham Romania and AmCham Croatia for intensified bilateral cooperation and development of common initiatives and projects. ■



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# EBRD's Top Priority Is to Ensure Bulgaria's Economic Recovery,

says Daniel Berg, Country Director, Bulgaria, EBRD

- What is the current EBRD outlook for Bulgaria's economy? Where do you see positive signals, and what are the outstanding concerns?

- Following the adverse impact the global financial crisis on Bulgaria in 2009, we are pleased to see the country returning to growth last year. Bulgaria's progress in 2010 was due to the strength in key exportable goods (including commodity products), as well as the relatively strong inflows from tourism. Domestic demand is just starting to show signs of recovery. A key strength in this period has been the banking sector, which proved relatively resilient, avoiding the serious difficulties seen elsewhere in the region. The flow of credit, although far from pre-crisis levels, is starting to look more confident today, too.

These important factors need to be capitalized on in order to lay the foundation for a return to stronger growth, which we would hope will exceed average growth rates across the EU. As EBRD's chief economist said at the recent AmCham Business breakfast, for Bulgaria to achieve this goal, additional steps are needed to improve the business environment, such as removing still-existing impediments faced by small and medium-sized enterprises. These changes send a strong positive message to the local business community and also to foreign investors. The EBRD remains committed to providing support to all key sectors of Bulgaria's economy in order to sustain its progress and move to a more dynamic economic development.

- What measures are needed to further improve the business environment?

-While there has been some progress in



Daniel Berg became EBRD Director in Bulgaria in July 2010. He manages the Bank's office which is responsible for annual investments of approximately Euro 300-400 million per year.

Daniel joined EBRD in 1995 as Advisor in the US Executive Director's Office and transferred to the Banking Department in 1997, where he worked for the Financial Institutions Team. In 2000, he moved to Almaty Kazakhstan, where he developed the Bank's operations across sectors. From Kazakhstan, in 2004, Daniel became Head of Office in the Kyrgyz Republic, managing the office and overall operations there. He was then asked to assume a similar role in Albania in 2007 where he worked until joining the Sofia team.

Prior to EBRD, Daniel worked as an economist in the US Department of Treasury. He is educated in the US, at Rutgers College and Johns Hopkins School of Advanced International Studies.

lessening the administrative burden and start-up costs for local businesses, improving legal and judicial procedures and combating corruption, the government should remain vigilant and committed. AmCham representatives noted the business community's concern about tax administration as an area requiring further improvements. Because of the global crisis, the competition among emerging markets in Europe and beyond for foreign capital and foreign direct investment has become even tougher. As

an EU member country Bulgaria should continue efforts to bring its legislative and administrative framework in line with EU standards. EBRD's "Transition Report" notes the need to improve transparency and legislation that must be implemented equally and consistently.

From a longer-term perspective, reforms of the education system and vocational training policies are needed to respond to the needs of the business community. Legal reforms should allow for more



## EBRD Presents Transition Report

The European Bank for Reconstruction and Development (EBRD) presented its "Transition Report 2010: Recovery and Reform" at a business breakfast of AmCham Bulgaria on March 22, 2011, held at the Sheraton Sofia Hotel Balkan.

The meeting was attended by some 150 AmCham members, media and guests, among them representatives of embassies of the United Kingdom, Ireland, Germany, Spain, Austria, France, Hungary, Korea, and Russia.

The audience was welcomed by Peter Lithgow, president of AmCham Bulgaria, and Daniel Berg, country director for Bulgaria at the European Bank for Reconstruction and Development. The report was presented by Erik Berglof, chief economist and special adviser to the president of EBRD. After the presentations, Deputy Prime Minister and Minister of Finance Simeon Dyankov commented on the economic reform, with a focus on the tax system, pension and healthcare reform.

In its "Transition Report" the EBRD expects Bulgaria's economy to improve in 2011 with a forecast for a 2.6-percent growth of GDP. The return to a more robust growth follows a sharp contraction of 4.9 per cent in 2009 and a modest growth in 2010, estimated at 0.2 per cent. The EBRD report recognizes the progress achieved by Bulgaria in reducing administrative burdens on enterprises and in efforts to tackle corruption. At the same time, the report urges further improvements in resolving commercial disputes and insolvency procedures as well as reforms in the judicial sector.

flexibility in the labor market, while more effective insolvency procedures would alleviate existing burdens on the economy and ultimately also on the state balance sheet.

### - What are EBRD's current priorities in Bulgaria?

- The utmost priority is to ensure that the recovery in Bulgaria's economy has the necessary financial support to become self-sustaining. The country has a great potential and we see our task in contributing to its fulfillment. We will continue to support projects that are particularly important as the country continues its recovery and that will generate longer term benefits for Bulgaria.

Responding to the current needs of the Bulgarian economy, last year the EBRD almost doubled its annual investment commitments to 546 million Euro. The Bank was a main provider of finance in many sectors of the economy, particularly the financial sector, but also for corporate clients, as we ensured that funding was available for capital investments at a time of global scarcity of finance. A key concern across all sectors of the

economy is to help reduce Bulgaria's energy intensity, which is the highest in Europe. Therefore, almost all of our bank's investments – for banks, industry or infrastructure – include an energy efficiency component.

In addition to its lending activities, the EBRD deepened its dialogue with the Bulgarian authorities about ways to increase private investment in infrastructure and helping the government to absorb efficiently EU accession funds. Building on this, in early 2011 the bank and the government of Bulgaria signed a memorandum of understanding, which combines EBRD financing with EU funds to support sustainable energy investments in local small and medium-sized enterprises.

Looking forward, the EBRD will continue its efforts to finance local enterprises to boost their competitiveness, promote projects working closely with municipalities in areas such as water management and urban transport and will continue to invest in renewable energy and energy security. In 2010, investments in the gas distribution company Gas Rimini and hydro power company VEZ Svoghe were among the examples. An EBRD-supported technical cooperation initia-

tive is currently underway and will help improve the regulation of gas storage and gas transmission tariffs.

### - This year the bank is celebrating its 20th anniversary. In your view, what are the most important projects implemented in Bulgaria so far?

- The changes between Bulgaria today and 20 years ago are monumental, and fundamental. The EBRD is proud to have contributed to this country's transformation. We are one of the largest investors in Bulgaria, having provided more than 2.5 billion Euro to projects with total value of more than 8 billion Euro since the beginning of the transition process.

We remain committed to the task of unleashing Bulgaria's potential in the industry, agribusiness and energy sector. In this context, we are playing an important role in reforming Bulgaria's energy sector, improving the country's energy security and promoting renewable energy and energy efficiency.

One way this has been possible has been through the EBRD's role as fund manager for the Kozloduy Nuclear Power Plant decommissioning fund. Given the need for and possibility to blend donor community grant resources, EBRD has a particular role due to its particular expertise bringing together official and private funds. In this area, we have successfully implemented energy efficiency credit lines devoted to both the industrial and residential sectors in Bulgaria. We believe these can be expanded in the period ahead and will serve as a positive example for other countries in the region and beyond.

In addition to providing and mobilizing financing for various projects, the bank is involved in a permanent policy dialogue with the Bulgarian authorities to support the development of attractive legislative frameworks in accordance with international and EU standards. EBRD projects have contributed to many important changes in Bulgaria over the last two decades and we are here to continue this work by, first and foremost, providing support to investment, which promote economic growth and hopefully greater prosperity for all its citizens. ■

# Leading CSR Expert Explains New Bottom Line



*It was an early morning hour of this business breakfast but as well as an inspiring start of the day for the businesses who attended it.*

AmCham Bulgaria and Bulgarian Charities Aid Foundation (BCAF) hosted on March 17, 2011, a business breakfast titled "The Role of CSR in Building the Sustainable and Profitable Company." The guest speaker was Michael Brophy, chair of the Board of Trustees, Capital Community Foundation, London.

Brophy was a chief executive of Charities Aid Foundation for 20 years, which grew under his leadership from some £12 million to £1.5 Billion. He was also a founder of Bulgaria Charities Aid Foundation in 1995. Presently, Brophy is a Chair of The London Community Foundation. In the beginning of 2010 he was awarded Outstanding Leadership Award at the 2009 U.K. Charity Awards for his multiple contributions and achievements.

Brophy introduced and led the discussion about corporate social responsibility. This was not a discussion on charity per se, but on the new bottom line, that is, about commercial self-interest and staff motivation, reliability of partners and suppliers. In Brophy's words company CSR develops society and every company should get involved in it. "CEOs are those who have to spend time on thinking how much to get involved in CSR campaigns, how to use competencies of the company, how to exercise its social responsibility, but also how to maximize its effect," he said.

In Brophy's words, the political context determines how much corporations and individuals become involved in the community. In theory, a communist state would provide everything for everybody; in frontier states like the early United States, the citizen and corporations had no other option but to come together to create a community. The consensus now is not only to seek a balance between the state provision and private initiatives, but to construct partnerships making the whole bigger than the parts.



*Roman Vassilev, GM of Johnson Controls suggested considering relief campaigns for Japan.*

The lecturer invited the audience to think of corporations not just as vehicles grinding out profits for shareholders but as living organisms – good citizens in aggregate. What is good for the community is also good for the company (and its employees) and vice versa. He suggested that companies that recognize this succeed better in the long term because of the effect on the company's image, and even more so, on the attitude of all the employees who are a part of it.

Successful CSR programs are always led by the CEO, with support from the board and chair. But the CEO cannot be expected to deliver all the details. He or she must persuade mainstream managers that it is part of their duties to deliver excellent CSR. That means the CEO's patronage and the provision of corporate facilities – money, meeting rooms, endorsements etc. The CSR team then needs to involve every employee to some degree in the program – for it is in the self-interest of each of them, as well as all of them. This takes some doing and some time to achieve. But once everyone is involved almost all will find it rewarding and a source of pride.

Sponsorship of the arts or sporting events is good for the company, for instance, because it creates contacts, brand recognition and employee involvement. But the more profound CSR activity is not of this kind; it is using the company's competency (and of its employees) to help the community, in which it "lives." IBM, for example, not only provides product (computers) but also the educative skills of its staff to schools and higher education. It also encourages staffers to become involved in schools as governors or treasurers.

The speaker acknowledged that all this is fine in theory, but in a situation like Sofia today, for example, when the mayor has limited resources and only a few corporate entities have big CSR programs, it takes a bold CEO to take the first step. CEOs are or should be highly intelligent risk takers, though. Those inclined to take a lead are advised to seek out others and create areas of interest: for example in supporting schools or hospitals in neighborhood where their employees live. A bad school can become an excellent school within five years, and the companies involved directly will benefit, as will the community, of course. CSR by its nature is not competitive and bigger results are achieved by bigger partnerships.

This is where AmCham, and its CSR Committee should seize the initiative. The Chamber is ideally placed not only to spread the gospel of CSR but to foster projects, encourage partnerships, publish the outcomes of success, create and publicize statistical and human CSR activity of its membership. Its role is also to forge links with the government of Bulgaria and the nation. It may well become AmCham's most exciting set of activities, said Brophy.

Finally, he suggested there is a role for advisors, whose advice can range from suggestions as to what the CSR program should prioritize and which local institutions or groups can best deliver. This is where BCAF has a role to play. For 15 years it has been providing information and help to corporations in Bulgaria. The country has a potential, which needs to be developed in a systematic way, Brophy concluded. ■



*Michael Brophy, chair of the Board of Trustees, Capital Community Foundation, London.*



*Elitsa Barakova, executive director Bulgarian Charities Aid Foundation (BCAF) chairs the meeting together with Michael Brophy.*



*Zoya Paunova, Country Manager, Astra Zeneca Bulgaria commented on the contribution for the society made during CSR campaigns of the companies.*



*Dana Leff-Niedzielska, CEO of PPD Bulgaria (left) and Scott Pozil, US commercial attaché.*

# Exports Seen as Key to



Mr. Anthony Hassiotis, CEO of Postbank.



Mr. Platon Monokroussos, Eurobank EGF Group.

Representatives from Eurobank EFG Group, the Ministry of Economy, Energy and Tourism, as well as key business owners, company staffers, investors, diplomats and big corporate clients of the bank from more than 150 export-oriented companies, discussed the challenges and the opportunities fac-

ing the sector March 17. Within the framework of the formal meeting, held in cooperation with the Confederation of Employers and Industrialists in Bulgaria (KRIB), the importance of the state support to promote international commerce in general and the need for export oriented activity for

# Stanton Chase Bulgaria

Stanton Chase celebrated its fifth year in Bulgaria in March 2011. The company is a global leader in executive search, which opened its office in Sofia in the beginning of 2006. In his congratulation letter Peter de Jong, chairman of Stanton Chase International, congratulated Darina Peneva, managing director

of Stanton Chase Bulgaria, on her selection of the right team to build a strong presence in the country.

"We are pleased to announce that we have built our presence in most countries around to such an extent, that we are considering splitting Europe into two sepa-

rate regions – Western Europe and Central and Eastern Europe, where Bulgaria is situated. By doing so we will be able to serve our clients in a better way as we will share best practices within the region more intensively," the letter said.

The company is a member of the



From left: Dimitar Marikin, managing director, SGS Bulgaria; Dobromir Minkov, principal consultant, Stanton Chase Bulgaria; Darina Peneva, managing director, Stanton Chase Bulgaria; Nick Saunders, CEO, Golden Pages.

# Fostering Growth

Bulgaria specifically was underlined.

Anthony Hassiotis, CEO of Postbank, and Platon Monokroussos, assistant general manager and head of financial markets research in Eurobank EFG Group, presented their analyses and forecasts related to the new model of economic development in the post-crisis period through export policies. "We hope that with this meeting we will contribute to exports development, requesting the support both from government and private sector. Postbank is ready to support exporting companies through offering service packages and all the necessary resources. We believe that the creation of a Bulgarian Exporters Association will contribute to identifying and developing the opportunities for Bulgarian exports," Hassiotis said.

In 2010 the total value of the Bulgarian export increased by more than 33% to 15.6 billion Euro. Bulgaria's trade links are mainly with the countries of the EU and its regional neighbors. Greece, Romania and Turkey are in the top 5 export destina-

tions for the Bulgarian businesses and account for more than a quarter of all the exports of the country.

Monokroussos pointed out the medium-term challenges to Bulgarian economy in his analysis. He said: "The economy needs to adjust to new environment of diminished capital flows (net FDI went down 55% year-on-year in 2009, and by a further 51.88% in 2010 to 1.3 billion Euro). It is important to minimize excessive deficit and to develop a midterm framework targeting structural budget surpluses in order to accommodate EU co-financing and to strengthen the fiscal reserve account. Reforms in the social security and judicial systems are also needed. It is very crucial to maintain the vigilant oversight of the domestic banking system and to ensure swift entry to ERM II."

During the meeting, Postbank underlined its readiness to play a key role in supporting companies that are willing to focus on export activities and thus to support the development of the country's economy. ■

# Marks Anniversary

Association of Executive Search Companies and follows closely the professional standards promoted by the 50-year-old organization. Stanton Chase Bulgaria has been helping companies identify and attract qualified and experienced talents for board and top executive to middle management positions, including HR, Marketing, Sales, Finance, Production, IT, Supply Chain, etc.

The company has a strong history of successful projects in the Consumer Products and Services practice group, followed by Technology and Life Science & Health Care. With the joining of new members in the period 2007-2009, the team strengthened and further developed the Financial Services, Logistics and Transportation and Industrial practice groups.

Globally, Stanton Chase is among the top 10 executive search companies with 70 offices in 44 countries. In 2010 two new members joined this network – Hungary and Russia, recognized as key markets for the development of the service worldwide. For 2010 Stanton Chase International has a global fee revenue of \$44.9 million thus marking an 11-percent increase in comparison to 2009. ■



From left: Harris Pezoulas, president, Stanton Chase International; Darina Peneva, managing director, Stanton Chase Bulgaria; Valentin Georgiev, executive director, AmCham Bulgaria.

# Minister of Economy Participates in AmCham Ski Tournament



AmCham Seventh Ski Tournament in Borovets will be remembered by its renowned participants. For the first time, we had government and diplomatic corps - minister of economy and tourism Traycho Traykov and Karol Mistrik, ambassador of the Slovak Republic, who competed alongside AmCham members and media representatives.

"The last seven years proved to be successful for the AmCham Ski Tournament. It is our intention to allocate the fees collected at the tournament to a fund for the development of sports programs for orphan children," said AmCham Executive Director Valentin Georgiev in front of Bulgarian National Television.

Lots of sunshine, fresh air and good mood reigned at the annual event, which took place at Martinovi Baraki II ski run near Rila Hotel. Some 65 skiers competed in two disciplines - giant slalom ski and giant slalom snowboard, and in four categories: men, women, children and team.

Moten Sport provided the technical assistance and running commentary. In the evening the ski show was covered by the Bulgarian National Television, featuring the remarkable contest in its sports program. TV anchor Irina Tzoneva took part in the contest as well.



*Karol Mistrik of the Embassy of the Slovak Republic placed first among men, followed by Boyan Angelov Nemetschek OOD, and Lyubomir Blagoev Neochimiki Bulgaria EAD who placed third.*



*The crew of the Bulgarian National Television at spot.*



*The new generation in ski is coming.*



*The children were fantastic at the ski run.*

The chamber cordially thanks to all AmCham keen skiers from:

- Adecco Bulgaria
- Bulgarian National Television
- Bulgarian VIP Travel Ltd.
- Citibank N.A. Sofia Branch
- CMS Cameron McKenna LLP
- Coca-Cola HBC Bulgaria
- Congress Engineering Ltd.
- Deloitte Bulgaria
- European Bank for Reconstruction and Development
- Eltrak Bulgaria Ltd.
- Embassy of Ireland in Bulgaria
- Embassy of the Slovak Republic
- Energoservice AD
- Hewlett-Packard Bulgaria
- Iris Trade Consult Ltd.
- Microsoft Bulgaria
- Ministry of Economy, Energy and Tourism
- Nemetschek OOD
- Neochimiki Bulgaria EAD
- Penkov, Markov & Partners
- SavantElbul Bulgaria EOOD
- Sitel Bulgaria EOOD
- Stelly Style
- Sunfoods Bulgaria Ltd.
- The Coca-Cola Company Bulgaria
- U.S. Embassy in Bulgaria



*Bright weather and good moods reigned at the seventh AmCham ski tournament.*

The best results among women showed Albena Koeva-Ekimova (Energ Service AD), who finished first. Evgenia Stoichkova of the Coca Cola Company Bulgaria, came in second, and Teodora Sinilkova (Coca Cola HBC Bulgaria) placed third.

There was a hard competition in the men's category, too, where 38 participants ran neck-and-neck. Karol Mistrik, the Slovak ambassador, placed first among men, followed by Boyan Angelov (Nemetschek OOD), and Lyubomir Blagoev (Neochimiki Bulgaria EAD). In the children's category Nikola Dossev (Nemetschek OOD) finished first, Eleonora Dosseva (Nemetschek OOD) came in second, and Mira Gelova Hewlett-Packard Bulgaria placed third. In the snowboard category Borislava Pokrass of CMS Cameron McKenna LLP placed first, Pavlin Stoyanov of CMS Cameron McKenna LLP came in second, and Stefan Ivanov (Citibank N.A. Sofia Branch) placed third. After the trying but rewarding ski contest, Hotel Yastrebets Wellness & SPA provided the perfect venue for the evening cocktail and gala dinner.

AmCham extends special thanks to the main sponsors of this event: Kamor Auto, BMW Dealer, and other sponsors and supporters: McDonald's Bulgaria, Microsoft Bulgaria, Mobiltel, Jacobs 3-in-1, Milka, and KOM mineral water. Awards were provided by: SLS Rossignol & Quicksilver, Hotel Yastrebets Wellness & SPA, Borovets, Radisson Blu Grand Hotel, and Hilton Sofia.

The minister of economy, energy and tourism Traicho Traikov gives out the awards to the team winners: Hewlett-Packard got the first place, Neochimiki Bulgaria placed second, and EBRD team on the third place. ■

## BMW Test Drive Pleases Skiers

Kamor Auto, BMW dealer, was pleased to be part of the Seventh AmCham Ski Tournament in Borovets. All guests and participants in the event were given the opportunity to enjoy a scenic mountain test-drive with selected BMW cars. During the weekend more than 20 attendees were convinced of the comfort, performance and unsurpassed stability of the best-in-class BMW X5 and BMW X6, the unique BMW 5 Series Gran Turismo (at the picture below) and the all-new BMW X3.



*The ski run Martinovi baraki II near Rila hotel: Lots of sunshine and joy.*





Borislava Pokrass CMS Cameron McKenna LLP



The best results among women showed Albena Koeva-Ekimova Energo Service AD, who finished first. Evgenia Stoichkova of The Coca Cola Company Bulgaria, came in second, and Teodora Similkova Coca Cola HBC Bulgaria placed third.



Snowboarders and their fans joined for a photo.



In the children category Nikola Doshev Nemetschek OOD placed first, Eleonora Dosseva Nemetschek OOD came in second, and Mira Gelova Hewlett-Packard Bulgaria placed third.



Ekim Ekimov, Energo Service



In the snowboard category Borislava Pokrass of CMS Cameron McKenna LLP placed first, Pavlin Stoyanov of CMS Cameron McKenna LLP came in second, and Stefan Ivanov Citibank N.A. Sofia Branch placed third.



Irina Tzoneva, BNT (left) and the Minister of Economy Traicho Traikov.



The minister of economy, energy and tourism Traicho Traikov gives out the awards to the team winners: Hewlett-Packard got the first place, Neochimiki Bulgaria placed second, and EBRD team on the third place.



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Bulgarian and international environment. Our clients are companies from various industries (including banking, human capital, marketing and advertising, pharmaceuticals, hospitality and more), governmental institutions and foreign diplomatic missions. Over 4000 people from more than 150 companies have participated in MLC International trainings for the last 3 years.

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Every day we operate with one of the world's most potent powers – electricity. AES is present in 29 countries on 5 continents and has the capacity to meet the demand for electricity of over 100 million people worldwide. AES develops and explores traditional and alternative sources of energy in an environmentally safe and responsible way. Near the town of Galabovo the company is currently developing a project for the construction and future operation of the biggest new thermal power plant in Bulgaria and the region – the 670 MW TPP "AES Galabovo". 156 MW is the net power of the "Saint Nikola" wind park near Kavarna, developed by AES Geo Energy.