



## Doing Business in Bulgaria

### 2015 Country Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business In Bulgaria](#)
- [Chapter 2: Political and Economic Environments](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations, Customs and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

[Return to table of contents](#)

## Chapter 1: Doing Business In Bulgaria

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

### Market Overview

[Return to top](#)

A member of the European Union since 2007, Bulgaria is a small, strategically located country in Europe's southeast corner. It offers interesting opportunities for U.S. companies in many sectors, among them infrastructure development, IT and agriculture. Bulgaria boasts Europe's lowest public deficit rates and it grew at a rate of 2% in the first quarter of 2015, despite last year's collapse of its fourth largest bank (Corporate Commercial Bank). Bulgaria has the lowest tax rates in the region – a 10% rate both on personal income and corporate income – as well as a bilateral treaty that allows for the avoidance of double-taxation with the United States. The global financial crisis slowed investment growth, particularly in the real estate and manufacturing sectors, but as the European economy recovers, investment may pick up in certain sectors. Bulgaria weathered the global financial downturn by employing strict fiscal discipline. Local demand will remain low because of a limited allocation of consumer loans and a 10.7% unemployment rate. Other risks include regulatory unpredictability and weak rule of law.

U.S. companies are conducting business across the major industry sectors and the top foreign investor in Bulgaria is a U.S. company. The Bulgarian market is receptive to American goods and services. EU membership will continue to offer funding opportunities for infrastructure projects, provided Bulgarian government procedures are efficient and transparent. Furthermore, due to its geographic location, Bulgaria is an excellent launching pad for sales into the European Union, Russia, Turkey and the Middle East.

### Market Challenges

[Return to top](#)

Bulgaria offers opportunities for U.S. firms, but there are challenges. While the business climate is generally positive, there are factors that inhibit trade and investment. The major challenges include: regulatory and legislative unpredictability; inefficient bureaucracy; a slow moving court system; the influence of organized crime on some sectors of the economy; corruption; intellectual property rights infringements; and a complex and often opaque tendering process.

Although Bulgaria has exceeded average EU growth rates for the last three years, it remains one of the EU's poorest countries. Bulgarians have limited disposable income, despite purchasing power increasing steadily over the last 10 years.

Upon its EU accession, Bulgaria adopted regulations and standards that conform to EU norms. While this is good news for many U.S. firms, American companies sometimes find that these EU regulations and standards are difficult to understand. The U.S. mission to the

EU provides assistance to U.S. companies. Please refer to their website for more information: <http://www.export.gov/europeanunion/>

## Market Opportunities

[Return to top](#)

Bulgaria boasts a well-educated labor force, one of the lowest wage rates in the EU, and a convenient geographic location. EU membership offers additional opportunities as Structural and Cohesion funds are financing major infrastructure projects. Please refer to: [http://www.export.gov/europeanunion/eu\\_funds.html](http://www.export.gov/europeanunion/eu_funds.html)

Good prospects for exports to Bulgaria are listed below (in alphabetical order). A more detailed analysis of these sectors can be found in Chapter Four of this Guide:

- [Agricultural Equipment](#)
- [Environmental Technologies](#)
- [Healthcare/Medical](#)
- [Information and Communications Technologies](#)
- [Franchising](#)
- [Power Generation, Oil & Gas, Renewable Sources of Energy and Energy Efficiency](#)

Financing from the U.S. Export-Import Bank (Exim Bank) <http://www.exim.gov> and the Overseas Private Investment Corporation (OPIC) <http://www.opic.gov> is available. The U.S. Trade and Development Agency (USTDA) <http://www.ustda.gov> offers financing for technical assistance, feasibility studies, orientation visits, and training grants.

## Market Entry Strategy

[Return to top](#)

Finding a good, reputable local representative is a key factor for successful entrance into the market, and conducting due diligence before selecting a representative is essential. Enlisting qualified local legal services for contract negotiations is also highly recommended. The U.S. Commercial Service located in the U.S. Embassy in Sofia can assist with market research, contact facilitation, contact evaluation, and service providers – please refer to: <http://www.export.gov/bulgaria>.

[Return to table of contents](#)

[Return to table of contents](#)

## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environments of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/p/eur/ci/bu/>

[Return to table of contents](#)

## Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

### Using an Agent or Distributor

[Return to top](#)

Bulgarian law stipulates that representation in court and before administrative agencies must be performed by duly licensed members of the Bulgarian Bar Association. These individuals can be independent practitioners in law firms or employees of corporations with the necessary skill.

Bulgaria does not allow foreign (i.e. non-EU) lawyers to practice in Bulgarian courts, except as defense counsel for a national of his/her own country in a criminal case. In such instances, the attorney must be accompanied by a Bulgarian lawyer, and there must be an agreement between Bulgaria and the respective foreign state or this representation must be justified on the basis of reciprocity. In all instances, a preliminary request must be submitted to the Chairperson of the Supreme Bar Council for approval.

Lawyers who practice in another EU member state can establish a branch office of their international firm in Bulgaria and provide legal services in the local market. In the case of a corporation, representation may be provided by an authorized senior executive of the firm, such as an executive director. Corporations may also be represented by an employee who has passed the practical examination of the Ministry of Justice and who has a power of attorney from the corporation to represent it as “in-house counsel”.

A Bulgarian patent representative who specializes in intellectual property rights and who has been admitted to practice before the Bulgarian Patent Office is also essential for preparing documents to protect intellectual property rights. Some lawyers are patent representatives so be sure to ask.

Other services, such as filing corporate documents with the courts or the Commercial Registry, legal opinions, and legal consultations, are in practice performed by self-styled “legal consultants”. The qualifications and experience of these consultants may vary and some may be former in-house counsel. Attorneys who are members of the Bulgarian Bar Association also provide such services. Additionally, some larger international accounting and consulting firms

have established legal offices, which perform some of the services offered by law firms. The American Chamber of Commerce membership list at <http://www.amcham.bg> and the Commercial Service Business Service Provider at <http://www.export.gov/bulgaria/en/serviceproviderlist.html> are good places to start when looking for legal and other business services in Bulgaria.

The EU regulations and legislation for this topic can be found in the European Country Commercial Guide developed by the U.S. Mission to the EU. The document is available at [http://www.buyusainfo.net/docs/x\\_2758095.pdf](http://www.buyusainfo.net/docs/x_2758095.pdf). More information about the U.S. Mission to the EU's activities can be found at <http://useu.usmission.gov/doing-business-local.html>.

## Establishing an Office

[Return to top](#)

The Law on Encouragement of Investments offers advantages for foreign and local investments. The potential perks are determined according to the class of the investment, and include two levels of benefits, depending on the amount of the investment. The law recognizes three classes of investments; Class A, Class B and Class C. In practice, however, Class C investments do not exist because this class is only for investments on a municipality level and no substantive provisions have been adopted to regulate these matters. Moreover, the Law on Encouragement of Investments also provides for so-called "priority investment projects", which relate to all sectors of the economy and are essential for the economic development of Bulgaria. The criteria for identifying certain investments as "priority investment projects" are comparable to the criteria for other investment classes. For more information, please see <http://www.investbg.government.bg/en>

Due to the introduction of certain amendments at the beginning of 2015, Bulgarian legislation concerning the encouragement of investments (and more specifically, the Law on Encouragement of Investments) is now in compliance with the provisions of Commission Regulation (EU) No. 651/2014 of 17 June 2014. This regulation, established on June 17<sup>th</sup>, 2014, states that certain categories of aid are compatible with the internal market in the application of Articles 107 and 108 of the Treaty. (Available here: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&qid=1431527166045&from=EN>)

A company can establish a representative office for information gathering and non-proprietary activities, such as performing sales promotions, exhibitions, demonstrations, training or advertising products and services, by registering with the Bulgarian Chamber of Commerce and Industry, see <http://www.bcci.bg/english/>

A representative office is not a legal entity in Bulgaria. The Law on Encouragement of Investments places certain restrictions on the office's activities. In particular, a representative office may not carry out commercial activities. The Law on Commerce defines the various forms of economic associations and regulates their foundation, organization, and termination. While it is possible to register a branch of a foreign entity in Bulgaria, the most common type of organization for foreign investors is a limited liability company (OOD), or a one-person owned limited liability company (EOOD).

## Franchising

[Return to top](#)

More than half of the franchises present in Bulgaria entered the market in the last ten years and there was a significant surge in 2008-2011. This growth will accelerate even more as both disposable income and understanding of the franchise business model grow. Among the most visible brands in Bulgaria are: KFC, Dunkin Donuts, Subway, Berlitz, National Geographic, Remax, GNC, McDonald's, Wilson Learning and others. Recent entrants to the Bulgarian market are Dale Carnegie, Domino's Pizza, Curves, Subway and Starbucks.

The Bulgarian legal system accommodates franchise agreements. Laws on labor relations are clearly spelled out, leases can be freely negotiated, and laws protect trademarks, patents and copyrights. Currently, there are no franchise laws or specific regulations pertaining to this business model. In general, no specific registration or government approval is required in order to establish a franchise enterprise.

## Direct Marketing

[Return to top](#)

Direct marketing is relatively undeveloped in Bulgaria. There are few Bulgarian mail-order catalogs. Vacuum cleaners, small kitchen appliances, home healthcare products and consumables, hospitality, catering and cosmetics are being sold fairly successfully door-to-door. Companies employ varying marketing techniques. A Slovenian company, which offers direct marketing of U.S. products, and an Austrian company are currently using television home shopping "infomercials" to sell kitchen tools and fitness equipment not available in local shops. Home demonstrations are not popular and have generated little success. Avon and the Swedish company Oriflame have reported success with the direct sale of cosmetics.

Direct marketing through catalogs, telemarketing and the Internet from the U.S. to Bulgaria is still quite difficult. Bulgarians are increasingly using debit and credit cards, but the use of cash is still more prevalent than in other EU countries. Catalog and internet shopping are still in their infancy due to low purchasing power, the high cost of shipping and the lack of security for packages.

The EU regulations and legislation for this topic can be found in the European Country Commercial Guide developed by the U.S. Mission to the EU. The document is available at

<http://export.gov/europeanunion/eustandardsandcertification/2010countrycommercialguide/index.asp>

## Joint Ventures/Licensing

[Return to top](#)

In addition to establishing their own companies, U.S. enterprises can also invest in existing companies.

Joint ventures with state-owned companies, which can be wholly owned by the Bulgarian State, must be approved by the Council of Ministers or by the relevant Minister. Both the evaluation of existing assets and the contribution of the foreign partner are usually addressed during negotiations. The foreign contribution can be in cash and/or in-kind, for example know-how. The contributions of the local partners are usually long-term assets (i.e. existing equipment and facilities).

Joint ventures with private companies do not follow the same procedures. No government involvement or approval is necessary. After negotiations are completed, the new legal entity must be registered in the Commercial Registry. Joint ventures are subject to the provisions established by the Law on Protection of Competition, which regulate the concentration of economic activity.

## **Selling to the Government**

[Return to top](#)

State agencies and state-controlled companies follow public procurement procedures prescribed by the Law on Public Procurement and the Regulation on Implementation of the Law of Public Procurement when purchasing goods and services. This law has brought Bulgarian legislation in compliance with the two major public procurement directives of the EU. However, implementation of the law is inconsistent and some companies report problems with the transparency of the public procurement process. Under the law, a Government Procurement Agency was established to ensure and monitor the implementation of the state's public procurement policy. The Agency is subordinated and reports to the Minister of Economy. Bulgarian law provides for several types of public procurement award procedures, namely: (i) open tender procedure; (ii) restricted tender procedure; (iii) competitive dialogue; (iv) competitive procedure with negotiation and open publication; (v) negotiated procedure without prior publication; (vi) design contest. The most often used form of procurement is a public tender.

In Bulgaria, all companies, foreign and domestic, are eligible to participate in public procurement tenders. The Commission on Protection of Competition (CPC) is the authority that enforces both the Law on Public Procurement and the Law on Protection of Competition. Appeals are no longer under the direct purview of the civil courts.

A Law on the Public – Private Partnerships was also adopted in 2012. According to said law, a public partner in such public – private partnerships can be (i) a minister or the head of department; (ii) the mayor of a municipality; or (iii) a state and/or municipal public organization.

Regarding public tenders financed by EU funds, please see <http://export.gov/europeanunion/marketresearch/eufundingandgovernmentprocurementsectors/index.asp>

Available market size statistics can be unreliable and should not be used as a sole indicator in market analyses.

## **Distribution and Sales Channels**

[Return to top](#)

It is worth noting the recent developments in retail sales channels. Some of the largest hypermarket and supermarket chains are merging and some of the new organizations are rebranding, others are closing down and few are opening new outlets.

Overall there are 4 (four) groups of distribution channels in Bulgaria:

Food hypermarkets: Billa, CBA, Kaufland, T-market, Tesco, Piccadilly, Lidl, Carrefour, METRO, Penny Market, Hit, Roda, Ena, ProMarket, Plus

DIY hypermarkets: BauMax, Praktiker, Mr. Bricolage, Bauhaus, IKEA

Local food supermarket chains: Fantastico, 345, Evropa, Dar ;

Tech hypermarkets: Technomarket, Technopolis, Domo, Zora

Furniture hypermarkets: Aiko, Aron, Como



IKEA opened its first store in Sofia in September 2011. By the end of 2013, the following retail chains had established a network of stores throughout Bulgaria: Decathlon(2), Fantastiko (35), Billa (91), Metro (14), Picadilly+Picadilly Express/member of Belgium Delhaize group(39), Penny (49); Carrefour (22); Praktiker (9), Hit (2), Mr. Bricolage (12), Baumax (7), German discounters Penny (48), Kaufland (48) and Lidl (64). T Market (42), ProMarket (22); Como (1) and Aiko (4) are retail chains for furniture and household goods. Technopolis (31), Technomarket (60), Densi (6) and Domo (1) are retail chains for consumer electronics. Additionally, Carrefour (20), the world's second-largest retailer after Wal-Mart, started operating in 2010.

According to GfK Shopping Monitor, Bulgarian consumers still prefer to use a local store near their homes. There are three major factors that influence where a consumer chooses to shop: proximity to home and work, level of prices, and range of goods. The Bulgarian consumer is not very mobile – less than 30% of consumers go shopping by car, which limits the choice of stores. Around 26% of consumers read promotional brochures.

Bulgaria has 120 shopping malls and they are becoming very popular among the urban population.

## **Selling Factors/Techniques**

[Return to top](#)

Bulgarian consumers and companies have low purchasing power, which means that price is a major consideration when developing a market strategy. American companies are widely recognized for their quality products and reasonable prices, and value sells well in Bulgaria.

Available market size statistics can be unreliable and should not be used as a sole indicator in market analyses.

## **Electronic Commerce**

[Return to top](#)

In 2014, e-commerce, performed mainly through the internet, increased by over BGN 5 billion (average annual ROE BGN 1.5 =USD 1), which is 15% increase from 2013.

According to the National Statistical Institute, 925,202 Bulgarian citizens have purchased goods and services online in the past year, which 35.4% from 2013.

In 2014, the most common online purchases were sporting and outdoor goods, apparel, home appliances and hotel/travel reservations, followed by electronic equipment, computer hardware and telecommunication services.

Bulgarian citizens don't just purchase from local online merchandisers. 43% of online turnover comes from international sources, 25% of which are from the EU.

There are over 772,000 online retailers of Bulgarian origin and this number grows by 39% per annum.

Along with increasing online orders and retailers, another trend has taken root in Bulgaria; more and more startups now prefer "the use of software as a service" (SaaS) model when choosing a platform for their online shop. This model minimizes the initial costs and the time it takes to build and maintain the online store.

The prices of SaaS solutions for online stores start at around BGN 25 per month and offer a free trial period. On the other hand, individual software solutions can range from BGN 2,000-7,000 and significant implementation of the project can take somewhere between two months.

The most common applications that are currently in use for online trade are ones which allow for price comparison. Electronic payments promote trade, replace inefficient and expensive cash payments and reduce the grey economy.

Predictions show that in 2016 online e-commerce in the EU will become 4.4% of its GDP. At present, approximately 2 million EU citizens are online employees and managers, which is 47% of the internet consumers who have access to internet services.

## **Trade Promotion and Advertising**

[Return to top](#)

Both the 2008 Law on the Protection of Competition and the 2006 Law on the Protection of Consumers regulate advertising. These laws prohibit advertisements that either disseminate misleading information to consumers or malign the reputation of competitors. Separate legislation regulates advertising for specific products such as tobacco products, pharmaceuticals, and alcoholic beverages.

All the normal channels for advertising are available and widely used in Bulgaria, including newspapers, internet banners, magazines, television, radio, and outdoor billboards/signs.

Trade fair activities in Bulgaria have grown rapidly into a full year's schedule of industry and product specific events in major cities around the country. Bulgaria has a number of industry-specific trade shows. Many U.S. products are exhibited by local agents, distributors and dealers. Information on trade shows in Bulgaria is available in Chapter 9 of this Guide or through links on the U.S. Commercial Service website <http://www.export.gov/bulgaria>

## **Pricing**

[Return to top](#)

Due to low per capita income and purchasing power, consumers are highly price sensitive. Consumers are willing to spend more in return for higher quality.

Most people restrict purchasing to basic necessities. Imported products are typically more expensive than locally produced goods. Small niche markets exist where consumers demand high-end luxury goods.

## **Sales Service/Customer Support**

[Return to top](#)

Bulgarian consumers expect good after-sales service and customer support when purchasing products. New private companies understand the importance of customer support and follow through on promises.

Companies expect support from their U.S. exporter when purchasing imported products. Emphasis on customer support is an initial step in developing customer loyalty.

Most American companies operating in Bulgaria provide training for their distributors/agents. In many cases, agents and distributors are trained in the US in order to communicate the firm's distinctive corporate policies, behavior and standards.

### **Protecting Your Intellectual Property in Bulgaria**

Several general principles are important for the effective management of intellectual property (“IP”) rights in Bulgaria. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Bulgaria than in the U.S. Third, rights must be registered and enforced in Bulgaria under local laws. Your U.S. trademark and patent registrations will not protect you in Bulgaria. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country basically depends on the national laws in that country. However, most countries do offer copyright protection for foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before you begin selling your products or services in the Bulgarian market. Instances of bad-faith trademark and patent registration in Bulgaria are not uncommon. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Bulgaria. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant and retain their own counsel and advisors if needed. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Bulgarian law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue his or her own case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create the risk that your partner will list him or herself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentives) of would-be bad actors. Projects and sales in Bulgaria require constant attention. Work with legal counsel familiar with Bulgarian laws to create a solid contract that includes incomplete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Bulgaria or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)

- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

## **IP Resources**

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov) This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Bulgaria at: [Michael.rogers@trade.gov](mailto:Michael.rogers@trade.gov)
- Bulgaria remained on the Special 301 Watch List of Countries that did not provide adequate protection for Intellectual Property Rights in 2014. The Bulgarian legislation currently in place to protect IP enforcement is weak and internet piracy, in particular, is widespread. Crimes that are discovered are usually punished through an administrative process with a low maximum fine, and recidivism is therefore common. Bulgarian authorities have not successfully prosecuted through to sentencing any major criminal IPR case in several years.

Bulgaria is a member of the World Intellectual Property Organization (WIPO) and a signatory to the following agreements:

- Paris Convention for the Protection of Intellectual Property;
- Rome Convention for the Protection of Performers, Producers of Phonograms and

Broadcast Organizations;

- Geneva Phonograms Convention;
- Madrid Agreement for the Repression of False or Deceptive Indications of Source of Goods;
- Madrid Agreement and Protocol on the Registration of Trademarks;
- Nice agreement on the International Trademark Classification
- Madrid Agreement on the International Classification and Registration of Trademarks;
- Patent Cooperation Treaty;
- Universal Copyright Convention;
- Bern Convention for the Protection of Literary and Artistic Works;
- Lisbon Agreement for the Protection of Appellations of Origin and their International Registration;
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Protection;
- Nairobi Treaty on the Protection of the Olympic Symbol;
- Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks;
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks;
- Strasbourg Agreement Concerning the International Patent Classification;
- Locarno Agreement Establishing an International Classification for Industrial Designs;
- WIPO Copyright Treaty; and
- WIPO Performances and Phonograms Treaty.

## Due Diligence

[Return to top](#)

The U.S. Commercial Service offers the International Company Profile service for evaluating potential business partners. See [www.export.gov/Bulgaria](http://www.export.gov/Bulgaria) for more information.

There is only one internationally recognized credit-reporting agency in Bulgaria, Credit Reform Bulgaria. It is headquartered in Germany and more information can be found at <http://www.creditreform.bg/en/index>. However, there are new companies that have advertised their ability to both check corporate references and provide corporate financial data. As of 2012, Creditreform Rating AG and BCRA - Credit Rating Agency AD have established a European Rating Network.

The official online database DAXY at [www.daxy.com](http://www.daxy.com) provides information on official court and tax documents, address registration for Bulgarian companies, major shareholders, balance sheets, direct and indirect connections between and among managers and other Bulgarian companies and other public information.

More and more Bulgarian companies are registering with Dun and Bradstreet register and can be viewed on ([www.dandb.com](http://www.dandb.com)).

An agency called the Financial Intelligence Agency (FIA), which was a member of the international EGMONT Group, was established in the Ministry of Finance in 2001 by virtue of the Law on Amendments and complements the Law on Measures against Money Laundering (LMML). Under December 2007 legislation, the FIA was transferred to the new State Agency for State Security (DANS) (<http://www.dans.bg/en>) and was renamed as the Special Administrative Directorate Financial Intelligence ("SADFI"). The SADFI receives, saves, examines, analyses and discloses to law enforcement bodies information connected with the

suspicion of money laundering or the financing of terrorist activities. SADFI also carries out the international exchange of financial intelligence information and performs control over persons under article 3, paragraphs 1 and 2 of the LMML with regard to their compliance with anti-money laundering measures and measures against financing terrorist activities.

Another source of information for the actual financial situation of a company can be viewed on the web site of the Ministry of Justice Registry Agency and the Commercial register at [www.registryagency.bg](http://www.registryagency.bg)

## Local Professional Services

[Return to top](#)

The American Chamber of Commerce in Bulgaria (AmCham) maintains a membership list that can be sorted by product and service. The AmCham web site (<http://www.amcham.bg>) is a good place to start when looking for legal and other business services in Bulgaria. From the AmCham home page, click on "About us", then "Members list" for a directory of local professional services.

The Commercial Service also keeps a list of Business Service Providers on its website that may be of interest. Please go to

[http://export.gov/bulgaria/businessserviceprovidersinbulgaria/eg\\_bg\\_031937.asp](http://export.gov/bulgaria/businessserviceprovidersinbulgaria/eg_bg_031937.asp)

## Web Resources

[Return to top](#)

<http://sofia.usembassy.gov/> (U.S. Embassy, Sofia)

<http://www.export.gov/bulgaria> (U.S. Commercial Service, Sofia)

<http://www.export.gov/europeanunion> (U.S. Mission to the EU, Brussels)

<http://www.government.bg> (Bulgarian Government English language site)

<http://www.amcham.bg> (American Chamber of Commerce in Bulgaria)

<http://www.bcci.bg> (Bulgarian Chamber of Commerce and Industry)

<http://www.bia-bg.com> (Bulgarian Industrial Association)

<http://www.daxy.com> (business, financial and tax registration of Bulgarian companies)

<http://www.creditreform.bg/en/index.jsp> (credit-reporting agency)

<http://www.dandb.com> (Duns&Bradstreet)

[http://ec.europa.eu/internal\\_market/consultations/2011/intellectual\\_property\\_rights\\_en](http://ec.europa.eu/internal_market/consultations/2011/intellectual_property_rights_en)

<http://www.export.gov/europeanunion>

<https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/BU%20internet%20use.pdf>

<http://www.registryagency.bg> (Ministry of Justice, registry Agency)

[Return to table of contents](#)

## Chapter 4: Leading Sectors for U.S. Export and Investment

### Commercial Sectors

- Agricultural Equipment
- Environmental Technologies
- Healthcare/Medical
- Information and Communications Technologies
- Franchising
- Power Generation, Oil & Gas, Renewable Sources of Energy and Energy Efficiency

### Agricultural Sectors

- Distilled Spirits
- Nuts/Tree Nuts
- Wine
- Snacks/Cereals
- Prepared Food
- Seafood
- Pulses
- Soft Drinks/Waters/Juices
- Cattle Genetics
- Plant Genetics/Planting Seeds

### Commercial Sectors:

#### 1) Agricultural Equipment

	2011	2012	2013	2014
Total Market Size	73 883	77 829	77 280	n/a
Total Local Production	10 559	n/a	n/a	n/a
Total Exports	n/a	n/a	n/a	n/a
Total Imports	63 324	77 829	77 280	Statistics predict upward trend
Imports from the US (in US dollars)	13 841 998	11 296 562	10 627 626	n/a
Exchange Rate: 1USD	1.4786 BGN	1.4501 BGN	1.4271 BGN	1.6084 BGN

**Notes:** Publically available statistical data in Bulgaria is scarce and unreliable. These figures have been estimated using available information and industry contacts. After 2011, Bulgaria has not registered any data about local production.

## Overview

[Return to top](#)

The agricultural sector in Bulgaria comprises 4.9% (CIA World Factbook 2014) of the overall GDP. Total arable land in Bulgaria is 5,122,983 ha, which is 46.2% of the country's surface area (World Bank Agriculture Report 2013).

The agricultural machinery market in Bulgaria is rather competitive. Most of the well-known worldwide agricultural equipment manufacturers are present on the domestic market. It is perceived that the top 15-20 agricultural machinery manufacturers are competing for 20,000 potential customers in Bulgaria.

Until 2013, the Bulgarian agricultural machinery market experienced an unprecedented boom resulting from: excellent harvests from 2010-2013; price increases for agricultural products; the excellent long-term reputation and marketing strategy of German agriculture machinery importers who bring in up to 40% of total imports; the allocation of EU funding for the development of rural areas which included the subsidized purchase of equipment; and the market launch of the best US made farming equipment from companies like John Deere and Titan Machinery.

In 2014, the sales of these machines dropped by about 10%. The reasons for this were: inappropriate climate conditions; lower prices for grains; a large dependence on EU subsidies with 2013-2014 being transitional years between two program periods and higher prices for some machinery.

There also isn't likely to be substantial growth in 2015 if there are delays in the new financial scheme of the Program for development of rural regions. A truly positive effect can be expected in 2016 after the activation of the EU's new program period from 2014-2020. However, importers are reluctant to make longer term predictions on market dynamics because the market is entirely import dependent and correlated with EU funding and national co-payment availability for the next program period from 2014-2020.

Additionally, prices for agricultural machinery tend to be higher, especially for those imported from the US because the dollar is so strong.

There are two major groups of agricultural equipment which drive the Bulgarian agricultural equipment market and identify its future trends: tractors and combines. There is a third subgroup for irrigation equipment.

## Sub-Sector Best Prospects

[Return to top](#)

### Tractors

The average age of tractors at present is approximately 18 years. More specifically 52,248 tractors, 80% of the whole fleet, are over 10 years of age. Experts in the sector say that in the short and medium term, the average age of tractors should become 10 years, which translates into the need for quick modernization and upgrades.

At present one tractor cultivates 62.7 hectares of land in Bulgaria, while in Greece it cultivates 16 hectares of land and in Germany 11.6 hectares. The energy efficiency of one tractor in Bulgaria is 138.9 KW/100 hectares while in Europe it is 240 KW/100 hectares.



The total number of tractors, both wheel and crawler types, at the end of 2013 in Bulgaria was 66,561. In 2014, 1,365 tractors were purchased, making the total number of tractors 67,926. This is a slight decrease from 2013 when about 1,500 tractors were bought.

For the last 8 years, the modernization of tractors in Bulgaria has been slow – only 8 to 10% of all tractors have been replaced by newer versions. In 2013, only 3% of tractors had been replaced by newer ones. Experts in Bulgaria believe that from 2013-2015 Bulgarian farmers need to invest in 100,000 KW capacity tractors annually to reach the average EU density rate.

Considering energy prices, the overall aim is to import more energy efficient agricultural machines.

In terms of brand variety, almost all worldwide known brands are available on the local market -- John Deere, Case, Massey Ferguson, Challenger, Fendt, Claas, Valtra, Belarus along with Chinese, Japanese, Korean and even some Bulgarian made.

### **Combines**

The average density per hectare for total grain area is one combine per 163 hectares. For comparison, the average combine density in Germany is one combine per 30 hectares and in Greece it's per 130 hectares. The crop yield efficiency is highly dependent on the technical condition of the agricultural equipment and on timely crop harvesting.

Unlike agricultural land in the U.S. and in some EU countries, Bulgarian agricultural land is used more intensively since almost all farms have both winter and spring crops in their crop rotation.. Therefore, farmers purchase highly efficient modern equipment, which can work fast and at a high quality rate.

Over 75% of all combines currently being used by Bulgarian farmers are older than 10 years, have a low technical coefficient and safety factor, have high maintenance costs and are fuel inefficient.

The modernization and upgrading of Bulgarian combines started in 1989 when 938 new combines were imported. The number has been growing and the total number of combines in Bulgaria as of June 2010 was 9,697, which increased to 10,944 in 2014.

Almost all of the new imports were the highest class of combines, which allowed for a daily yield of 50-60 hectares of grain area.

Major importers are:

- Megatron Ltd. (John Deere, Bobcat, Kuhn, Storm, Geringhoff, Perard)
- Titan Machinery Bulgaria AD (Case IH, Vaderstad, Tecnoma, Kverneland, Salford)
- Zlateks OOD (FENDT, Rabe, Krone, Farmtech, Kerner)
- Rapid KB OOD (Amazone, Bergmann, Berthoud, Claas, Farwick, Regent)
- Vareks OOD (Challenger, Laverda, Valtra, Great Plains, Goizin, Seppi M, Capello, Gaspardo)
- Farmer 2000 (Massey Ferguson, Manitou, Miller, Kinze, Farmet, Antonio Carraro, Kurt, Glaucho)
- NIK90 – (Valmont) irrigation equipment

### **Telescopic and frontal loaders**

This is a relatively new category of agricultural equipment which again saw a decrease in purchases in 2014 compared to 2013. 205 telescopic loaders were purchased in 2014 and 235 in 2013. Approximately 80 frontal loaders were purchased in 2014 and 90 in 2013.

### **Trailed and mounted implements**

As of 2009, there were 103,008 of these machines in Bulgaria. This number increased to 121,896 at the end of 2013.

In 2004, 83.4% of the implements were older than 10 years. In 2011, this number dropped to 75% and at the end of 2012 this number again fell to 69.8%.

## **Opportunities**

[Return to top](#)

For the past three years, the market for agricultural machinery was stable with an upward trend, but importers are reluctant to make longer term predictions on its dynamics. Over the past three years there has been an upward trend in the registration of new tractors and tractor trailers, manure spreaders and tillage machines, seeders and sprayers. There is a decrease in the registration of used farm machinery, except for sprinklers and manure spreaders.

There are some significant changes in the new financial scheme of the EU program for development of rural regions:

- Investments in agricultural machinery for one candidate in the project cannot be higher than EUR 500,000 for the entire period of 2014-2020.
- A larger part of the agricultural funds will be diverted to small and medium producers; young farmers; stock breeders; producers of essential crops, fruits and vegetables.
- Innovations and ecological activities will be encouraged.
- Farmers willing to develop their business in Northwest Bulgaria, a less developed area, will have an advantage in the selection processes.
- There are incentives for those who open new job positions.

Agricultural land is undergoing constant consolidation and farmers are motivated to go for large capacity and more efficient high-tech machines, which translates into expectations for a stable upward trend for imports.

In addition, the very high yields of the past 20 years and the higher profits have encouraged farmers to invest in the latest agricultural machinery, but the supply segment of that market has not kept up with demand.

A new phenomenon in the market is seasonal demand for second hand agricultural equipment that lasts until new high-tech machines become available.

There are expectations that cost-effective machinery, which increases productivity, will be the most popular in 2015.

**Web Resources**[Return to top](#)

- [www.mzh.government.bg](http://www.mzh.government.bg) (Ministry of Agriculture)
- [www.investbg.government.bg](http://www.investbg.government.bg) (Bulgarian Investment Agency)
- [www.mee.government.bg](http://www.mee.government.bg) (Ministry of Economy)
- <http://www.trading.com/bulgaria/agricultural-machinery-tractors-per-100-sq-km-of-arable-land-wb-data.html>

**2) Healthcare/Medical****Pharmaceutical Trade data**

- In thousands USD

	2012	2013	2014 (est.)	2015 (est.)
Total Market Size	161.27	38.67		
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	889.5	1 106.25	1 364	1 670.49
Total Imports	1 050.77	1 144. 92	1 180.80	1 229.13
Imports from the US	0.73%	1.22%	0.37%	

**Notes:** Publically available statistical data in Bulgaria is scarce and unreliable. These figures have been estimated using available information and industry contacts.

**Planned resources according to policies and years**

- In thousands BGN

(ROE 1EUR=1.95 Bulgarian Lev ; \$1= 1.74 Bulgarian Lev)

POLICIES	PLANNED RESOURCES					in thousand leva	
	2014	2015	2016	2017	2018	2019	2020
<b>I. Total national funding</b>	<b>3 439 881</b>	<b>3 439 881</b>	<b>3 439 879</b>	<b>3 611 873</b>	<b>3 792 466</b>	<b>3 982 090</b>	<b>4 181 194</b>
<i>I.1. Pessimistic forecast</i>	<i>3 267 887</i>	<i>6 267 887</i>	<i>3 267 885</i>	<i>3 431 279</i>	<i>3 602 843</i>	<i>3 782 985</i>	<i>3 972 134</i>
<i>I.2. Optimistic forecast</i>	<i>3 611 875</i>	<i>3 611 875</i>	<i>3 611 873</i>	<i>3 792 466</i>	<i>3 982 090</i>	<i>4 181 194</i>	<i>4 390 254</i>

<b>Est. resources under EU programs by priority (in thousands EUR)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Reforming the financial system of the healthcare	200	200	200	235	240	240	220
Providing the healthcare system with human resources	4 230	4 230	4 230	4 240	4 250	4 300	4 400
Medical help	6 700	6 700	6 700	6 900	6 900	6 900	6 950
EMS (emergency management system)	3 750	3 750	3 750	3 800	3 800	3 800	3 800
Provide vulnerable population groups with long-term care	8 200	8 200	8 200	11 400	11 100	12 500	12 800
Efficient functioning of maternal, child and school healthcare	3 400	3 400	3 400	3 500	3 600	3 600	3 700
Technologies, innovations and investments in healthcare	60	60	61	62	63	64	65
Development of eHealth	2 000	2 000	2 000	2 500	2 500	2 500	2 500
<b>II. Total (in thousands EUR)</b>	<b>28 540</b>	<b>28 540</b>	<b>28 541</b>	<b>32 637</b>	<b>32 453</b>	<b>33 904</b>	<b>34 435</b>
<b>II. Total (in thousands BGN)</b>	<b>55 819</b>	<b>55 819</b>	<b>55 821</b>	<b>63 832</b>	<b>63 473</b>	<b>66 310</b>	<b>67 349</b>

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Healthcare total (I+II)</b>	<b>3 495 700</b>	<b>3 495 700</b>	<b>3 495 700</b>	<b>4 027 867</b>	<b>4 206 117</b>	<b>4 384 367</b>	<b>4 562 617</b>
<i>Pessimistic forecast</i>	<i>3 320 915</i>	<i>3 320 915</i>	<i>3 320 915</i>	<i>3 826 474</i>	<i>3 995 811</i>	<i>4 165 149</i>	<i>4 334 486</i>
<i>Optimistic forecast</i>	<i>3 670 485</i>	<i>3 670 485</i>	<i>3 670 485</i>	<i>4 229 260</i>	<i>4 416 423</i>	<i>4 603 585</i>	<i>4 790 748</i>

## Overview

[Return to top](#)

Following the trend since 2009, Bulgaria's healthcare budget will remain between 4.1-4.3% of the country's overall GDP.

The World Bank Bulgaria report shows that healthcare expenditures will remain between 4.2-4.3% of the GDP. There are two alternatives for the planned healthcare expenditures; pessimistic, which envisages 4% healthcare expenditures, and optimistic, which envisages 4.4%.

The planned healthcare budget comes from two main sources – from the national budget and from the EU operational programs until 2020. The healthcare budget for 2013 reached 1.607 billion (4.1% of the GDP). In 2014, it was 4% of the GDP, amounting to EUR 1.793 billion. The healthcare budget for 2015 amounts to EUR 1.795 billion, which is 3.9% of the GDP.

Individual segments of the healthcare market show slight increases. This refers mainly to the pharmaceuticals market which saw a trend of a 3 - 5% increase per IMS Health prognosis.

The short-term negotiations between the NHIF and market authorization holders (i.e. drug producers) appear to have concluded by the end of December 2013. However, the Ministry of Health is looking at new ways to extend these negotiations to include non-fully reimbursed drugs and increase patients' authorization to co-payment, thus providing better access to modern biotech drugs.

The short and long term development of the healthcare sector in Bulgaria is strongly determined by healthcare reform, which aims to efficiently allocate and spend assigned healthcare funds.

The Ministry of Healthcare has determined eight national priorities and 11 national policies to achieve.

### **National priorities include**

- ✓ Guarantee that every Bulgarian citizen has access to quality medical services through reliable healthcare insurance
- ✓ Introduction of an integrated healthcare information system
- ✓ Improvement of the financial management and control systems
- ✓ Improvement and modernization of EMS
- ✓ Improvement of the regional policy with special attention to remote areas
- ✓ Improvement of efficiency in maternity, pre-school and school healthcare
- ✓ Development of sustainable HR policies regarding post graduate specialty and life-long study
- ✓ Making prophylactics and the prevention of socially important diseases a priority

### **National strategic policies for achieving the goals include:**

- ✓ Improvement of management efficiency
- ✓ Restructuring healthcare financial system efficiency
- ✓ Providing the necessary human resources and ensuring their level of performance
- ✓ Providing equality in access to healthcare
- ✓ Increasing the public awareness to healthcare and the prophylactics of chronic non-contagious diseases
- ✓ Providing efficient healthcare services to minorities and vulnerable groups of people
- ✓ Improvement of maternity, pre-school and school healthcare activities
- ✓ Boosting the regional healthcare providing system based on proof
- ✓ Introduction of innovations, investments and state-of-the-art healthcare technologies
- ✓ Development of eHealth and Telemedicine
- ✓ Establishment of a friendly and dialogue-based atmosphere with civil society and patient organizations

The current government has announced it is interested in accomplishing some of these improvements through Public-Private Partnerships.

Sub-sector best prospects in healthcare include, but are not limited to, clinical research and monitoring, pharmaceuticals and hospital equipment, homecare equipment, emergency equipment, telemedicine and eHealth systems, mobile veterinary equipment and real-time PCR veterinary tests for the detection and eradication of pandemic diseases.

## Opportunities

[Return to top](#)

The healthcare reform in Bulgaria is driving demand in the following areas:

- ✓ Invasive and noninvasive surgery equipment, ultrasound equipment, in-vitro diagnostic equipment, urology equipment, laboratory and testing equipment, diagnostic imaging equipment, equipment for kidney treatment, tissue and blood bank related equipment, veterinary turnkey project equipment, hospital care equipment, information systems, modern patient monitoring systems, hospital management systems, new high tech products such as laser instruments, magnetic resonance picture imaging apparatus and computerized systems for cosmetic, aesthetic and restorative medicine including equipment for dentistry
- ✓ X-ray systems, dental mechanical tools and instruments, dental surgery services, surgical tools, chairs, ultrasound equipment, photopolymer equipment, physiotherapy equipment, abrasive tools, maxillary surgery, anesthetics, sterilizing equipment, fittings, appliances, metal workplaces, ceramic work places and plastic workplaces
- ✓ Telemedicine and the introduction of a healthcare portal to be based on unified healthcare database files for every Bulgarian citizen fully compatible with EU standards
- ✓ Development of eHealth/m-health/Health2.0

Healthcare professionals and all of society have voiced their determination to introduce e-Healthcare, which they believe will ensure better access to quality health services for patients and will improve value-for-money in health spending. The process began in 2012 with the development of various electronic registers, including electronic birth registers and registers for invasive cardiology procedures. The next phase would be completion of the integrated system for data collection and processing at the national level. This integrated information system would enable the exchange of information in real time. The next step in the implementation of the e-Healthcare project is electronic prescription.

It is expected that the Bulgarian Ministry of Agriculture and Food will soon introduce measures concerning sanitation and the eradication of pandemic diseases. As the entry point to the EU veterinary markets, Bulgaria has been mandated to carefully and strictly undertake sanitation and eradication measures for any possible veterinary pandemic diseases, such as Classic Swine Fever, Foot-and-Mouth disease, and Bird Flu.

## Opportunities

[Return to top](#)

Ministry of Healthcare - [www.mh.government.bg](http://www.mh.government.bg)

National Health Insurance Fund (NHIF) – [www.nhif.bg](http://www.nhif.bg)

Bulgarian Drug Agency – [www.bda.bg](http://www.bda.bg)

Veterinary Institute with Ministry of Agriculture and Forestry – [www.mzh.government.bg](http://www.mzh.government.bg)

World Bank Bulgaria – [www.worldbank.org](http://www.worldbank.org)

IMS Health Bulgaria – [www.imshealth.com](http://www.imshealth.com)

## Web Resources

[Return to top](#)

<http://sofia.usembassy.gov/> (U.S. Embassy, Sofia)

<http://www.export.gov/bulgaria> (U.S. Commercial Service, Sofia)

<http://www.export.gov/europeanunion> (U.S. Mission to the EU, Brussels)  
<http://www.government.bg> (Bulgarian Government English language site)  
<http://www.amcham.bg> (American Chamber of Commerce in Bulgaria)  
<http://www.bcci.bg> (Bulgarian Chamber of Commerce and Industry)  
<http://www.bia-bg.com> (Bulgarian Industrial Association)  
<http://www.daxy.com> (business, financial and tax registration of Bulgarian companies)  
<http://www.creditreform.bg/en/index.jsp> (credit-reporting agency)  
<http://www.dandb.com>  
[http://ec.europa.eu/internal\\_market/consultations/2011/intellectual\\_property\\_rights\\_en](http://ec.europa.eu/internal_market/consultations/2011/intellectual_property_rights_en)  
<http://www.export.gov/europeanunion>  
<https://ec.europa.eu/digital-agenda/sites/digital-agenda/files/BU%20internet%20use.pdf>

[Return to table of contents](#)

### 3) Environmental Technologies

- in million USD

	2013	2014	2015 estimated	2016 estimated
Total Market Size	320	310	320	320
Total Local Production	8	8	10	11
Total Exports	n/a	n/a	n/a	n/a
Total Imports	312	302	310	309
Imports from the US	0.5	0.2	n/a	n/a

**Notes:** Publically available statistical data in Bulgaria is scarce and unreliable. These figures have been estimated using available information and industry contacts.

#### Overview

[Return to top](#)

Bulgaria's accession to the EU was a major impetus for large-scale environmental remediation and the implementation of new environmental standards in Bulgaria. Bulgaria will have to invest major funds to meet EU environmental requirements, with some of the financing coming from EU funds for environmental water and waste infrastructure projects. Bulgaria will need to import almost all of the technology for these projects, and U.S. companies that possess world-class technology, equipment, services and systems at competitive prices stand poised to benefit from these opportunities.

The Ministry of Environment and Water (MOEW), together with other state institutions, NGO representatives and other partners are developing the new Operational Program on Environment (OPE) 2014-2020. The EU will provide substantial funding for water, wastewater, waste management and biodiversity projects. The overall amount of the funding is EUR 1,354 billion. The majority of the funds will be spent for water management projects and waste management projects with EUR 1.034 billion and EUR 219 million being spent respectively. The

main challenges lie in creating a competitive low carbon economy, where resources are used in an efficient sustainable way, the environment is protected, carbon dioxide emissions are reduced and the loss of biodiversity is prevented. The EU's new Operational Program has not been launched yet but it is expected to be launched by the end of 2015.

## **Sub-Sector Best Prospects**

[Return to top](#)

### **Air**

The air pollution control sector will provide opportunities for the construction of air-pollution control installations at various industrial facilities.

### **Water and Wastewater**

Most industries in Bulgaria need to construct or upgrade their wastewater treatment facilities in order to meet new EU requirements. Urban wastewater treatment plants are planned for hundreds of cities and towns with more than 2,000 residents. The aim is to provide the required level of treatment stipulated by the European Directive on Urban Wastewater. The financing of water infrastructure greatly depends on master plans that will identify the needs of given agglomerations. The OPE will provide funding for standard solutions for wastewater treatment and for solutions that are both innovative and less expensive. Furthermore, the OPE strives to support business innovation aimed at improving the environment and resource efficiency. There are EU funds for the construction and rehabilitation of water supply/sewage networks in many municipalities. The Bulgarian water utility companies will tender these projects as design and build projects. Price is a leading factor in winning these tenders.

There is funding for the construction or rehabilitation of sludge treatment facilities, wastewater treatment plants, and biomass utilization projects.

### **Solid waste**

Currently, Bulgaria utilizes landfills for the disposal of municipal waste. The EU is requiring Bulgaria to decrease the number of landfills and build regional landfills to serve a group of municipalities. There is a critical need to find more environmentally friendly ways to handle hazardous, solid, and industrial waste. There are a few projects underway for the construction of solid waste treatment plants but nothing has been finalized yet. The market is not very receptive to composting projects.

Here are some of the OPE's priorities –the construction of municipal systems for the separate collection of biodegradable waste, the construction of plants for the pre-treatment (sorting and separation) of waste, including improvements to already existing transfer stations; the construction of plants for the pre-treatment (sorting and separation) of the hazardous waste from the waste stream.

## **Opportunities**

[Return to top](#)

Bulgaria boasts a well-educated labor force, one of the lowest wage rates in EU, and a strategic geographic location. EU membership offers additional opportunities as Structural and Cohesion funds are financing major infrastructure projects.

## **Web Resources**

[Return to top](#)

Ministry of Environment and Water - <http://www.moew.government.bg/?&lang=en>



## 4) Information and Communications Technologies

- In billion USD

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	1.6	1.1	1.2	1,4
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	0.231	0.250	0.268	0,290
Total Imports	n/a	n/a	n/a	n/a
Imports from the US	0.09	0.019	n/a	n/a

**Notes:** Publically available statistical data in Bulgaria is scarce and unreliable. These figures have been estimated using available information and industry contacts.

### Overview

[Return to top](#)

New opportunities are present in the ICT sector as Bulgarian companies must increase their competitiveness in the EU and the Bulgarian Government must comply with EU directives and legislation concerning the digital economy. Bulgaria has a long tradition in the IT and electronics sectors and it is still known as the Silicon Valley of Southeastern Europe. Bulgaria's ICT sector proved to be the most flexible and prepared for the financial crisis. Revenue from the ICT sector amounts to about 10% of the total GDP. After its penetration in Bulgaria, many Bulgarian ICT companies were ready to counter the difficulties with successful partnerships and projects abroad. Bulgaria has a highly-qualified and inexpensive pool of IT specialists working in the field, but as the sector has expanded, the education system has not kept up with demand and the number of available jobs soon will exceed the number of graduates in IT fields.

International ICT companies find Bulgaria attractive because of the 0% export tax, the low costs and the skilled local workforce. A number of foreign companies are opening global call/service centers in Bulgaria.

### Sub-Sector Best Prospects

[Return to top](#)

Sub-sectors of emerging importance include cybersecurity, e-health, e-education, automotive electronics, intelligent transportation and smart grid technologies.

Additional prospects for U.S. providers include broadband Internet access technologies; consumer electronics (mainly smart phones and tablets); educational software; software for the financial services sector; ERP software; analytical software; telecommunications equipment; innovation center set-up services, cybersecurity solutions, and others.

## Opportunities

[Return to top](#)

There are opportunities for participation in tenders for the sale of IT solutions (computers, peripherals, software, servers and other hardware technologies) for government procurement. Moreover, the Bulgarian Government and many private companies have undertaken various information and communication initiatives that will provide major opportunities. The EU Operational Program on Good Governance and the EU Program on Rural Development have allocated funding for broadband access throughout Bulgaria, e-government services and other ICT projects. There is EU funding available for innovations.

## Web Resources

[Return to top](#)

Ministry of Transport and IT-- <http://www.mtitc.government.bg>

Ministry of Environment and Water-- <http://www.moew.government.bg/?&lang=en>

## 5) Franchising

- **By the numbers**

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	n/a	n/a	n/a	n/a
Total Franchisors	92	110	120	n/a
Total Franchisees in BG	144	180	185	n/a
US Franchisors	15	16	17	n/a

**Note:** Publically available data in Bulgaria is scarce and unreliable. These figures have been estimated using available information and industry contacts.

## Overview

[Return to top](#)

Franchising in Bulgaria has been growing by more than 20% annually for five years in a row, according to a survey by Franchising.bg, a local consulting company.

The first international franchisors appeared in Bulgaria during the Soviet era, and included Sheraton Hotel and Coca-Cola. Despite this 30-year franchise history, most international franchises have opened relatively recently, and between 2006 and 2012 their number more than doubled. Since then, the market for franchises has grown quickly, and in 2012 the total number of franchise units of both international and domestic companies increased to 3,348. While the financial crisis certainly hurt the industry, and forced approximately 8% of franchisors out of business, Domino's Pizza predicts that in 2015 the number of franchise units will increase. The recession hit real estate franchisors the hardest, due to their reliance on cheap credit, and had the least effect on fast food franchises.

In terms of attracting new franchisors, Bulgaria has strong potential for U.S. companies. Recent years, excluding the financial crisis, have seen significant increases in disposable income and the growth of a middle class lifestyle that is receptive to western brands. Because of their

western image, brands that compete in the United States based on price can sometimes charge higher prices in Bulgaria. Although in recent years several international companies have opened branches, the Bulgarian market for international franchises continues to be largely untapped. As more and more Bulgarians engage in international travel, the recognition of American brands continues to grow. Because of their greater name recognition, large international brands are especially attractive to investors. For the same reason, trademark and IP protection can present problems.

Although there is a high number of global franchisers entering the Bulgarian market, about 56% of all franchisees in Bulgaria belong to Bulgarian companies.

The average franchising fee in Bulgaria at present is about BGN 17,825, which is about USD 12,250 (for comparison, the same fee is over USD 40,000 in the USA).

Franchising is most apparent in the fast-food sector, with many local and internationally recognized fast-food franchises operating in Bulgaria. For instance, one of the top fast-food chains by number of locations, Subway, now has 34 restaurants in Bulgaria, and the number McDonald's restaurants grew to 37.

The Bulgarian retail market is now ready for the many products and services that are typically marketed and sold internationally through franchise stores. Bulgarian consumers are looking for retailers that can provide a consistent selection of quality products, reasonable prices and good service. Bulgarian entrepreneurs are also eager to obtain marketing and management expertise. The Bulgarian legal framework is very accommodating to foreign franchises. Currently, there are no franchise laws or specific regulations pertaining to this business model. In general, no specific registration or government approval is required in order to establish a franchise enterprise.

Among the most visible brands in Bulgaria are: KFC, Dunkin Donuts, Subway, Domino's Pizza, Berlitz, ERA, Century 21, Remax, GNC, and Wilson Learning. The recent entries by Accore Hotels(1), RIU Hotels(5), Double Tree by Hilton(1), Best Western hotels (9) Holiday Inn, Subway, Dale Carnegie, Domino's Pizza and Starbucks, demonstrate that the franchise concept is becoming popular as the local market matures. McDonald's is the most visible franchise around the country. It employs over 1,000 Bulgarians and serves over 6 million customers a year. Dunkin Donuts, KFC and Burger King Restaurants all benefited from strong attendance due to the construction of new malls in big cities like Sofia, Stara Zagora, Plovdiv and Bourgas.

### **Sub-Sector Best Prospects**

[Return to top](#)

Sectors with the most potential for U.S. franchisers include automotive products and services, restaurants, coffee shops, lodging (hotels), laundry/dry-cleaning, hotel management, real estate brokerage, nutrition and supplement industry products, and employment/educational/training services. Good franchise opportunities also include convenience stores, ice cream/yogurt stores, hardware stores, marketing/public relations, specialty retail stores, commercial and residential cleaning, recreation facilities/equipment and services, baked foods, candy and snacks.

### **Web Resources**

[Return to top](#)

<http://expo.franchising.bg> Franchising Expo in Bulgaria  
[www.franchising.bg](http://www.franchising.bg) Franchise Opportunities in Bulgaria

## 6) Power Generation, Oil & Gas, Renewable Sources of Energy and Energy Efficiency

- in thousands USD

	2012	2013	2014 – to present	2015 (estimated)
Total Market Size	71 939	151 034	26 792	n/a
Total Local Production	43 313	45 349	8927	n/a
Total Exports	1473	4449	498	n/a
Total Imports	30 099	110 134	18 363	n/a
Imports from the US (% of the total country imports)	17.10%	34.5%	36.4%	n/a
Exchange Rate: 1USD	1.4786 BGN	1.4501 BGN	1.4271 BGN	n/a

**Notes:** Publically available statistical data in Bulgaria is scarce and unreliable. These figures have been estimated using available information and industry contacts.

### Overview

[Return to top](#)

Bulgaria, as a European Union member state, is expected to implement the Union's energy policy and meet its complex regulatory, energy efficiency and climate change objectives. That position is challenging, but it also presents opportunities to decision-makers in Sofia and foreign companies interested in the Bulgarian energy market.

Bulgaria's energy market remains heavily monopolistic and there is virtually no price discovery on free markets in the country. There is a regulated and an unregulated or free segment of the market. Prices on the regulated market, the larger of the two segments, are fixed, reference or formula-based, indicating the very low levels of competition in the energy sector. The regulatory regime is unpredictable and American companies have faced problems with enforcing existing contracts.

Bulgaria has a fairly diverse energy mix, but it is highly dependent on imported fuels from a single source, namely oil and natural gas from Russia. Bulgaria's energy dependency is below the EU-28 average, but this is only due to the fact that nuclear fuel is considered a local energy source. This is not the case, however, as Bulgaria is 100% dependent on Russia for its nuclear fuel, technology, and high-grade radioactive waste management.

Domestic production includes nuclear energy and solid fuels, such as lignite, which are also the main fuel for electricity generation, as well as small quantities of gas. The role of renewable energy sources (wind, solar, biomass, and hydro) has been increasing in recent years, and renewables now make up nearly 20% of the electricity produced in Bulgaria. However, since

January 1, 2014, renewables producers have been subject to a 20% tax on their revenue, which has made investment in this sector less profitable.

Bulgaria's role as an electricity exporter in the region has decreased following the closure of two nuclear reactors as part of an agreement for EU accession. However, Bulgaria is still a net exporter of electricity to neighboring countries. There are plans to restore its nuclear capacity through the construction of new capacities or a new unit at the existing nuclear power plant (NPP).

Energy efficiency and energy security are critical to Bulgaria's productivity and competitiveness in the long-run. Secure, affordable, and environmentally friendly energy supplies will accelerate Bulgaria's recovery from the economic crisis and return to sustainable growth rates.

Currently, most thermal electricity generation capacity is privatized, and the new renewables sector (wind, solar, small hydro, and biomass) is fully privatized. Large hydropower plants and nuclear plants are still state owned. All the electricity distribution companies are privately owned. Currently, there is about 12,668 MW of installed capacity in Bulgaria. The existing assets in Bulgaria have been sufficient to meet and exceed domestic demand, and they have created opportunities for exporting electricity.

## **Sub-Sector Best Prospects**

[Return to top](#)

### **Gas**

Bulgaria's domestic market for natural gas is only 3 billion cubic meters (bcm) per year, 90% of which is currently provided by Russia. However, Bulgaria does have an extensive system of transit gas pipelines that serve the needs of neighboring Turkey, Greece, and Macedonia, also with Russian gas. According to baseline estimations, by 2022 Bulgaria will need 4.5 billion cubic meters of gas per year, but local production will only account for 1.5 billion. The best prospects for the discovery of conventional natural gas are located offshore. However, most of these areas have yet to see a well drilled.

On April 18, Bulgaria opened new tenders to award five-year oil & gas exploration licenses for the Teres and Silistar offshore blocks in the Bulgarian Black Sea shelf. The official tender notice was published in the Official Journal of the European Union. Bids are due no later than September 20.

Some depleted fields are being considered for the construction of underground gas storage (UGS). There are also plans to expand the only existing UGS located at Chiren. USD 330 million would be needed to expand the storage facility in Chiren. Bulgaria currently has a legal moratorium on exploration for unconventional gas from shale via hydraulic fracturing.

### **Oil**

Domestic oil resources in Bulgaria are very limited, there are only about 15 million barrels, and production is marginal. Import, export, and trade in crude oil and refined products are completely liberalized. All the crude oil and the considerable quantities of refined products are imported from Russia. Russia's Lukoil also owns the only refinery in the country. Bulgaria strives to become an oil producer and in 2012 awarded 5-year licenses for offshore oil and gas exploration to the French TOTAL, in the location 1-21 Khan Asparouh. Two other companies, the Spanish Repsol and the Austrian OMV, are included as partners. According to the estimates of these companies, 100 billion cubic meters of recoverable reserves lie beneath these waters, along with significant amounts of oil.

## **Smart Grids**

The existing Energy Strategy of Bulgaria foresees the replacement of ordinary power transmission networks with smart grids that will help Bulgaria achieve energy independence and flexibility. According to the National Action Plan on Renewable Energy Sources, smart grids were going to be deployed in Bulgaria in 2012, but this never occurred because of a lack of resources. Bulgaria will seek EU funds for the replacement of conventional electricity meters with smart ones. However, without money from the EU, the cost of replacing old meters with smart ones will fall to consumers who will see higher bills from their providers. The distribution companies operating in Bulgaria (CEZ, EVN and Energo-Pro) will have to seek funds and devices to this end.

## **Nuclear Energy**

The existing 2011 Bulgarian National Energy Strategy states that nuclear energy will be supported institutionally not only because it is a promising resource for generating emission-free electricity, but also because of the successful operation of nuclear plants and the capabilities of plant operations over the years. That support is contingent upon applying high security, safety, nuclear waste management and decommissioning standards.

According to the existing National Energy Strategy, Bulgaria is strongly considering using nuclear energy because it is extending the life of units 5 and 6 at Kozloduy NPP and considering building new units. The main activities in the field of nuclear energy are related to decommissioning and the safe operation of the existing two units (5 and 6) at the Kozloduy NPP. Bulgaria has a total of 4 reactors to decommission and they are at various stages decommissioning, with units 3 and 4 just starting the process. The government is currently in negotiations with Westinghouse for the construction of a new unit at the Kozloduy NPP using U.S. technology. This project may generate opportunities for hundreds of sub-contracts to local and international companies. However, the continuation of this project is contingent upon finding a strategic investor. Bulgaria's nuclear sector also offers opportunities in the area of nuclear safety and radiation protection, as well in technical support for the regulatory body and for the education system in related fields.

## **Biomass**

With recent changes to the law and strong government support for the biomass sector, Bulgaria could become a promising biomass energy market in the next few years, if the regulatory system does not remain unstable. In view of maturing biomass markets in Germany, Austria, France, the UK, the Czech Republic, Slovakia and Italy, Bulgaria represents a stable investment environment in South-East Europe with clear rules and fair FIT rates. Currently Bulgaria's total installed biomass capacity for electricity generation is less than 7 MW, presenting huge growth opportunities for the next 2 years. However, the latest legal changes have cut support for biomass with the exclusion of biomass from waste. Therefore, potential investors should make sure that the technology they intend to invest in is supported by local policies.

## **Energy Efficiency**

Bulgaria's energy intensity remains the highest in the EU, four times the EU average if using GDP at real prices. There are energy saving opportunities across the whole economy and energy chain. Challenges to the efficient transformation and use of energy have been persistent in the transport, residential, and industrial sectors.

## **Electricity Generation**

The EU has mandated the full liberalization of the Bulgarian market by Jan. 1, 2015, which will likely usher in higher prices, and Brussels is seeking to untangle Bulgaria's energy situation to ease the transition.

Currently, the power sector in Bulgaria faces a number of challenges, which can be addressed with the integration of smart grid technologies and specific balancing capacities. The Bulgarian electric power system incurs many non-technical losses (NTL).

### **Transmission Grid**

Bulgaria's transmission lines are operating across great distances, resulting in large energy losses. To connect the new planned facilities to the grid, Bulgaria has to increase the transmission system capacity. However, investments in traditional transmission capacity alone will not be enough to guarantee the system's stability because of the intermittent nature of the many new renewable energy power plants. An integrated strategy of smart grid development would help secure transmission system reliability.

Ownership of the grid was transferred from the National Electric Company to the Electricity System Operator (ESO). ESO currently owns and operates the high voltage grid and is responsible for its maintenance and development. The low voltage grid is operated and maintained by three utility companies (CEZ, EVN, and EnergoPro) that are natural monopolies in Bulgaria. There are opportunities for U.S. companies to participate in the rehabilitation and extension of the Bulgarian power transmission network. The EU provides funding for a number of projects of "common interest" to its member states, which is an effective incentive for investing in the development of the transmission grid. Distribution grids are maintained by private utility companies, which are currently subject to regulatory action that is likely to reduce their profitability.

### **Coal**

The State-owned Maritsa East 2 TPP announced plans to acquire a BGN 50-million or USD 34.7 million loan to finance partial modernization activities. These activities will allow the TPP to comply with EU regulations on harmful emissions, more specifically with regulations on NOx emissions that are starting in 2016. The largest lignite-based thermal power plant in the Balkans is planning to construct two new units (9 and 10) at their site. Maritza East 2 TPP is one of the main sources of electricity in Bulgaria, having eight units with an installed capacity of 1,600 MW.

### **Opportunities**

[Return to top](#)

The major rehabilitation of existing capacities creates good opportunities for U.S. companies in Bulgaria. Firms providing solutions that will increase Bulgaria's energy independence and energy efficiency will also find excellent opportunities. Bulgaria is looking for energy providers other than Russia to secure its oil and natural gas supplies, amid continuous pressure from Gazprom and Lukoil.

The best prospects for U.S. companies are exports of electrical power systems and activities related to the construction of new power capacities and related subcontracts, energy network design and construction, co-generation and district heating equipment and technologies, improvement and maintenance of street lighting, management of spent nuclear fuel, electricity/heat consumption meter reading equipment, smart grids, upgrading of boilers and electro precipitators (solid emission) and the supply of Flu Gas desulphurization installations for the thermal energy sector. The coal mining sector and its rehabilitation also provide

opportunities for American companies specialized in mining consulting, as well as mining equipment and technologies. There are also opportunities for companies that can improve the energy efficiency of lignite mines. In the gas sector, opportunities include: technology and services for the expansion of gas storage capacities, equipment for the control of shipments and transit of gas via Ukraine, and services related to the construction of gas interconnections with Romania and Greece.

Companies with very good opportunities in the next three years include those specializing in the regulation of power and natural gas utilities, retail energy hedging/ trading, oil & gas exploration and production, drilling for conventional gas/oil, equipment and field services, transportation, storage and processing, as well as refining. The services and equipment of US firms specializing in biomass, fuels and bio fuels are also very well received.

It is expected that in the next few years, U.S. exporters offering technologies, know-how and other consulting services in energy efficiency will be able to expand their presence in Bulgaria. Despite the large market share of European suppliers and manufacturers in the power industry sector, American producers specializing in nuclear reactors, machinery, boilers, and mechanical appliances have favorable prospects for exporting equipment, machinery or services. These exports from the U.S. grew from USD 30,981,831 in 2012 to USD 40,427,656 in 2013.

## Web Resources

[Return to top](#)

Bulgargaz [www.bulgargaz.bg](http://www.bulgargaz.bg)

National Electric Company [www.nek.bg](http://www.nek.bg)

Kozloduy NPP [www.kznpp.org](http://www.kznpp.org)

Ministry of Economy, Energy and Tourism [www.mi.government.bg/](http://www.mi.government.bg/)

State Energy and Water Regulatory Commission [www.dker.bg](http://www.dker.bg)

Energy Efficiency Agency [www.SEEA.government.bg](http://www.SEEA.government.bg)

Bulgarian Wind Energy Association <http://bgwea.org>

[Return to table of contents](#)

## Agricultural Sectors:

EU membership has had a significant impact on the trade of food and agricultural products in Bulgaria. Certain opportunities for U.S. exporters, like poultry, have all but disappeared, while others, listed below, have expanded. There are also several new market opportunities for new food products. In general, Bulgarian agricultural and food imports from the U.S. will increasingly resemble U.S. exports to other EU member states that are heavily weighted toward consumer-oriented and high-value products.

In 2014, the consumer oriented products category and the agricultural related products category accounted for 34% and 20%, respectively, of total agricultural exports to Bulgaria. The intermediate products category accounted for 24%, followed by bulk products, which was 22%. The demand for these products will grow due to the expanding share of disposable income that the retail and food service sectors will take in.

Prior to 2014, there was a visible shift in trade and consumption trends within certain product groups toward more expensive, higher-quality products, including distilled spirits, snack foods, tree nuts, seafood, and soft drinks. This trend has remained stable despite Europe's economic and financial turmoil.



Despite economic challenges, in 2014, U.S. agricultural exports increased by more than 16% year-over-year and 35% compared to 2013, due to the persistent policy advocacy and marketing efforts of FAS Sofia.

Although improvements in the country's economic situation are projected for 2015, lower-than-average consumer income will continue to limit the imports of US Products.

In 2015, the business environment for trade should be more efficient as it further converges with EU norms. Trade practices are showing a shift from direct to indirect imports through wholesalers/importers within the EU that have longstanding relationships with U.S. suppliers. This practical shift reflects the efficiencies sought by importers who can source small lot/partial container quantities at more affordable prices.

Due to growing investment and rising demand in the agricultural sector, U.S. export prospects are expected to continue to improve for agricultural inputs. These inputs include animal feed and feed additives, bovine and other animal genetic material, live animals, seeds, planting materials, and raw materials such as cotton, wool, powdered milk, and egg powder.

The major competition of U.S. food products remains products from other EU member states and from the increasing output of local products resulting from rising foreign direct investment in this sector.

The following agricultural/food products hold the best market prospects:

1) Distilled spirits

With Bulgaria's accession to the EU, export opportunities in this sector have expanded. In 2014, Bulgaria's imports of distilled spirits (whiskey HS: 220830) reached USD 62.1 million, an impressive 16.5 % increase over 2012. Sales from January 2015 show a 30% increase over January 2014. (source: World Trade Atlas).

In 2014, U.S. exports of distilled spirits reached a new record of USD 7.492 million, or an almost 8% increase over 2013. (source: USDA GATS report). The market is stable with a large assortment of brands and strong prospects for even greater levels of imports.

With EU accession, import duties declined to zero for most products. Competition is strong as EU producers benefit from the same low tariff levels and more stringent regulatory requirements that assist U.S. products.

2) Nuts/Tree Nuts

The Bulgarian market for U.S. origin tree nuts has grown from USD 1.3 million in 2006 to USD 11 million in 2014. From 2013 to 2014, U.S. exports grew 26.6%. U.S. almonds are in highest demand, followed by U.S. pistachios. In 2013, U.S. peanuts were introduced to the market, growing from zero to USD 1.99 million. U.S. peanut exports totaled USD 2.2 million in 2014 (source: Bulgarian National Statistical Institute).

Expanding availability via more food service outlets, rising tourism and a growing middle-income class translates to expanding demand. In 2014, prospects for U.S. suppliers remained stable due the U.S.' recognized quality, a favorable tariff and regulatory regime, a lack of local competition and growing demand.

3) Wine

In 2011 and 2012, the wine market enjoyed steady growth and increased diversity and quality. The high-end imported wine segment showed the most dynamic and strong market presence. In 2014, Bulgaria's wine imports reached over USD 15.3 million. January 2015 saw a 52% increase compared to the same period in 2014. In terms of volume, imports declined 29% in 2014, which confirmed the trend towards the trade of higher quality wines on the market.

Imported wines have a stable presence on the Bulgarian market due to modern trade development, slowly but steadily improving consumer income, new lifestyles and active promotion. In the food service sector, sales are led by imported wines as strong demand enables the products to compete with local ones. In the retail sector, U.S. wines have a limited presence. Although the wine market is not very large, it is highly competitive. Competition comes mainly from Italy, Chile, Spain, France, South Africa, and locally produced wines.

#### 4) Snacks/Cereals

In the snack food sector, U.S. companies face stiff competition from EU producers. Snack foods are generally sourced from other EU member states, or are produced locally as a result of foreign direct investment, including some from the U.S. Bulgaria does not have a tradition of producing or consuming high-quality and/or price-competitive snack foods. Consumption, however, has been growing, thanks to changing consumer tastes. These changing tastes are resulting from broader travel, effective marketing by snack foods companies, rising incomes, and expanding tourism.

In 2014, U.S. snack foods exports reached USD 0.62 million which was 40% more than in 2013. Popcorn comprises the bulk of U.S. snack food imports and prospects for 2015 remain good. Local production of confectionery products continues to grow as a result of investment by EU-based companies. Currently, only a few local Bulgarian snack food producers exist, but their market share is rising. Local consumers perceive U.S. products as high quality and competitively priced. U.S. microwave popcorn, breakfast cereals, and some types of confectionery products are most popular.

#### 5) Prepared food

In 2012 and 2013, U.S. prepared food exports experienced good, stable growth, topping USD 1.6 and USD 2 million respectively. In 2014, exports decreased slightly to USD 1.84 million. This category includes products such as processed peanuts, soups, mixes for dough, pastries, gelatin and others. This growth is due to development of the local food industry and the convenient food segment. Prospects are good and moderate growth is expected in the near future.

#### 6) Seafood

Over the past 10 years, Bulgaria has been a net importer of fish and seafood. In 2014, the import market topped USD 87 million, which was 6.6% more than in 2013. In terms of volume, imports reached 30,329 MT, which was only 0.1% lower than in 2013. Still, more than 80% of total imports are frozen fish. Over the past three years, U.S. seafood exports have increased. In 2013, U.S. seafood exports topped USD 0.6 million, which was 214% more than the year

before. In 2014, it increased by another 27% and reached USD 0.76 million. Most imports consist of frozen fish, including pink and chum salmon, loligo squid, Alaska pollock, hake, mackerel. However, lobsters and other higher-end seafood products are also imported. In 2009, the mackerel import value reached USD 2.8 million then dropped in response to an advantageous tariff that was offered to South American suppliers. Actual imports from the U.S. are higher due to transshipments through other EU countries, mainly via Greek and Romanian ports. Prospects for seafood imports remain very good due to steady market development. The demand for seafood is supported by the expansion of retail and food service outlets which sell consumer-ready and ready-to-eat products.

#### 7) Pulses

Bulgaria's pulse market is well developed with favorable demand and high per capita consumption. Dry beans and lentils are traditional foods that have seen local production recede in the wake of less expensive imports. U.S. exports of pulses grew from none in 2012 to USD 0.45 million in 2013 and to USD 1.4 million in 2014. In 2014, total pulse imports reached USD 27.9 million, which was 9.5% more than in 2013, or 26,720 MT in terms of volume. Prospects are very good due to increasing product diversification on the market. Furthermore, consumer tastes are developing towards more higher-value pulses and new products.

#### 8) Soft drinks/waters/juices

The soft drinks market is a one of the country's most dynamic. In 2014, soft drinks imports reached USD 66.5 million (HS: 2201; 2202; 2009). U.S. exports totaled USD 0.46 million; however, this reflects a 37% increase over 2013. Major market competitors are companies in Austria, Romania, Greece, Serbia, and Poland whose market share collectively exceeds 75%. Proximity, lower freight costs and traditional ties are keys to their competitiveness. The consumption of waters, juices and energy drinks continues to increase along with the rapid development of the hotel/restaurant sector. The Association of Soft Drinks Producers predicts that local consumption will increase over the next few years. U.S. producers successfully compete with juice concentrates, almost all of which are currently imported. They also successfully compete with certain juices meant for direct consumption that are higher quality and can be differentiated from local products. For example, cranberry juice and other frozen juices would be very popular with Bulgarian consumers if they were price competitive.

#### 9) Cattle genetics

Over the last three years, the Bulgarian dairy farm industry has significantly increased its demand for high quality genetic materials, both for live animals, imported mainly from the EU, and for semen and embryos, imported mainly from the U.S. Estimates from 2014 show that the U.S. comprises over 30% of the total genetics market. Although the size of the current market is not big, the potential for growth is substantial. There is increased demand for high-tech dairy and beef cattle genetics from genomically tested bulls. In 2014, U.S. exports grew by 6.7% to USD 0.13 million. Both the trade regime, which has no import duties, and the veterinary requirements are favorable, along with fast growing local demand.

#### 10) Plant genetics/Planting Seeds

U.S. plant genetics is caught in a thriving agricultural sector. Although imports from the U.S. are limited due to EU regulatory barriers, certain types of U.S. planting seeds are showing increased demand. Some examples of these seeds include confectionary planting seeds and certain types of oil-bearing sunflower planting seeds. In 2014, imports grew sharply to USD 7.3

million compared to only USD 0.32 million in 2013. Similar trends exist for popcorn genetics as well. In 2014, Bulgaria's total imports of planting seeds exceeded USD 57.5 million with 14.6% annual growth over 2013. In 2014, sunflower seeds imports totaled USD 83.4 million with an annual growth of 6.7% compared to 2013.

## Chapter 5: Trade Regulations, Customs and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

### Import Tariffs

[Return to top](#)

Bulgaria joined the EU on January 1, 2007, and became part of the EU customs union. Most Bulgarian customs provisions were replaced with their respective EU regulations, including the Community Customs Code, the Integrated Community Tariff (TARIC) and implementing provisions.

TARIC has been designed to show the various rules that apply to the importation of specific products into the EU's customs territory. In some cases, it also shows exportation regulations. To determine if a license is required for a particular product, check the TARIC.

The TARIC can be searched by country of origin, Harmonized System (HS) Code, and product description on the interactive website of the Directorate-General for Taxation and the Customs Union. The online TARIC is updated daily.

Key Link:

[http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/tariff\\_aspects/customs\\_tariff/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm)

### Trade Barriers

[Return to top](#)

Bulgaria remains a relatively open market, but certain administrative requirements and processes are potential non-tariff trade barriers. The lack of adequate protection for intellectual property, and the need for greater transparency and predictability in the regulatory environment are common market access issues for U.S. firms. This chapter and the section on standards describe import requirements that may be considered trade barriers.

For information on existing trade barriers, please see the National Trade Estimate Report on Foreign Trade Barriers, published by USTR and available through the following website:  
[http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset\\_upload\\_file348\\_15473.pdf](http://www.ustr.gov/sites/default/files/uploads/reports/2009/NTE/asset_upload_file348_15473.pdf)

Information on agricultural trade barriers can be found in the following website:  
<http://www.fas.usda.gov/posthome/useu/>

To report existing or new trade barriers and get assistance with removing them, contact either the Trade Compliance Center at <http://www.trade.gov/tcc> or the U.S. Mission to the European Union at <http://www.buyusa.gov/europeanunion> .

## Import Requirements and Tariffs

[Return to top](#)

Customs valuation is based on the transaction value, which is the price actually paid or payable for a good, defined in BGN. The dutiable value consists of the purchase price, all the transportation costs, including loading and unloading, the insurance charges, the commissions, the royalties, and the license fees. After the calculation of the customs duty, all U.S. imports are subject to a 20% Value Added Tax (VAT), which is levied at the time of customs clearance. Some commodities are also subject to excise duties.

Goods are declared with a customs declaration either by a commercial or other document. Customs authorities may carry out a post-clearance examination of relevant documents or data. In addition to the customs declaration, other required documents include an invoice or pro forma invoice, a certificate of origin or a certificate of the movement of the goods in order to take advantage of preferential customs treatment, transport documents, an insurance policy, a specification, an Economic Operators Registration and Identification number (EORI) and a packing list. A veterinary or phyto-sanitary certificate is necessary for goods of animal or plant origin. Customs authorities may require other documents, such as a commercial treaty or a laboratory analysis.

As of January 2011, the European Commission Safety & Security regulations and the Advance Cargo Declaration are mandatory for all goods leaving, arriving or moving through the European Community. A document issued by the correct State authority is required in case the goods are subject to a specific import procedure or a special import regulation is applied (permits, registration).

### **Permits (Licenses)**

According to Decree 289/2009, a permit is required before the entry of the following products: nuclear materials, explosives, arms, dual-use commodities, plant protection products, and pharmaceuticals for human medicine. This is a non-automatic licensing process.

Bulgarian Customs exercises control over the export, import, re-export and transit of arms and dual-use goods and technologies. Bulgarian regulations follow the EU list of dual-use goods, which includes goods and technologies in the nuclear weapon, chemical and biological warfare and missile areas. A permit issued by the Commission for Control and Permission for Foreign Transactions in Arms and Dual-Use Goods and Technologies of the Ministry of Economy and Energy is required for the transit of and transactions, including import, export and re-export, with dual-use goods and arms, regardless of the destination. More information on dual-use and arms export control is available from the Interministerial Commission for Export Control and Non-Proliferation of Weapons of Mass Destruction, [www.exportcontrol.bg](http://www.exportcontrol.bg)

If a company needs to know whether a good is a controlled item, they need to search for items that are comparable in the Lists of the controlled items, namely:

for import: Decree (CoM) No. 289 / 2009

for export and re-export: Annex I to Council Regulation (EC) No. 428/2009

for transfer: Annex IV of Council Regulation (EC) No. 428/2009

## **Special Import/Export Requirements and Certifications**

### **REACH**

REACH is a major reform of the EU chemicals policy. It was adopted in December 2006 and it became a national law in the EU's 27 member states in June 2007 (Regulation 1907/2006). Virtually every industrial sector, from automobiles to textiles, is affected by the new policy. REACH stands for the "Registration, Evaluation and Authorization and Restriction of Chemicals." Since June 1, 2008, REACH has required that chemicals produced or imported into the EU in volumes above 1 ton per year be registered with a central European Chemicals Agency (ECHA). Information must be provided on the properties of the chemicals, their uses and the safest ways to handle them. Chemicals pre-registered before December 1, 2008 benefit from extended registration deadlines that range from three to eleven years, depending on the volume of the substance and its hazardous properties. U.S. companies without a presence in Europe cannot register directly and must have their chemicals registered through their importer or EU-based 'Only Representative of non-EU manufacturer'. A list of Only Representatives can be found on the website of the U.S. Mission to the EU: <http://www.buyusa.gov/europeanunion/reach.html>.

U.S. exporters to the EU should carefully consider the REACH 'Candidate List' for substances of very high concern. Substances on that list are subject to communication requirements, and, at a later stage, may require authorization for the EU market. For more information, see the ECHA website:

[http://echa.europa.eu/chem\\_data/authorisation\\_process/candidate\\_list\\_table\\_en.asp](http://echa.europa.eu/chem_data/authorisation_process/candidate_list_table_en.asp)

### **WEEE & RoHS**

EU rules on Waste Electrical and Electronic Equipment (WEEE), while not requiring specific customs or import paperwork, may entail a financial obligation for U.S. exporters. They require U.S. exporters to register the products with a national WEEE authority, or arrange for this to be done by a local partner. Similarly, related rules for EEE Restricting the Use of Hazardous Substances (RoHS) including lead, cadmium, mercury, hexavalent chromium, PBBs, and PBDEs, do not entail customs or importation paperwork. However, U.S. exporters may be asked by a European RoHS enforcement authority or by a customer to provide evidence of due diligence and compliance with substance bans on a case-by-case basis. The WEEE and RoHS Directives are currently being revised to enlarge their scope and add substances to be banned in electrical and electronic equipment; U.S. exporters seeking more information on WEEE and RoHS regulations should visit: <http://www.buyusa.gov/europeanunion/weee.html>

Products for human consumption should be analyzed in approved local laboratories in cooperation with local authorities. The State Agency for Standards and Metrology strictly enforces Bulgarian quality standards, which do not always coincide with generally accepted international standards. Foreign certificates may or may not be considered adequate. After approval is issued, the commodities may be sold on the local market

### **Agricultural Documentation**

Phytosanitary Certificates: Phytosanitary certificates are required for most fresh fruits, vegetables, and other plant materials.

Sanitary Certificates: For commodities composed of animal products or by-products, EU countries require that shipments be accompanied by a certificate issued by the correct authority

of the exporting country. This applies regardless of whether the product is for human consumption, for pharmaceutical use, or strictly for non-human use, such as in veterinary biologicals, animal feeds, fertilizers, and research. The vast majority of these certificates are uniform throughout the EU, but the synchronization process is not complete. During this transition period, certain member state import requirements continue to apply. In addition to the legally required EU health certificates, a number of other certificates are used in international trade. These certificates, which may also be synchronized in EU legislation, certify origin for customs purposes and certain quality aspects. Up-to-date information on synchronized import requirements can be found at the following website:

<http://www.fas.usda.gov/posthome/Useu/certificates-overview.html>

**Sanitary Certificates (Fisheries):** In April 2006, the European Union declared the U.S. seafood inspection system equivalent to the European one. Consequently, a specific public health certificate must accompany U.S. seafood shipments. Commission Decision 2006/199/EC lays down specific conditions on imports of fishery products from the U.S. However, the U.S. shellfish sanitation system is not equivalent to the EU's system.

The EU and the US are currently negotiating a veterinary equivalency agreement on shellfish. In the meantime, the EU has put a ban in place since July 1, 2010, that prohibits the import of US bivalve mollusks, in whatever form, into the EU. This ban doesn't apply to wild roe-off scallops.

With the implementation of the second Hygiene Package, aquaculture products coming from the United States must be accompanied by a public health certificate according to Commission Decision 2006/199/EC and the animal health attestation included in the new fishery products certificate, covered by Regulation (EC) 1250/2008. This animal health attestation is not required in the case of live bivalve mollusks intended for immediate human consumption (retail).

Since June 2009, the U.S. authority responsible for issuing sanitary certificates for fishery and aquaculture products is the U.S. Department of Commerce, National Marine Fisheries Service (NOAA-NMFS).

In addition to sanitary certificates, all third countries wishing to export fishery products to the EU are requested to provide a catch certificate. This catch certificate certifies that the products in question have been caught legally.

For further information on the issuance of this specific certificate please see the link below.

For detailed information on import documentation for seafood, please contact the NOAA Fisheries office at the U.S. Mission to the EU ([stephane.vrignaud@trade.gov](mailto:stephane.vrignaud@trade.gov)) or visit the following NOAA dedicated web site: [http://www.seafood.nmfs.noaa.gov/EU\\_Export.html](http://www.seafood.nmfs.noaa.gov/EU_Export.html)

## **U.S. Export Controls**

[Return to top](#)

For the export of sensitive technologies to Bulgaria, U.S. exporters should consult the U.S. Department of Commerce Bureau of Industry and Security web site <http://www.bis.doc.gov> for specific U.S. export licensing requirements.

## **Temporary Entry**

[Return to top](#)

Products may be imported into Bulgaria on a temporary basis as long as they are not prohibited by law. The entry of samples and products for trade exhibitions is allowed. Commodities intended for re-export, that aren't subject to any changes in their characteristics, may be totally or partially exempt from customs duties. In practice, customs requires a deposit equivalent to



the assessed duties or a bank guarantee during the temporary import period. Bulgaria is party to the Customs Convention on Carnet (ATA) for Temporary Import of Goods.

**More information on ATA:** *The purpose of the Convention on temporary admission is to simplify procedures for temporary imports of certain kinds of goods, including professional equipment, goods for exhibitions, etc. The ATA Carnet is a customs document intended to perform temporary importation and temporary exportation and it also serves as a transit document for the transit of goods to the country of temporary importation.*

Apart from temporary import, the law sets out procedures concerning transit, customs warehousing, inward processing, processing under customs control, and outward processing. The law provides for public and private bonded warehouses.

## Labeling and Marking Requirements

[Return to top](#)

An overview of EU mandatory and voluntary labeling and marking requirements has been compiled in a market research report that is available at:

[http://www.buyusainfo.net/docs/x\\_4171929.pdf](http://www.buyusainfo.net/docs/x_4171929.pdf)

## Prohibited and Restricted Imports

[Return to top](#)

The EU's Common External Customs Tariff, TARIC, has been designed to show the various rules applying to specific products being imported into, and in some cases, exported from the customs territory of the EU. To determine if a product is prohibited or subject to restriction, check the TARIC of that product for the following codes:

CITES	Convention on International Trade of Endangered Species
PROHI	Import Suspension
RSTR	Import Restriction

For information on how to access the TARIC, see the Import Requirements and Documentation Section above.

Key Link:

[http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/tariff\\_aspects/customs\\_tariff/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/customs_tariff/index_en.htm)

## Customs Regulations and Contact Information

[Return to top](#)

U.S. companies may direct inquiries to the Bulgarian Customs Agency.

Director: Mr. Vanio Tanov

47, Rakovska Street

1202 Sofia, Bulgaria

Phone: 359-2-9859-4213

E-mail: [pr@customs.bg](mailto:pr@customs.bg)

<http://www.customs.bg/>

## Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)
- [Contacts](#)

## Overview

[Return to top](#)

Products tested and certified in the United States by American standards are likely to be retested and re-certified by EU requirements. This is because the EU approaches the protection of the health and safety of consumers and the environment differently.

Bulgaria has its standardization, conformity assessment, accreditation and product certification bodies. In certain areas, such as processed foods, beverages and pharmaceutical products, individual ministries or agencies issue sector-specific standards and certificates. Bulgaria is making an effort to synchronize its national standards with international standards. Bulgaria is a participant in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and International Technical Union (ITU).

The Bulgarian Institute for Standardization will answer questions regarding standards at <http://www.bds-bg.org/> or the Bulgarian Institute of Metrology at

<http://www.bim.government.bg>.

The major requirements for product safety are regulated by ordinances issued by the appropriate ministries and comply with the respective EU directives.

(see [http://www.bds-bg.org/pages/?button\\_id=38](http://www.bds-bg.org/pages/?button_id=38))

## Standards Organizations

[Return to top](#)

1. The Ministry of Economy, Energy and Tourism, through its European Integration Department <http://www.mi.government.bg/integration/eu/harmonize.html> is responsible for harmonizing Bulgarian legislation with EU legislation. This includes everything related to ensuring the whole metrology, standardization, certification and testing, verification and accreditation process is in compliance with EU requirements. The law on metrology can be reviewed on this web site as well.

2. The Bulgarian Drug Agency of the Ministry of Health <http://www.bda.bg> is responsible for registration, product testing & certification, and establishing standards for pharmaceutical products and implants. The Ministry of Healthcare <http://www.mh.government.bg> is responsible for certification, registration, import licensing and establishing standards for some medical equipment, and medical and natural products. In some cases, the Ministry of Healthcare performs these activities jointly with the Drug Agency.

3. The Ministry of Agriculture and Food <http://www.mzh.government.bg> is the authority responsible for the testing and certification of agriculture and food products, the registration of technical documentation, product certification, the assessment of conformity, and establishing national policy as to the Mutual Recognition Arrangement (MRA's) with international standardization institutions. It is responsible for the in-country and border control health and sanitary policy. The Ministry is performing its functions related to standards, certification, verification and conformity assessment through its National Services that are listed on its web site, the most important one being the National Veterinary Medical Service <http://www.nvms.government.bg/index.php> through its Directorate for Public Health Control. In January 2011, Bulgaria passed new legislation which stated that the National Veterinary Medical Service, the Phyto Sanitary Office and the Public Health Offices of the Ministry of Health would be united into a single Food Safety Agency which will be responsible for the whole food and feed chain.

The Executive Agency Bulgarian Accreditation Service <http://www.nab-bas.bg> has accredited several laboratories for veterinary, food, and phyto sanitary expertise to perform laboratory testing, inspection, certification, auditing and verification of food, phyto and veterinary products.

4. The Bulgarian Institute for Standardization ([www.bds-bg.org](http://www.bds-bg.org)) performs all activities related to standardization, verification, editing and registration of standards for industrial commodities, machinery and transport equipment, construction and materials, chemistry, textiles, foodstuffs, and electrical engineering commodities. The Bulgarian Institute for Standardization has signed Mutual Recognition Agreements (MRA's) with the following organizations:

DIN - Deutsches Institut für Normung

BSI - British Standards Institution

UNI - Ente Nazionale Italiano di Unificazione

ASTM International - American Society for Testing and Materials

The Bulgarian Institute for Standardization is a full member of the International Electrotechnical Commission (IEC) and the International Standard Organization (ISO), which is the core international standardization body. The Institute is also an affiliate member of the European Committee for Electro technical Standardization (CENELEC) and the European Committee for Standardization (CEN).

Bulgaria, as a Member country of the World Trade Organization (WTO), is required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

## Conformity Assessment

[Return to top](#)

Conformity Assessment is a mandatory step for the manufacturer when complying with specific EU legislation. The purpose of conformity assessment is to ensure the consistency of compliance during all stages, from design to production, in order to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These range from self-certification, type examination and a production quality control system, to a full quality assurance system. Conformity assessment bodies in individual member states are listed in NANDO, the European Commission's website.

Key Link: <http://ec.europa.eu/enterprise/newapproach/nando/>

To promote market acceptance of the final product, there are a number of voluntary conformity assessment programs. CEN's certification systems are the Keymark, the CENCER mark, and the CEN workshop agreements (CWA) Certification Rules. CENELEC has its own initiative. ETSI does not offer conformity assessment services.

The conformity assessment body in Bulgaria is the Bulgarian Institute of Metrology <http://www.bim.government.bg>. The Agency is performing fundamental metrology, metrological control, monitoring and supervision; conformity assessment; technical inspection of high-risk equipment; market surveillance and quality control of liquid fuels.

## Product Certification

[Return to top](#)

Product certification is performed by the State Owned Certification JSC <http://exact.e-gov.bg>. This entity performs the testing and certification of products and management systems.

To sell products on the EU market, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions to determine which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide synchronized standards.

Products manufactured with standards adopted by CEN, CENELEC and ETSI, and published in the Official Journal as harmonized standards, are presumed to conform to the requirements of EU Directives. The manufacturer then applies the CE marking and issues a declaration of conformity. With the CE marking, the product will be allowed to circulate freely within the EU. A manufacturer can choose not to use the harmonized EU standards, but then must demonstrate that the product meets the essential safety and performance requirements. Trade barriers occur when design, rather than performance, standards are developed by the relevant European standardization organization, and U.S. companies do not have access to the standardization process through an EU presence.

The CE marking addresses itself primarily to the national control authorities of the member state. Its use simplifies the essential market surveillance of regulated products.

The CE marking is not intended to include detailed technical information on the product, but there must be enough information to enable the inspector to trace the product back to the manufacturer or the authorized representative established in the EU. This detailed information should not appear next to the CE marking, but rather on the documents accompanying the

product or on the declaration of conformity, which the manufacturer or authorized agent must be able to provide at any time, together with the product's technical file.

## Accreditation

[Return to top](#)

There is only one national accreditation body in Bulgaria, the Executive Agency Bulgarian Accreditation Service [http://www.nab-bas.bg/index\\_en.php](http://www.nab-bas.bg/index_en.php). The Agency reports directly to the Minister of Economy, Energy and Tourism and is the only national institute for accreditation of laboratories, certification bodies and inspection bodies. The Agency web site lists all accredited organizations and laboratories nationwide.

## Publication of Technical Regulations

[Return to top](#)

Each law, regulation, ordinance, Council of Ministers decree, decision, nationwide technical regulation, agreement etc. enters into force after official publication in the national gazette, the State Gazette. Final regulations, ordinances and laws are published in the State Gazette and in the official journals of every issuing authority. The State Gazette is issued only in Bulgarian. There are several information system database providers which translate legislation published in the State Gazette. See <http://www.apis.bg/en/>, <http://www.ciela.bg> or [www.daxy.com](http://www.daxy.com)

## Labeling and Marking

[Return to top](#)

Manufacturers should be mindful that, in addition to the EU's mandatory and voluntary schemes, national voluntary labeling schemes might still apply. These schemes may be highly appreciated by consumers, and thus, become unavoidable for marketing purposes.

Manufacturers are advised to take note that all labels require metric units, although dual labeling is also acceptable. The use of language on labels has been the subject of a Commission on Communication, which encourages multilingual information, while preserving the right of member states to require the use of the language of the country of consumption.

The EU has mandated that certain products be sold in standardized quantities. Council Directive 2007/45/EC synchronizes the packaging of wine and spirits throughout the EU. Existing national sizes will be abolished with a few exceptions for domestic producers.

Key Link: [http://ec.europa.eu/enterprise/prepack/packsiz/packsiz\\_en.htm](http://ec.europa.eu/enterprise/prepack/packsiz/packsiz_en.htm)

## The Eco-label

The EU eco-label is a voluntary label which U.S. exporters can display on products that meet high standards of environmental awareness. The eco-label is intended to be a marketing tool to encourage consumers to purchase environmentally-friendly products. The criteria for displaying the eco-label are strict, covering the entire lifespan of the product, from its manufacture to its use and disposal. These criteria are reviewed every three to five years to take into account advances in manufacturing procedures. There are currently twenty-three different product groups, and approximately 250 licenses have been awarded for several hundred products.

Applications to display the eco-label should be directed to the competent body of the member state in which the product is sold. The application fee will vary between EUR 300 and EUR 1300, depending on the tests required to verify if the product is eligible. The eco-label also carries an annual fee equal to 0.15% of the annual volume of sales of the product range within

the European community. However, the minimum annual fee is currently set at EUR 500 and the maximum is set at EUR 25,000.

There are plans to significantly reform the eco-label in the near future, reducing the application and annual fees and expanding the product ranges significantly. It is also possible that future eligibility criteria may take into account carbon emissions.

## Trade Agreements

[Return to top](#)

Bulgaria joined the EU in January 2007, became a member of the World Trade Organization in December 1996 and joined the Central European Free Trade Agreement (CEFTA) in January 1999. Bulgaria has free trade agreements with the following countries: China (1995), Croatia (1998), Turkey (1999), Macedonia (signed in 1999), Israel (2002), Albania (2003), Serbia and Montenegro (2004), Bosnia and Herzegovina (2004).

## Web Resources

[Return to top](#)

<http://www.mi.government.bg> (Ministry of Economy, Energy and Tourism)

<http://www.customs.bg> (State Customs Agency)

<http://www.bda.bg> (Bulgarian Drug Agency)

<http://www.mzh.government.bg> (Ministry of Agriculture and Food Supply)

<http://www.bds-bg.org> (Bulgarian Institute for Standardization)

<http://www.bim.government.bg> (Bulgarian Institute of Metrology - BIM)

<http://exact.e-gov.bg> (State Certification JSC)

[http://www.nab-bas.bg/index\\_en.php](http://www.nab-bas.bg/index_en.php) (Executive Agency Bulgarian Accreditation Service)

<http://www.apis.bg/en/> (Law publications, law and business-information database management)

<http://www.ciela.bg> (Law publications, law and business-information database management)

[Return to table of contents](#)

## Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State Owned Enterprises](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

### Executive Summary

Bulgaria has a favorable foreign investment regime, including government incentives for new investment and low or flat corporate and income taxes. Bulgaria still offers the cheapest labor in the European Union (EU). Domestic business is experiencing a shortage of skilled labor in many sectors due to an ageing population, a university education mismatch with labor market needs and the migration of many specialists. The IT and business process outsourcing sector has attracted a number of U.S. and foreign companies to Bulgaria and many have set up global and regional service centers here. In this sector, several U.S. companies have expanded operations in 2014 and early 2015. EU funds, which will amount to USD 16 billion over the next seven year period, 2014-2020, are a key source of funding for numerous projects to develop Bulgaria's environment and water sectors, energy, technical and social infrastructure, public services, and agriculture. There are no general limits on foreign ownership or the control of firms. However, in April 2014, Parliament overturned a Presidential veto to pass legislative changes that restrict the foreign and/or offshore purchase of Bulgarian agricultural land to buyers that have resided in Bulgaria for at least five years. This restriction has triggered an EU procedure against Bulgaria for infringing free market principles, as the new law would result in discrimination against foreign investors. More generally, however, foreign entities are given the same treatment as national firms and their investments are not screened or otherwise restricted. Under the Offshore Company Act, which came into effect January 1, 2014, offshore companies are banned from doing business in Bulgaria across 28 specific activities, but certain exemptions are available. In April 2015, Parliament considered granting the Minister of Finance the right to revoke business contracts based on an assessed risk to national interest. If passed, the law may diminish investor confidence in the rule of law in Bulgaria and the sanctity of contracts. In June 2014, the fourth largest commercial bank went bankrupt. Subsequently, in December 2014, Standard and Poor's downgraded Bulgaria's sovereign credit rating to junk citing banking

sector problems, low growth prospects and political uncertainty. Other problems cited by foreign investors that impede investment include unpredictability due to frequent regulatory and legislative changes, slow judicial system processes and limited enforcement of intellectual property rights (IPR).

## Openness to Foreign Investment

[Return to top](#)

### Attitude toward FDI

Bulgaria has a favorable foreign investment regime, including government incentives for new investment and low or flat corporate and income taxes. Promising sectors for foreign investors include: business process outsourcing and information technology, telecommunications, environmental technology, including water and waste water infrastructure, healthcare, biomass, and agriculture, including the beverage and processed foods industry. Planned infrastructure projects, which are coming online and may further improve the investment environment include rails, motorways, tunnels, ports, and resorts. As a member of the EU, Bulgaria has access to significant EU funds, which support numerous projects and contribute to the growth of the economy. EU integration has opened new markets for Bulgarian-produced goods and services. Bulgaria's workforce is generally well-educated, and the cost of labor is the lowest in the EU. At the same time, however, the judicial system suffers from high caseloads and frequent delays. The IPR regime is challenged by widespread online piracy and the inadequate enforcement of laws on copyrights, patents, and trademarks. In 2014, the government entered into voluntary agreements with some of the most egregious pirating sites, which marked a step forward in the fight against the online piracy of music and films after many years of little or no results. Together with industry, the government is reducing business software piracy, which while decreasing, is still high. At present, there are no general limits on foreign ownership or the control of firms, nor is there the screening or restricting of foreign investment in Bulgaria. Foreign firms are not denied national treatment and there are no significant reports of discrimination against foreign investors. The country's geographic position places it at the crossroads of Europe, the Middle East, and the former Soviet Union. A stable U.S. ally, Bulgaria is a member of NATO, the EU, and the WTO. Although the government has stated a desire to root out corruption and organized crime, Bulgaria's corruption record remains problematic despite some improvement in 2014. Transparency International's (TI) Corruption Perception Index for 2014 ranked Bulgaria 69th out of 175 countries surveyed, an improvement of eight places compared to 2013. This increase in ranking made it even with Greece, Italy and Romania. In April 2015, the National Electricity Company (NEC) renegotiated a lower purchase price under its long-term contracts with two U.S. coal-fired power plants and pledged to pay all outstanding debt to the two foreign investors. The new prices will only come into effect if all outstanding arrears are paid off. While this is encouraging, the NEC still owes millions of dollars to producers of green energy. Bulgaria has constantly revised renewable energy policies and gradually reduced state compensations for private renewable energy producers, causing concern for many foreign investors about the unpredictable regulatory environment. In July 2014, the country's top court ruled as unconstitutional the 2013 Parliament-approved amendment which levied a 20% fee on revenues from the production of solar and wind power.

Generally, sound economic performance and relative political stability have enabled Bulgaria to attract leading foreign investors. Gradual convergence with the EU common market, fiscal prudence, and a national currency pegged to the Euro have provided stability and incentives for increased trade and investment. The economy surged to 1.7% year-on-year growth in 2014, after posting only 0.8% in 2013. Foreign direct investment slid to USD 1.4 billion in 2014, after the global financial crisis and turbulence in the Eurozone. Bulgaria has made considerable



progress in absorbing EU structural funds under the 2007-2013 programming cycle, distributing more than two-thirds of the funds. However, in 2014, the first year of a new programming period (2014-2020), Bulgaria failed to dispense any funds due to slow bureaucracy and Brussels' late approval of the new Operational Programs (OPs). Consequently, the government is determined to put to use a total of USD 3.7 billion in 2015 following Brussels' approval of all seven OPs in March 2015. In 2015, Bulgaria will focus the funds on: developing its human capital and improving labor productivity and skills; raising economic competitiveness through innovation; enhancing public administrative capacity and good governance; developing small municipalities and rural regions, renovating aging roads, water and waste-water infrastructure; and modernizing the agriculture sector. Total EU program funds and agricultural subsidies for the new seven-year (2014-2020) period amount to USD 16 billion. The World Bank has a Memorandum of Understanding (MoU) with Bulgaria on partnership and support in the implementation of the EU Structural Instruments. In 2013, the government completed the first contracts with World Bank experts for the project design and implementation of large infrastructure projects in the water sector. In 2014, the Bank expanded its services to include providing expertise on healthcare funding. An IMF study recommended that Bulgaria enhance its administrative capacity further in order to maximize its absorption of EU funds, which currently is one of the lowest among the EU-28.

### **Other Investment Policy Reviews**

Public-Private Partnerships (PPPs) offer an area with potential for private company involvement in supporting and developing public infrastructure and social programs. The government has revoked the existing PPP Act, which leaders say was too restrictive. They plan to replace it with a new law that will serve as a launching point for the implementation of a PPP strategy that includes cooperation with the private sector to build new parks, parking lots, stadiums, and other public works, as well as to improve healthcare, education, prisons, and other public services. The most common form of PPPs currently is concessions, which include the lease of government property for private use for up to 35 years.

### **Laws/Regulations of FDI**

The 2004 Investment Promotion Act stipulates equal treatment of foreign and domestic investors. The law encourages investment in manufacturing and high-technology, as well as in education and human resource development. It creates investment incentives by helping investors purchase land, providing state financing for basic infrastructure and training new staff, and providing tax incentives and opportunities for public-private partnerships with central and local government.

The most common type of organization for foreign investors is a limited liability company. The required minimum for registering a limited liability company is one Euro. Other typical corporate entities include joint stock companies, joint ventures, business associations, general and limited partnerships, and sole proprietorships.

Foreign investors must comply with the 1991 Commercial Code, which regulates commercial and company law, and with the 1951 Law on Obligations and Contracts, which regulates civil transactions.

The 2003 Law on Special Purpose Investment Companies (SPIC) allows for public investment companies in real estate and receivables, essentially real estate investment trusts (REITs). Since a SPIC is considered a pass-through structure for corporate income tax purposes, at least

90% of its net income must be distributed to shareholders as taxable dividends. A SPIC must apply for an operational license from the Financial Supervision Commission within six months of registration.

### **Industrial Promotion**

Bulgaria typically supports small and medium business creation and development. It employs strategies focused on EU co-funded innovation and competitiveness measures and programs. Export promotion takes priority, allowing the domestic economy to take advantage of its relatively low labor costs. However, the increasing need for technology upgrades and for skilled labor in many sectors could increase costs in the mid-to-long term.

### **Limits on Foreign Control**

Foreign investors often encounter the following problems: a sluggish government bureaucracy, poor infrastructure, corruption, frequent changes in the legal framework, lack of transparency, and pre-determined public tenders. In addition, a weak judicial system limits investor confidence in the courts' ability to serve as an enforcement mechanism. The 2014 Offshore Company Act lists 28 banned business activities for companies registered in offshore jurisdictions. The law, however, allows those companies to do business if the physical owners of the parent company are Bulgarian citizens and known to the public, if the parent company's stock is publicly traded, or if the parent company is registered in a jurisdiction with which Bulgaria enjoys a treaty for the avoidance of double taxation, such as the United States. In April 2014, Parliament overturned a Presidential veto and passed legislative changes to the Ownership and Use of Agricultural Land Act that restrict the foreign purchase of Bulgarian agricultural land to those who have been residents of Bulgaria for at least five years. In February 2015, the current majority confirmed these changes by imposing significant fines for non-compliance.

U.S. music, software, pharmaceutical, and other industries report continuing intellectual property rights (IPR) concerns in Bulgaria, particularly with respect to internet piracy, ineffective prosecution of IPR cases, and delays and conflicts of interest in enforcing trademark and patent protection. In 2014, the government brokered voluntary agreements between rights-holders and online pirates, and rights-holders reported an increase in the purchase of rights to broadcast legitimate content. Current Bulgarian legislation effectively bans all biotech crop trials and production. Food legislation imposes voluntary standards that restrict the use of soy protein in processed meat products.

### **Privatization Program**

Bulgaria completed its major privatizations in the 1990s and early 2000s. All state-owned property is eligible for privatization, with the exception of a specific list of companies, including water management companies, state hospitals, and state sports facilities. State-owned military manufacturers can be privatized with the approval of Parliament. Municipally-owned property is considered for privatization upon the decision of a municipal council or authorized body and upon publication of the municipal privatization list in the State Gazette. Privatization methods include: public auctions, public tenders, and public offerings. Foreign companies, including state-owned ones, may purchase Bulgarian state-owned firms and the privatization process is generally fair and transparent. The 2010 Privatization and Post-Privatization Act created a single Privatization and Post-Privatization Agency which makes privatization decisions regarding: hospitals; equity and shares in companies 50% or more owned by the state; state-owned property valued at between BGN 10,000 (USD 7,000) and BGN 500,000 (USD 352,000), following approval from the Minister of Regional Development and Public Works and the

Minister of Finance; and state-owned property valued at over BGN 500,000 (USD 352,000), following approval from the Council of Ministers.

The Privatization and Post-Privatization Agency also oversees the implementation of privatization contracts and ensures that non-price privatization commitments including employee retention, technology transfer, environmental liability and investment in the privatization selection criteria are honored. In 2012, the government completed the sale of its minority interest in the three regional foreign owned electricity distributors. In February 2015, the economy minister unveiled an ambitious privatization plan, suggesting some state-owned companies should be taken off the list of companies banned for privatization, including certain military plants. Two privatization deals that could attract significant foreign investor interest are the sale of the government's minority stake in Plovdiv Fair and the long-delayed privatization of the Bulgarian Stock Exchange (BSE). BSE's privatization is a priority for the government in 2015 but may be held up again in favor of bundling it together with the privatization of the Central Depository, which holds the stock certificates of companies listed on the exchange.

### **Competition Law**

The 2008 Law on the Protection of Competition, the "Competition Law", is intended to implement EU rules which promote competition and consumer protection. The "Competition Law" forbids monopolies, restrictive trade practices, abuse of market power, and unfair competition. Companies are prohibited from: direct or indirect abusive pricing practices; the distribution of market shares and supply sources; limiting manufacturing development to the detriment of consumers; discriminatory treatment of competing customers; tying contracts to additional and unrelated obligations; and the use of economic coercion to cause mergers. The law prohibits certain forms of unfair competition: damaging competitors' goodwill; misrepresentation with respect to goods or services; misrepresentation with respect to the origin, manufacturer, or other features of goods or services; use or disclosure of someone else's trade secrets in violation of good faith commercial practices; and the "unfair solicitation of customers", including promotion through gifts and lotteries. Monopolies can only be legally established for certain categories of activities: railway and postal services, atomic energy, the production of radioactive materials, and weapons production. The Competition Commission defines a market concentration of 15% or more as potentially damaging to competition. It also defines a market concentration of 25% or more as potentially damaging to competition if the companies involved are operating in different markets and are not competitors. In practice, the Competition Protection Act has been inconsistently applied. In one case, the Competition Committee charged with implementing the law ruled that it did not need to review the sale of Bulgaria's tobacco monopoly, Bulgartabac, to an unknown purchaser and also that the identity of the purchaser did not need to be revealed before the transaction.

### **Investment Trends**

The Bulgarian economy has been under strong influence from local oligarchic interests, which have in recent years come through nontransparent legislative changes and slow and arbitrary court proceedings. An unpredictable and nontransparent political process has exacerbated weak economic growth, which has been affected by the global crisis, turbulence in the Eurozone and low domestic spending. Due to a combination of internal and external factors, foreign "greenfield" direct investment has almost disappeared, and foreign investor confidence has steadily declined. Bulgaria's FDI has dropped precipitously, from just over EUR 9 billion at its peak in 2007 to a mere EUR 1.3 billion in 2014

**TABLE 1:** The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2014	(69 of 175)	<a href="http://cpi.transparency.org/cpi2014/results/">http://cpi.transparency.org/cpi2014/results/</a>
Heritage Foundation's Economic Freedom index	2015	(55 of 178)	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank's Doing Business Report "Ease of Doing Business"	2015	(38 of 189)	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2014	(44 of 143)	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita	2013	USD 15,210	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## Conversion and Transfer Policies

[Return to top](#)

Foreign exchange is freely accessible. The 2011 amendments of the 1999 Foreign Currency Act stipulate that anyone may import or export up to EUR 10,000, USD 13,750 or its foreign exchange equivalent without filling out a customs declaration. The import or export of over EUR 10,000 or its equivalent in BGN or another currency across the border to or from a third country must be declared to the customs authorities. The import or export of over EUR 10,000 or its equivalent in BGN or another currency across the border to or from an EU member state must be declared if requested by the customs authorities. Exporting over BGN 30,000 or USD 16,500 in cash requires a declaration about the source of the funds, supported by documents certifying that the exporter does not owe taxes. No tax certificate is required for foreigners exporting the cash equivalent of BGN 30,000 or greater provided that the amount is equal to or less than the amount declared when imported. Bulgarian law requires all international payments over BGN 30,000 to be executed via bank transfer with supporting documentation detailing the purpose of the transaction. The central bank and commercial banks record every international transaction that is equal to or more than 100,000 BGN or USD 55,000. Bulgaria operates a Currency Board Arrangement (CBA) whereby the local currency, the lev, is fixed to the Euro, exchanging EUR 1 for BGN 1.9558. In 2014, U.S. and Bulgaria signed a Foreign Account Tax Compliant Act (FATCA) which targets tax non-compliance by U.S. taxpayers with Bulgarian bank accounts.

## Expropriation and Compensation

[Return to top](#)

Private real property rights are legally protected by the Bulgarian Constitution. The Council of Ministers or a regional governor may expropriate land in a case where a public need cannot be met by other means provided that the owner is compensated at fair market value. No taxes are levied on the expropriation transaction. Expropriation actions by the Council of Ministers can be appealed directly to the Supreme Administrative Court on the legality of the action itself, the property appraisal, or the amount of compensation. A regional governor's expropriation can be appealed in the appropriate local administrative court. In its Bilateral Investment Treaty (BIT) with the United States, Bulgaria committed itself to international arbitration in the event of expropriation and other investment disputes.

## Dispute Settlement

[Return to top](#)

### Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The 1991 Constitution serves as the foundation of the legal system and creates an independent judicial branch comprised of judges, prosecutors, and investigators. Corruption within the judiciary remains a serious problem. The judiciary is the least trusted institution in the country with widespread allegations of nepotism, opaque selection and promotion procedures, and undue political and business influences. Continued reform efforts, mostly undertaken under outside pressure, have led to some technical improvements, particularly in the smaller provincial courts. The government has drafted several comprehensive reform plans but their implementation has been halted by strong business pressure to keep the status quo, internal resistance to change and a lack of political will to effectively enforce judicial independence. As a result, jurisprudence is inconsistent and a several-year delay in proceedings is the standard, rather than the exception. The busiest courts in Sofia suffer from serious backlogs, limited resources and inefficient procedures that hamper the swift and fair administration of justice.

There are three levels of courts. The 113 regional courts exercise jurisdiction over civil and criminal cases. Above them, 29 district courts, including both the Sofia City Court and the Specialized Court for Organized Crime, serve as courts of appellate review for regional court decisions and have trial-level (first-instance) jurisdiction in serious criminal cases and in civil cases where claims exceed BGN 25,000 or USD 13,700, excluding alimony, labor disputes, and financial audit discrepancies, or in property cases where the property's value exceeds BGN 50,000 or USD 27,500. Six appellate courts review the first-instance decisions of the district courts. The Supreme Court of Cassation is the court of last resort for criminal and civil appeals. There is a separate system of 28 specialized administrative courts which rules on the legality of local and national government decisions with the Supreme Administrative Court serving as an appeals body. The Constitutional Court, which is separate from the rest of the judiciary, issues final rulings on the compliance of laws with the Constitution.

Bulgaria has the adequate means to enforce property and contractual rights under local legislation. The government's record for handling investment disputes is generally slow and bureaucratic, and usually requires an intervention at the highest level. There are no outstanding investment disputes before Bulgarian courts involving U.S. companies, although there are several property-related challenges against a US investor. In general, legislation is a constantly moving target that is sometimes used to eliminate competition, at times from foreign investors.

## **Bankruptcy**

The 1994 Commercial Code Chapter on Bankruptcy provides for the reorganization or rehabilitation of a legal entity, maximizes asset recovery, and provides for fair and equal distribution among all creditors. The law applies to all commercial entities, except public monopolies or state-owned companies established by a special law. Bank failures are regulated under the 2002 Bank Insolvency Act and 2006 Credit Institutions Act; while, the 2005 Insurance Code regulates insurance company failures.

The non-performance of a monetary obligation must be adjudicated before the bankruptcy court can determine whether the debtor is insolvent. There is a presumption of insolvency when the debtor is unable to perform an executable obligation under a commercial transaction or public debt or related commercial activities, has suspended all payments, or is able to pay only the claims of certain creditors. The debtor is deemed over-indebted if its assets are insufficient to cover its short-term monetary obligations.

Bankruptcy proceedings may be initiated on two grounds: the debtor's insolvency, or the debtor's excessive indebtedness. Under Part IV of the Commercial Code, debtors or creditors, including state authorities such as the National Revenue Agency, can initiate bankruptcy proceedings. The debtor must declare bankruptcy within 30 days of becoming insolvent or over-indebted. The 2010 amendments to the Commercial Code increased protection for creditors in bankruptcy proceedings by prohibiting a debtor from falsifying the date of insolvency to avoid claims after a certain date. Despite this, cases involving bankruptcy fraud, including through the transfer of capital to U.S.-registered shell companies, have increased in recent years. The application for bankruptcy submitted by the debtor is published in the Commercial Register, thus providing all creditors and contractual partners with information about the bankruptcy proceedings. Should any creditor or contractual partner file a request for bankruptcy in court, such a claim is heard in the presence of both the creditor and the debtor.

Once insolvency is determined, the court appoints an interim trustee to represent and manage the company, take inventory of property and assets, identify and convene the creditors, and develop a recovery plan. At the first meeting of the creditors, a trustee is nominated, and usually this is just a reaffirmation of the court appointed interim trustee. June 2003 legislation required examinations for individuals applying to become trustees and obliged the Ministers of Justice and Economy to organize annual training courses for trustees. In June 2005, the Ministries of Justice, Economy, and Finance published a regulation on the procedure for appointment, qualification, and control over the trustees. A recent case, involving a French investor, revealed a practice of manipulating the random allocation of bankruptcy cases in the country's busiest court in Sofia. It also showed opportunities for a judge's discretion in favor of one of the claimants and an overall limited supervision over court-appointed trustees.

Bankruptcy proceedings supersede other court proceedings initiated against the debtor except for labor cases, enforcement proceedings, and cases related to receivables securitized by third parties' property. Such cases may be initiated even after bankruptcy proceedings begin. Third parties with securities seeking protection against a debtor's unfair activities may appeal the court decision to initiate a bankruptcy proceeding when securities have been entered in public registers before the date of the claim which started the bankruptcy procedure. Bulgaria dropped one place to 38 out of 189 surveyed countries in the World Bank's 2015 Doing Business Report.

Creditors must declare to the trustee all debts owed to them within one month of the start of bankruptcy proceedings. The trustee then has seven days to compile a list of debts. A

rehabilitation plan must be proposed within one month after the publication of the list of debts in the Commercial Register. The 2010 amendments to the Commercial Code limit the application of the rehabilitation plan to debts approved up to the moment of the submission of the rehabilitation plan.

After creditors' approval, the court endorses the rehabilitation plan, terminates the bankruptcy proceeding and appoints a supervisory body to oversee the implementation of the rehabilitation plan. The court must endorse the plan within seven days and put it forward to the creditors for approval. The creditors shall convene to discuss the plan within a period of 45 days. The court may renew the bankruptcy proceedings if the debtor does not fulfill its obligations under the rehabilitation plan. The methods for liquidating assets were also revised by the June 2003 legislation to establish a legal framework for selling assets that accounts for the character of bankruptcy proceedings, thus avoiding the need to apply the Civil Procedure Code.

### **Investment Disputes**

To execute a judgment, a final ruling must be obtained. The court of first instance must then be petitioned for a writ of execution based on the judgment. On the basis of the writ of execution, a specialized category of professionals, known as execution agents, seize the assets or ensure the performance of the ordered action. Both private and state execution agents operate in Bulgaria. A new Civil Procedure Code, effective since March 2008, streamlined civil procedures, including the execution of judgments. Foreign judgments can be executed in Bulgaria. Execution depends on reciprocity, as well as bilateral or multilateral agreements, as determined by an official list maintained by the Ministry of Justice. The United States does not currently have reciprocity with Bulgaria and Bulgarian courts are not obliged to honor the decisions of U.S. courts. All foreign judgments are handled by the Sofia City Court, which must determine that the judgment does not violate public decrees, standards, or morals before it can be executed.

Voluntary mediation was first introduced in Bulgaria in 2004 with the adoption of the Mediation Act. The Bulgarian Chamber of Commerce and Industry and the American Chamber of Commerce (AmCham) opened commercial mediation centers with USAID-trained mediators. Several courts, including the biggest trial level court in Sofia, have established mediation centers where cases can be settled with the help of trained mediators. Judges are increasingly referring cases for mediation. However, it is still not widely used due to limited public awareness, general reluctance to seek alternative dispute resolution and generally low court fees.

### **International Arbitration**

Pursuant to its Bilateral Investment Treaty (BIT) with the United States, Bulgaria has committed to a range of dispute settlement procedures starting with notification and consultations. Bulgaria accepts binding international arbitration in disputes with foreign investors.

The most experienced arbitration institution in Bulgaria is the Arbitration Court (AC) of the Bulgarian Chamber of Commerce and Industry (BCCI). Established more than 110 years ago, the AC hears civil disputes between legal persons, one of whom must be located outside Bulgaria. It began to act as a voluntary arbitration court between natural and/or legal persons domiciled in Bulgaria in 1989.

Arbitration is regulated by the 1988 Law on International Commercial Arbitration, which is based

on the United Nations Commission on International Trade Law (UNCITRAL) Model Law. According to the Code of Civil Procedure, not all disputes may be resolved through arbitration. Disputes regarding rights over domestic real estate, alimony, or individual labor disputes may only be heard by the courts. In addition, under the Code of Private International Law of 2005, Bulgarian courts have exclusive domain over industrial property disputes regarding patents issued in Bulgaria. Regarding arbitration clauses that select a foreign court of arbitration, the Code of Civil Procedure mandates that these clauses are only valid if at least one of the parties maintains its residence abroad. As a result, foreign-owned, Bulgarian-registered companies experiencing a dispute with a Bulgarian entity can only have arbitration in Bulgaria. However, under the Law on International Commercial Arbitration, the arbitrator could be a foreign person. Under the same act, the parties can agree on the language to be used in the arbitration proceedings.

Arbitral awards, both foreign and domestic, are enforced through the judicial system. The party must petition the Sofia City Court for a writ of execution. Having obtained a writ, the creditor then must execute the award using the general framework for execution of judgments in the country. Foreclosure proceedings may also be initiated.

### **ICSID Convention and New York Convention**

Bulgaria is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the 1961 European Convention on International Commercial Arbitration. Bulgaria is also a signatory of the 1996 Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

## **Performance Requirements and Incentives**

[Return to top](#)

### **Investment Incentives**

The Invest Bulgaria Agency (IBA), the government's investment coordinating body, provides information, administrative services, and incentive assessments to prospective foreign investors. The 2004 Investment Promotion Act (IPA) is the primary legislation providing investment incentives to investors in Bulgaria. Foreign investments over BGN 20 million or USD 11 million are deemed to be priority "Class A" projects. At the request of investors receiving Class A investment certificates, the IBA can recommend that the competent authorities award them real estate (either state or municipal property) gratis without a tender. Class A investments are also eligible to apply for state financing for critical infrastructure deemed necessary for the plan's implementation. Additionally, IBA represents "Class B" investment projects (over BGN 10 million, or USD 5.4 million) before government authorities, and assists with processing all administrative documents. The government policy for investment promotion is not applicable to investments in coal mining, steel production, shipbuilding, synthetic production, agriculture, and fisheries. In addition, the IPA gives Class A or Class B status to certain investments in high-technology manufacturing and services and in regions with an unemployment rate equal to or higher than the country average. A two-year valued-added tax (VAT) exemption on equipment imports applies to investment projects over EUR 5 million or USD 5.4 million, provided the project will be implemented over a two-year period and creates at least 50 new jobs. Additionally, investment projects are classified as priority projects if they are particularly important for the economy and meet the legal requirement for a minimum investment commitment of BGN 100 million or USD 55 million and for creating 200 new jobs. Such projects can be implemented in all sectors of the economy. In addition to the incentives granted to Class A investors, priority investors can acquire limited rights on central or municipal government



property at below market prices, receive government grants for projects on R&D and education, and institutional support for establishing PPPs.

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**Performance Requirements**

Bulgaria does not impose export performance or local content requirements as a condition for establishing, maintaining, or expanding an investment. Employment visas and work permits are required for most expatriate personnel from non-EU countries. Permanent residence permits are often difficult to obtain. Private companies cannot exceed a 1:10 ratio of non-EU residents to Bulgarian employees. The law regulating gambling imposes other requirements for non-EU investors organizing games of chance, including requiring foreigners to obtain an operating license.

**Data Storage**

Responding to long-standing industry concerns, the Bulgarian government included a provision to provide data exclusivity in its Drug Law. This includes the protection of confidential data submitted to the government to obtain approval for market pharmaceutical products. Bulgaria grants supplemental protection certificates for pharmaceutical products and plant protection products under EU regulations. This protection is similar to that provided in the United States.

**Right to Private Ownership and Establishment**

[Return to top](#)

Article 19 of the Constitution states that the Bulgarian economy "shall be based on free economic initiative." Private entities, both foreign and domestic, can establish and own commercial enterprises engaging in any profit-making activities not expressly prohibited by law. Bulgaria's Commercial Code guarantees and regulates, for both foreign and domestic entities, the free establishment, acquisition, and disposition of private business enterprises. Competitive equality is the standard applied to private enterprises in competition with public enterprises.

**Protection of Property Rights**

[Return to top](#)

**Real Property**

There are no legal restrictions against real property acquisition by locally-registered, majority foreign-owned companies, which is the method most foreigners use to purchase property in Bulgaria. A requirement for five-year residency in the country for the foreign purchase of Bulgarian agricultural land was approved by Bulgarian Parliament in May 2014.

## **Intellectual Property Rights**

The 1993 Law on Copyright and Related Rights protects literary, artistic, and scientific works. Article 3 provides a full listing of protected works including computer programs, which are protected as literary works. The use of protected works is prohibited without the author's permission, except in certain instances. Since 2000, the law has undergone major revisions to comply with EU and international legislation, including major changes in March 2011, which introduced government arbitration for contract negotiations between rights users and rights collection societies. For films and other audio-visual works, copyrights are protected during the lives of the director, screenplay-writer, cameraman, or author of dialogue or music, if the music was created for the film, plus 70 years. Pursuant to 2014 Copyright Act amendments, the term of protection for producers and performing artists was extended to 70 years, starting from the day of the first recording or making the work known to the public. However, Bulgarian law limits the duration of contracts on the use of copyrighted works to no more than ten years. Rights owners may file civil claims to terminate infringing activity and seek confiscation of equipment and pirated materials. The Copyright Office in the Ministry of Culture is responsible for copyright and related rights matters in Bulgaria. It is not adequately staffed. Bulgarian legislation provides for criminal, civil, and administrative remedies against copyright and related rights violations, but, as evidenced by the small number of court judgments, sentences, and administrative remedies enforced, law enforcement is inadequate.

Bulgarian patent law has been synchronized with EU law for patents and utility patent protection. However, in patent procedures, there are reports of conflicts of interest and delays in decision-making and informing patent holders. These issues, coupled with a lack of accountability for the Bulgarian Patent Office, have weakened patent protection in the country. Bulgaria joined the Convention on Granting of European Patents (European Patent Convention) in 2002. Bulgaria is a contracting state of the European Patent Office (EPO), whereby a patent recognized by the European Patent Convention must immediately take effect in Bulgaria after validation, which includes the translation of all patent documentation into Bulgarian and the payment of a fee, starting from BGN 130 or USD 92, within three months of the day the EPO issues the patent. Bulgaria has also signed the London agreement for facilitating the validation process, which allows rights holders to submit only a translation of the patent claim and not of the whole patent. But, Bulgarian law has still not been amended to correspond to this agreement. Bulgaria is also part of the Patent Cooperation Treaty (PCT). Bulgaria grants the right to exclusive use of inventions for 20 years from the date of patent application, subject to payment of annual fees, which range from BGN 50 (USD 35.20) to BGN 1,500 (USD 1,056), depending on the time remaining before the patent expires. Innovations can also be protected as utility models or "small inventions". They are registered without novelty examination. The term of validity for a utility model registration is four years from the date of filing with the Patent Office. It may be extended by two consecutive three-year periods, but the total term of validity may not exceed 10 years. Inventions eligible for patent protection must be new, involve an inventive step, and be capable of industrial application. Article 6 of the Law on Patent and Utility Model Registration lists items not regarded as inventions and Article 7 lists the exceptions to patentability. With regard to utility models, no registration is granted for methods, chemical formulations and their use and objects in the field of biotechnology. There is no accessible database for registered valid patents and utility models in Bulgaria.

Located in the Ministry of Economy, the Patent Office is the correct authority with respect to industrial property rights, including patent matters. The Patent Act describes patent application procedures and the examination process. Patent applications are submitted directly to the Patent Office and recorded in the state register. Compulsory licensing, which allows competitors

in the market despite a valid patent, may be ordered under certain conditions: if the patent has not been used within four years of filing the patent application or within three years from the date of issue, if the patent holder is unable to offer justification for not adequately supplying the national market, or in the case of a declaration of national emergency. Disputes arising from the creation, protection, or use of inventions and utility models can be heard and settled under administrative, civil, or arbitration procedures. Disputes are reviewed by specialized panels convened by the President of the Patent Office and may be appealed to the Sofia Administrative Court within three months of the panel's decision. The Customs Office conducts border seizures when there is reason to believe that the goods are infringing upon a patent, a supplementary protection certificate (SPC), or a registered utility model. The regime is in compliance with Regulation 608/2013/EC. Pursuant to the 1996 Protection of New Plant Varieties and Animal Breeds Act, the Patent Office can issue a certificate which protects new plant varieties and animal breeds for 25-30 years.

In 1998, Parliament ratified the 1991 International Convention for the Protection of New Varieties of Plants. In addition, all new types of plants registered by the EU's Community Plant Variety Office are considered effective in Bulgaria. In 1999, Parliament passed a series of laws on trademarks and geographical indications, industrial designs, and integrated circuits in accordance with TRIPs (WTO's Trade Related Aspects of Intellectual Property) requirements and the EU Association Agreement. The Trademarks and Geographical Indications Act (TGIA), as amended in 2005 and 2006 to comply with EU standards, regulates the establishment, use, suspension, renewal, and protection of trademarks, collective and certificate marks, and geographic indications. The right for marks, including trademarks, service marks, and collective and certificate marks, is acquired through registration and is valid from the date of filing the application. The right of registration belongs to the first applicant. Co-ownership of marks is allowed. With amendments to the TGIA that came into effect in March 2011, all applications which comply with the basic requirements of the law are published. Interested parties then have three months from the date the application is published in the national gazette to file an objection. Bulgaria is a member of the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration. Right of priority with respect to trademarks that do not differ substantially is given to the application that was filed in compliance with Article 32 of the TGIA. Right of priority is also established on the basis of a request made in one of the member countries of either the Paris Convention for the Protection of Industrial Property or the WTO. To exercise the right of priority, the applicant must file a request within six months of the date where the other party has filed.

A trademark is normally granted within eighteen months of filing a complete application. Refusals can be appealed to the Disputes Department of the Patent Office. Decisions of this department can be appealed to the Sofia Administrative Court within three months of the decision. The right for the exclusive use of a trademark is granted for ten years from the date of submitting the application. Extension requests must be filed during the final year of validity and can be renewed up to six months after its expiration. Protection is terminated if a trademark is not used for a five-year period. Trademark infringement is a significant problem in Bulgaria for U.S. cigarette and apparel producers, and affects other U.S. brands on a smaller scale. Bulgarian legislation provides for criminal, civil, and administrative remedies against trademark violation. Civil legal infringement actions may be conducted, including the seizure and destruction of the infringing products and compensation for damages. The claimant may request compensation ranging from BGN 500 to BGN 100,000 or USD 275 to USD 55,000. In addition, the claimant may request possession of the infringing articles and compensation for expenses incurred in destroying the articles. All civil actions are heard by Sofia City Court. Bulgaria has no simplified border control procedure for the destruction of seized fake goods without a civil or

criminal trial. The TGIA imposes a fine of BGN 500 to BGN 1,500 or USD 275 to USD 825 on any physical person who is selling goods or services that bear a sign that is identical or similar to a registered mark without the proprietor's consent. Legal entities are fined between BGN 1,000 and BGN 3,000 or USD 550 and USD 1,650. The fine for repeated offenses is between BGN 1,500 and BGN 3,000 or USD 550 and USD 1,650 for physical persons and between BGN 3,000 and BGN 5,000 or USD 1,650 and USD 2,750 for legal entities. The Criminal Code prohibits the use of a third person's trademark without the proprietor's consent. This is punishable by an imprisonment of up to five years and a fine of up to BGN 5,000 or USD 2,750. If the act is repeated or significant damages result, the punishment can be extended for up to eight years of imprisonment and a fine between BGN 5,000 and BGN 8,000 or USD 2,750 and USD 4,400. In practice, criminal court rulings are rare and sentencing is lenient. In Bulgaria, trademarks, service-marks, and rights to geographic indications are only protected pursuant to registration with the Bulgarian Patent Office or an international registration (under the Madrid Agreement and the Madrid protocol) designating Bulgaria; they do not arise simply with "use in commerce" of the mark or indication. Bad faith registrations of well-known international trademarks are increasingly common in Bulgaria. In the past year, there have been at least two cases in which the Bulgarian Patent Office has upheld the rights of bad-faith registrants with enforcement procedures against original U.S. trademark holders. Legal entities cannot be held liable under the Criminal Code. Criminal penalties for copyright infringement and willful trademark infringement are limited compared to the enforcement mechanisms available under U.S. law. Under Bulgarian law, industrial designs which are new and original can be granted certificates from the Patent Office and entered into the state register. The term of protection is 10 years, renewable up to 25 years. Bulgaria is a contracting state of The Hague Agreement Concerning the International Deposit of Industrial Designs. With respect to third parties, an international registration shall have effect in Bulgaria as of the date of expiration of the six-month period under Article 8 (1) of the Hague Agreement. Enforcement of industrial design is similar to trademark enforcement.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>. Embassy point of contact: Economic Officer Sally Behrhorst BehrhorstSP@state.gov tel.:+359-2-937 5212 or Economic Specialist Danko Tonev tonevdt@state.gov tel.: +359-2-937 5212.

Local lawyers list: [http://bulgaria.usembassy.gov/list\\_of\\_lawyers\\_in\\_bulgaria2.html](http://bulgaria.usembassy.gov/list_of_lawyers_in_bulgaria2.html)

## Transparency of Regulatory System

[Return to top](#)

In general, the regulatory environment in Bulgaria is characterized by complex regulations, a lack of transparency, and arbitrary or weak enforcement. These factors create incentives for public corruption and, as a result, foreign investors may experience a cumbersome investment climate. Bulgarian law defines 39 operations that must be licensed and includes registration and permit regimes. The law requires all regulations be justified by defined need in terms of national security, environmental protection, or personal and material rights of citizens, and prohibits restrictions incidental to the stated purposes of the regulation. The law also requires that the regulating authority perform a cost-benefit analysis of any proposed regulation. This requirement, however, is often ignored when Parliament reviews draft bills. With a few exceptions, all draft bills are made available for public comment. In addition, the law eliminates bureaucratic discretion in granting requests for routine economic activities, and provides for "silent consent" when the government does not respond to a request in the allotted time. While the law creates a ground-breaking normative framework, implementation and consistent enforcement are still lacking. Local companies in which foreign partners have controlling

interests may be requested to provide additional information or meet mandatory requirements in order to engage in certain licensed activities including the production and export of arms and ammunition; banking and insurance; and the exploration, development, and exploitation of natural resources.

## **Efficient Capital Markets and Portfolio Investment**

[Return to top](#)

Since 1997, the Bulgarian Stock Exchange (BSE) has operated under a license from the Securities and Stock Exchange Commission (SSEC). The 1999 Law on Public Offering of Securities regulates the issuance of securities, securities transactions, stock exchanges, and investment intermediaries. The comprehensive amendments to this law in 2002 established significant rights for the minority shareholders of publicly-owned companies in Bulgaria. In addition, they created an important foundation for the adoption of international best practices for corporate governance principles in public companies. Since 2007, Bulgaria has aligned its regulation of securities markets with EU standards under the Markets in Financial Instruments Directive (MiFID) that seeks to integrate the trading, clearing, settlement and depository functions of the EU securities markets. The BSE is the only trading venue in Bulgaria. Its infrastructure has substantially improved in recent years, including the establishment of an official index (SOFIX), an Internet-based trading system, and a growing number of brokers. Investors access the BSE to trade corporate stock, government bonds, corporate bonds, Bulgarian Depository Receipts, municipal bonds, and mortgage-backed bonds. The stock exchange operates four other indexes in addition to the official SOFIX: BG40, BG TR30, BGREIT and CGIX. The small domestic market is served by a large number of domestically oriented investment firms. The liquidity of the market remains relatively low. Arbitrary changes to business regulations have occasionally lowered local stock market indexes. The 2014 total market capitalization was down 2% versus 2013, to BGN 9.8 billion or USD 6 billion, which was 12% of GDP. The majority of BSE's equity is still owned by the Ministry of Finance (50.06%) and by investment intermediaries and commercial banks (21.73%). The remaining BSE capital is allocated among other local and foreign legal entities, natural persons, and institutional investors. The government announced plans to start a procedure for the sale of its majority stake in BSE in 2015.

## **Money and Banking System, Hostile Takeovers**

The Bulgarian banking system has undergone a considerable transformation since its virtual collapse in 1996. There were 28 commercial banks (22 subsidiaries and 6 branches), that held total assets of BGN 85.1 billion or USD 47.3 billion in 2014. Approximately 55% of bank assets are concentrated in the top five banks: UniCredit-Bulbank, DSK Bank, First Investment Bank, Corporate Commercial Bank and United Bulgarian Bank. Bulgarian banks' leverage coefficient was 11.85% in September 2014, down from 12.13% in June. In 2003, Bulgaria completed the privatization of its state-owned banks, attracting many foreign banks as strategic investors. Foreign investors drawn to the Bulgarian banking industry include UniCredito Italiano SpA (UCI), BNP PARIBAS, KBC, National Bank of Greece, Societe Generale, Raiffeisen International, OTP Group, and Citibank. Approximately 72% of the banking system is owned by foreign banking groups. Confidence in the Bulgarian banking system was hit badly when the fourth largest bank, Corporate Commercial Bank (CCB) collapsed in June 2014. While the bank is currently in liquidation, the government has adopted special legislation to investigate the alleged leakage of assets through companies connected with the bank's former owner. In December 2014, the government infused the deposit insurance fund with BGN 2.0 billion or USD 1.1 billion to repay CCB depositors with guaranteed deposits up to EUR 100,000 or USD 110,000. In response to criticism about the insufficient oversight that led to CCB's collapse, the

central bank is seeking to name a new deputy governor responsible for bank supervision and a new central bank governor with a six-year office term beginning in October 2015. Additionally, the prosecution has pressed charges against a former bank manager and the auditors of CCB's books.

The Bulgarian government finances some of its expenditures by issuing bonds in capital markets. Commercial banks and private pension funds are the primary purchasers of these instruments. EU-based banks are eligible to be primary dealers of Bulgarian government bonds. In order to acquire Bulgarian government bonds, a foreign bank must register with the Ministry of Finance and open a "custody account" in BGN. The Investment Promotion Act defines securities, including treasury bills, with maturities over six months as investments. Repatriation of profits is possible after presenting documentation that taxes have been paid.

## **Competition from State Owned Enterprises**

[Return to top](#)

Upon EU accession, Bulgaria was recognized as a fully operating market economy, in which the majority of the companies are private. The state's monopoly in railway infrastructure is among the few exceptions. The state-owned Bulgarian Postal Service still holds a partial market monopoly, but the local market for postal services has been increasingly de-monopolized to include a number of privately managed courier companies. Though Bulgaria has separate state-owned companies for infrastructure ownership and distribution in both the electricity and gas markets, all of these companies are owned by the same state-owned holding company. The government allocates approximately 5% of its budget to subsidize SOEs each year. SOE budgets are made public with budget proposals and, during the budget implementation process, with the enacted budgets of the respective ministry. There is a Board of Directors in each SOE that reports directly to the relevant minister. Typically, the Board is comprised of representatives from the political party that holds power and its coalition partners. The Ministry of Finance periodically publishes audit reports from the subsidized SOEs, which may or may not include the exact amount of the annual budget subsidy. SOEs are defined as limited liability or joint stock companies solely owned by the state. SOEs can enter into partnerships by selling stakes to other non-state companies. The government equally treats public and private sector companies during public bidding or other government-controlled processes. SOEs are subject to the same tax regime and government policies as private sector companies.

## **Corporate Social Responsibility**

[Return to top](#)

### **OECD Guidelines for Multinational Enterprises**

There is a growing awareness of corporate social responsibility among both producers and consumers. CSR expectations are much higher for foreign investors than for domestic entities.

## **Political Violence**

[Return to top](#)

There have been no incidents in recent years involving politically-motivated damage to projects or installations. Rather, violence in Bulgaria is primarily criminal in nature.

## **Corruption**

### ***The UN Anticorruption Convention, The OECD Convention on Combatting Bribery***

Widespread corruption continues to be one of the most difficult problems in Bulgaria's investment climate. Well-established human trafficking, narcotics, and contraband smuggling channels that contribute to corruption in Bulgaria continue to operate. Bulgaria has laws, regulations, and penalties to combat corruption, however, the capacity of law enforcement remains limited and the authorities opt for easy-to-prove, low-level cases. As a result, progress on cases of great public interest, involving the alleged siphoning of millions from state coffers or EU funds, and in particular those involving public tenders for large energy and infrastructure projects, has generally not been pursued. The State Agency for National Security (DANS), the Ministry of Interior and the independent prosecution service are the primary institutions responsible for combating corruption. In 2015, the three agencies signed an agreement to launch a joint task-force which will target high-level public and judicial corruption and will report to the Prosecutor General. A separate Commission is in charge of investigating complaints against government officials for conflicts of interest. However, its effectiveness has been undercut by limited powers and staffing gaps. Furthermore, its credibility has suffered from revelations of undue political influence. A government analytical center for curbing corruption-facilitating legal loopholes (BORCOR) was set up in 2011 but it has delivered no concrete results, despite the significant resources devoted to the project. In 2015, the government approved a strategy to merge the BORCOR and the Conflict of Interest Commission, a restructuring which may result in delays to its work agenda. Internal oversight within institutions is typically understaffed, which contributes to the overall image of an uncoordinated response to what is seen as a systemic problem in public administration. Bribery is a criminal act under Bulgarian law for both the giver and the receiver. Individuals who mediate and facilitate a bribe are also held accountable. Penalties range from 1-15 years in prison along with the possible confiscation of property depending on the circumstances and seriousness of the case. In the most egregious cases, the Penal Code calls for prison terms of 10-30 years. Bribing a foreign official is also a criminal act. The government does not require companies to establish internal codes of conduct or compliance programs to detect and prevent bribery. In the area of public procurement, the lack of a comprehensive electronic system and the complex and ever-changing legislative framework has made it even more difficult to create a culture of objectivity and rigor. Bulgaria has an NGO sector that monitors corruption and organized crime, including a local chapter of Transparency International (TI). Bulgaria ranks 69th out of 175 countries in TI's Corruption Perception Index for 2014.

## **Bilateral Investment Agreements**

[Return to top](#)

## **Bilateral Taxation Treaties**

Bulgaria has a Bilateral Investment Treaty (BIT) with the United States, which guarantees national treatment for U.S. investments and creates a dispute settlement process. The BIT also includes a side letter on protections for intellectual property rights. The Governments of Bulgaria and the United States exchanged notes in 2003 to make Bulgaria's obligations under the BIT compatible with its EU obligations, and finalized the process in January 2007.

As of 2014, Bulgaria has bilateral investment treaties signed with the United States and the following countries: Albania, Algeria, Argentina, Armenia, Austria, Bahrain, Belarus, Belgium, China, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Israel, Italy, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Libya, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Mongolia, Montenegro, Morocco, Poland, Portugal, Qatar, Romania, Russia, San Marino, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Syria, Thailand, The Netherlands, Tunisia, Turkey, Ukraine, United Kingdom and Northern Ireland, Uzbekistan, Vietnam, and Yemen.

As of 2014, Bulgaria has signed bilateral double taxation treaties with the United States and the following countries: Albania, Algeria, Armenia, Austria, Azerbaijan, Bahrain, Belarus, Belgium, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Kazakhstan, Kuwait, Latvia, Lebanon, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Mongolia, Montenegro, Morocco, North Korea, Norway, Poland, Portugal, Qatar, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Syria, Thailand, The Netherlands, Turkey, Ukraine, United Arab Emirates, United Kingdom and Northern Ireland, Uzbekistan, Vietnam, and Zimbabwe.

## **OPIC and Other Investment Insurance Programs**

[Return to top](#)

In 1991, the Overseas Private Investment Corporation (OPIC) and the Bulgarian government signed an Investment Incentive Agreement, which governs OPIC's operations in Bulgaria. OPIC provides medium- to long-term funding through direct loans and loan guarantees to eligible investment projects in developing countries and emerging markets. OPIC also supports a number of privately owned and managed equity funds, including a regional fund for Southeast Europe created in 2005 for investments in companies in Bulgaria and other Balkan countries. OPIC's Small- and Medium-Size Financing is available for businesses with annual revenues under USD 250 million. OPIC's structured financing focuses on U.S. businesses with annual revenue over USD 250 million and supports large capital-intensive projects such as infrastructure, telecommunications, power, water, housing, airports, technology, and financial services. OPIC offers U.S. investors insurance against currency inconvertibility, expropriation, and political violence. Political risk insurance is also available from the Multilateral Investment Guarantee Agency (MIGA), which is a World Bank affiliate, as well as from a number of private U.S. companies. Bulgaria is a signatory to the Convention Establishing the Multilateral Investment Guarantee Agency.

## **Labor**

[Return to top](#)

As of December 2014, Bulgaria's workforce officially consisted of 3,344,200 men and women, or 46.2% of the population, many of whom are skilled in the sciences, information technology, customer service, and foreign languages. Split by gender, 59.5% of all men are economically active, as are 48.7% of all women. 10.7% of the labor force was officially registered as unemployed in December 2014, which increased to 11% in the first two months of 2015. About 24% of all youths are presently reported as unemployed, which has prompted the government to enact a set of measures to address the problem. The official adult literacy rate in Bulgaria is 98.3%, with adults being 15 or older. A high percentage of the workforce has completed some form of secondary, technical, or vocational education. Many Bulgarians have strong backgrounds in engineering, medicine, economics, and the sciences, but there is a shortage of



both professionals with Western management skills and highly-skilled manual laborers. The aptitude of workers, the relatively high number of those who speak English, and the relatively low cost of labor are considerable incentives for foreign companies to invest in Bulgaria, especially for those that are labor-intensive. In recent years, many foreign investors have complained about the deteriorating quality of a Bulgarian university education and the fact that it is training graduates in specialties that are not in line with market needs. In an attempt to reverse that trend, the Bulgarian government has introduced a vocational training track for some Bulgarian high school students. Under this program, certain students will receive professional qualification while at school, but forego some of the humanities and social science prerequisites necessary for a regular university education after graduation. Another concern frequently raised by investors is the difficulty in finding appropriately skilled local laborers, because many well-trained Bulgarians, enabled by generally unrestricted access to EU labor market, choose to leave the country in pursuit of better paying jobs. However, the global financial and economic crisis caused some émigrés, including some Bulgarian construction workers, to return to Bulgaria. Meanwhile, the development of Bulgaria's digital technologies sector has provided many local IT specialists with the opportunity to work for large IT corporations in Bulgaria.

The Bulgarian Constitution recognizes workers' rights to join trade unions and to organize. The National Council for Tripartite Cooperation (NCTC) provides a forum for dialogues between the government, employer organizations, and trade unions on issues such as cost-of-living adjustments. An established practice of negotiating the so-called "social security thresholds" between trade unions and employers organizations each year helps determine the formula for calculating the relative amount of employer and employee social security contributions. Bulgaria has two large trade union confederations that are represented at the national level; the Confederation of Independent Trade Unions of Bulgaria (CITUB) and the Confederation of Labor "Podkrepa" ("Support"). As of 2012, estimated trade union membership was 300,000 for CITUB and 150,000 for Podkrepa. There are very few restrictions on trade union activity, but employees in smaller private firms are often not represented. In addition, there are currently four nationally recognized employer organizations in Bulgaria that target different industry and company membership. Under the Bulgarian Labor Code, employer-employee relations are regulated by employment contracts. The framework of the employment contracts can be shaped through collective bargaining. Collective labor contracts can be concluded at the sector level, the enterprise level, and the municipal level. The Labor Code addresses worker occupational safety and health issues, mandates a minimum wage as determined by the Council of Ministers, and prevents the exploitation of workers, including child labor. It clearly delineates employer rights. Disputes between labor and management can be referred to the courts, but resolution is often subject to delays. Neither foreign companies nor majority foreign-owned Bulgarian companies are exempt from the requirements of the Labor Code. Over the last ten years, the Labor Code has been amended to address labor market rigidities and bring labor legislation into compliance with EU requirements. In 2008, the Parliament passed changes in labor legislation to increase fines to BGN 15,000 or USD 8,333 for Labor Code violations. The minimum annual paid leave is 20 days. The minimum wage is BGN 360 or USD 200 per month and will increase to BGN 380 in July 2015. In 2012, rules regulating the status of temporary workers and temporary employment agencies were introduced.

The National Institute for Conciliation and Arbitration (NICA) developed a framework for collective labor dispute mediation and arbitration. NICA includes representatives from labor, employers, and the government. NICA-sponsored collective labor dispute resolutions are still few in number. Several of the appointed mediators received basic mediation skills training from the U.S. Federal Mediation and Conciliation Service. There are 36 appointed mediators and 36 arbiters, proposed by social partners and approved by NICA's Supervisory Board.

There are six duty-free zones in Bulgaria: the Ruse and Vidin ports on the Danube; Plovdiv; Svilengrad near the Turkish border; Dragoman near the Serbian border; and the Burgas port on the Black Sea. They are all managed by joint stock or state-owned companies. Little interest has shown so far in the government's proposal to sell the FTZs in Ruse, Plovdiv and Burgas. The government provided land and infrastructure for each zone. Foreign individuals and corporations, and Bulgarian companies with 1% or more foreign ownership may operate in a duty-free zone. Thus, foreign-owned firms have equal or better investment opportunities in the zones compared to Bulgarian firms. All forms of legal economic activity are permissible in duty-free zones. Foreign, non-EU goods delivered to the duty-free zones for production, storage, processing, or re-export are VAT and duty exempt. Bulgarian goods may also be stored in duty-free zones with permission from customs authorities.

With Bulgaria in the EU, the duty-free zones no longer apply tax and duty exemptions to exports going from Bulgaria to other EU countries. EU integration has encouraged regional authorities to attract outside investors to spur local economic development. In partnership with the private sector, they provide resources, such as land, infrastructure, etc., for the development of industrial zones and technological parks, which are different from duty-free zones in that they do not provide any form of preferential tax treatment. There are several industrial zones under construction in: Bozhurishte outside Sofia, Burgas, Varna, Karlovo near Plovdiv, and Telish near Pleven. The high-tech Sofia Tech Park has recently combined efforts with the Bulgarian Academy of Sciences, several local universities and one cluster for what is expected to become the largest center for high level R&D and incubator for high-tech international and local business in Bulgaria. The government has established a National Industrial Zones Company to support the establishment of industrial zones and technological parks and enable a stable FDI inflow.

## Foreign Direct Investment Statistics

[Return to top](#)

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data  (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) <i>(Millions U.S. Dollars)</i>	2012	54,08B	2012	52,59B	<a href="http://www.worldbank.org/en/country">http://www.worldbank.org/en/country</a>
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country <i>(Millions U.S. Dollars, stock positions)</i>	2013	1,87B	2013	439M	IMF
Host country's FDI in the United States <i>(Millions U.S. Dollars, stock positions)</i>	2013	107M	2012	n/a	Eurostat; BEA shows data on Bulgarian FDI in the U.S. as either a negligible amount, or suppressed to avoid data on individual companies
Total inbound stock of FDI as % host GDP <i>(calculate)</i>	2012	44.02B	2012	46.12B	IMF; 81,4%

**TABLE 3: Sources and Destination of FDI**

The IMF data on inward FDI is consistent with the locally sourced data. The Netherlands and Cyprus are tax havens and sources of inward FDI, therefore the investments originating from these two countries are smaller than the officially quoted figure. The latest available inward FDI data on Bulgaria is from 2012. There is no annual data on outbound investment available on the IMF site provided for the purposes of this report. Official local data shows USD 1.6 billion, at the current exchange rate, in total outbound investment calculated cumulatively between 1997 and 2012. WB data shows almost the same amount: USD 1.54 billion.

From Top Eight Sources/To Top Eight Destinations ( <i>US Dollars, Millions</i> )					
Inward Direct Investment			Outward Direct Investment		
Total Inward	44,443	100%	Total Outward	26,618	100%
The Netherlands	8,875	20%	Netherlands	6,094	23%
Austria	6,663	15%	Austria	5,600	21%
Greece	3,464	8%	Greece	2,578	10%
Cyprus	2,576	6%	Cyprus	c	
United Kingdom	2,738	6%	United Kingdom	183	0.7%
Germany	2,376	5%	Germany	2,964	11%
Russia	1,876	4%	Russia	2,835	11%
United States	1,459	3%	United States	c	

Source: <http://cds.imf.org>

Local contact for FDI statistics: “Balance of Payments and External Debt” Department, Bulgarian National Bank ([www.bnb.bg](http://www.bnb.bg))

The Bulgarian National Bank ranks the top eight investor countries in the same order as the table above, with the Netherlands listed as number one and the United States listed at number eight.

**TABLE 4: Sources of Portfolio Investment***Bulgaria, 2014*

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	7,108	100%	All Countries	1,238	100%	All Countries	5,870	100%
United Kingdom	1,401	20%	United States	343	28%	United Kingdom	1,339	24%
Germany	627	9%	Luxembourg	334	27%	Czech Republic	507	9%
United States	526	7%	France	159	13%	Germany	480	8%
Czech Republic	507	7%	Germany	147	12%	The Netherlands	423	7%
Luxembourg	493	7%	Ireland	97	8%	Hungary	408	7%

Source: <http://cpis.imf.org> (Source: Bulgarian National Bank)

**Contact Point at Post for Public Inquiries**

Sally Behrhorst, Economic Officer

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16 Kozyak Street

Sofia 1407, Bulgaria

Tel: +359 937 5220

(Source: Bulgarian National Bank)

[Return to table of contents](#)

## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

### How Do I Get Paid (Methods of Payment)

[Return to top](#)

As with any international transactions, the method of payment is determined by the degree of trust in the buyer's ability and willingness to pay. Full payment in advance is recommended for the first delivery and when the importer is still unknown.

Most commonly used payment mechanisms are available to facilitate international transactions.

U.S. EXIM Bank provides insurance policies and long-term guarantees to U.S. exporters to allow for more flexible payment terms. For more information, please visit <http://www.exim.gov>

### How Does the Banking System Operate

[Return to top](#)

The development of services for consumers, such as credit cards and e-banking, are popular, while personal checks are almost unknown and unused as a method of payment for locals. The number of POS terminals in the country and the share of the non-cash transactions grew significantly in the past few years.

The Bulgarian National Bank (BNB) operates independently of the government and reports directly to Parliament. The BNB regulates the banking system, however, under the Currency Board Arrangement, the BNB has no discretion in setting monetary or exchange rate policy. The Bulgarian currency is pegged to the Euro and the exchange rate is fixed at 1 EUR = 1.95583 BGN.

There are thirty commercial banks in Bulgaria; twenty-four are fully licensed and authorized to engage in international transactions and six are branches of foreign banks in Bulgaria. Citibank is the only U.S. bank with an office in Bulgaria.

### Foreign-Exchange Controls

[Return to top](#)

International financial remittances in the payment of imports into Bulgaria are generally allowed. Only bank transfers permit the export of hard currency by commercial entities, including juridical persons and sole traders. Transfers for current international payments, including the import of goods and services, transportation, interest and principal payments, insurance, training, medical treatment and other purposes defined in Bulgarian regulations, must be supported by documentation such as invoices, certificates, or transport documents, to the transferring bank.

## U.S. Banks and Local Correspondent Banks

[Return to top](#)

Contact information for all Bulgarian banks may be found on the Bulgarian National Bank web site at <http://www.bnb.bg>. Some Bulgarian banks may have 100 or more U.S. correspondent banks, and some U.S. banks may have correspondent relations with more than one Bulgarian bank. As banking relationships can change quickly, the best source of current information on correspondent banking arrangements is the banks themselves.

The AmCham web site at <http://www.amcham.bg> is another good source of information. From the AmCham home page, click on "About us" then "Members list".

## Project Financing

[Return to top](#)

### 1. U.S.-based financing

The U.S. Export-Import Bank, Eximbank, is a source of export financing and insurance for U.S. transactions in Bulgaria. Eximbank will guarantee a commercial bank loan up to 85% of the value of the contract. Eximbank will also accept guarantees from the larger municipalities. In 2006, Eximbank established a Master Guarantee Agreement with the Bulgarian banks UBB and Postbank. Therefore, Eximbank financing is available in Bulgaria.

The Small Business Administration (SBA) provides financial and business development assistance to encourage and help small U.S. companies in developing export markets. <http://www.sba.gov/>

The Overseas Private Investment Corporation's (OPIC) key programs are its loan guarantees, direct loans, and political risk insurance. <http://www.opic.gov/>

The U.S. Trade and Development Agency (TDA) promotes U.S. exports by funding feasibility studies, technical assistance, training programs, and orientation visits. <http://www.ustda.gov/>

### 2. Financing from International Institutions

The European Bank for Reconstruction and Development (EBRD), whose largest shareholder is the U.S. Government, has a number of programs available for U.S. companies. The Bank gives loans and takes equity stakes in infrastructure projects. The EBRD will increasingly focus on private-sector development in Bulgaria. It also mandates open competitive tenders in procurements, which give U.S. companies opportunities to supply goods and services. For more information, please see <http://www.ebrd.com/>

The World Bank's procurement procedures enable U.S. exporters to bid on public procurement contracts. To date, approved projects have been in the energy, telecommunications, residential heating, railways, health, environmental and public administration sectors. For more information on the WB program in Bulgaria, please see <http://www.worldbank.bg>

The Multilateral Investment Guarantee Agency (MIGA) is part of the World Bank Group. Its purpose is to encourage foreign investment in developing countries by providing investment guarantees, including political risk insurance, against the risk of currency transfer, expropriation, war, civil disturbance and breach of contract by the host government. For more information, please see <http://www.worldbank.org/>

### 3. EU-based financing

Bulgaria's accession to the EU has given it access to project financing in the form of EU structural and cohesion funds. EU financial assistance programs provide a wide array of grants, loans, loan guarantees and co-financing for feasibility studies and infrastructure projects in a number of key sectors, including environmental, transportation, energy, telecommunications, tourism, and public health. From a commercial perspective, these initiatives create significant market opportunities for U.S. businesses, U.S.-based suppliers, and subcontractors.

The EU supports projects within its member states, as well as EU-wide "economic integration" projects that cross both internal and external EU borders. See <http://export.gov/europeanunion/grantstendersandfinancing/index.asp>.

Seven EU operational programs are available in Bulgaria. They support projects in the areas of competitiveness, environment, transport, regional development, technical assistance, capacity building, and human capital development.

The European Union provides project financing through grants from the European Commission and loans from the European Investment Bank. Grants from the Structural Funds are distributed through the member states' national and regional authorities.

#### **The CSEU Tenders Database**

The U.S. Commercial Service at the U.S. Mission to the European Union offers a tool on its website to help U.S.-based companies identify European public procurement opportunities. The database features all current public procurement tenders issued by all national and regional public authorities in the 27 Member States of the European Union, plus four other European countries, and that are open to U.S.-based firms under the terms of the Government Procurement Agreement (GPA) implemented in 1995. The database is updated twice weekly and is easy to use with a range of search options, including approximately 20 industry sectors. The database also contains tenders for public procurement contracts relating to structural funds. Readers may access the database at <http://export.gov/europeanunion/grantstendersandfinancing/cseutendersdatabase/index.asp>.

#### **EU Structural Funds**

For the 2007-2013 period, the EU allocated EUR 308 billion for projects and programs financed by the Structural Funds and the Cohesion Fund for the EU-27. In addition to funding economic development projects proposed by Member States or local authorities, EU Structural Funds also support specialized projects promoting EU socioeconomic objectives. For information on approved programs that will result in future project proposals, please visit: [http://ec.europa.eu/regional\\_policy/index\\_en.cfm](http://ec.europa.eu/regional_policy/index_en.cfm)

For projects financed by the Structural Funds, Bulgarian officials are the key decision-makers. They assess the needs of their country, investigate projects, evaluate bids, and award contracts. To become familiar with the available financial support programs in Bulgaria, it is advisable for would-be contractors to meet with local officials to discuss local needs.

Tenders issued by Bulgaria's public contracting authorities for projects supported by EU grants are subject to EU public procurement legislation if they meet the EU minimum contract value requirement for the eligible sector. Below this threshold, tender procedures are subject to national procurement legislation. There are no overt rules prohibiting the participation of U.S. companies as developers or concessionaires of projects partially supported by the Structural



Funds, or as bidders on subsequent public tenders related to such projects, but it is advisable to team up with a local partner. All projects supported by the Structural Funds are co-financed by national authorities and most may also qualify for a loan from the European Investment Bank. The private sector is also involved in project financing. For more information on these programs, please see the market research section on the website of the US Mission to the EU:  
<http://export.gov/europeanunion/marketresearch/index.asp>

### **The Cohesion Fund**

The Cohesion Fund is another instrument of EU structural policy. Its EUR 61.5 billion budget for 2007-2013 sought to improve cohesion within the EU by funding transport infrastructure and environmental projects in Portugal, Spain, Greece and the twelve new (since 2004) EU Member States from Central and Eastern Europe. These projects are generally co-financed by national authorities, the European Investment Bank, and the private sector.

Key Link: [http://ec.europa.eu/regional\\_policy/thefunds/cohesion/index\\_en.cfm](http://ec.europa.eu/regional_policy/thefunds/cohesion/index_en.cfm)

### **Loans from the European Investment Bank**

Headquartered in Luxembourg, the European Investment Bank (EIB) is the financing arm of the European Union. As a non-profit banking institution, the EIB offers cost-competitive, long-term lending in Europe. Best known for its project financial and economic analysis, the Bank makes loans to both private and public EU-based borrowers for projects in all sectors of the economy, such as telecommunications, transport, energy, infrastructure and environment.

Projects financed by the EIB must contribute to the socioeconomic objectives set out by the European Union. Some of these objectives include fostering the development of less favored regions, improving European transport and telecommunication infrastructure, protecting the environment, supporting the activities of SMEs, assisting urban renewal and generally promoting growth, competitiveness and employment in Europe. Last year, the EIB created a list of projects to be considered for approval and posted the list on its website. As such, the EIB website is a source of intelligence on upcoming tenders related to EIB-financed projects:  
<http://www.eib.org/projects/pipeline/index.htm>

The EIB presents attractive business opportunities to U.S. businesses. EIB lending rates are lower than most other commercial rates. Like all EIB customers, however, U.S. firms must apply the loan proceeds to a project that contributes to the European objectives cited above.

### **Web Resources**

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.ustda.gov/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

European Bank for Reconstruction and Development: <http://www.ebrd.bg>

World Bank - <http://www.worldbank.org/>

The European Investment Bank <http://www.eib.org/>

EIB-financed projects: <http://www.eib.org/projects/index.htm?lang=-en>

European Union Tenders Database:

<http://export.gov/europeanunion/grantstendersandfinancing/index.asp>

[Return to table of contents](#)

## Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

### Business Customs

[Return to top](#)

Bulgarians are less formal than Western Europeans, from the way they dress to the way they conduct business. Meetings, including lunches and dinners, are used as an opportunity to get acquainted and as a basis for developing trust. Companies use evening receptions at hotels, restaurants, congress centers, trade shows, and even museums, galleries and auto showrooms for public relations and to solidify business relationships.

One charming but confusing custom is that head movements indicating agreement or disagreement are reversed in Bulgaria. The rocking of the head from left-to-right, often with a slight smile, means "yes" while nodding up-and-down indicates "no." But with foreign language fluency growing, some Bulgarians will use head movements in a typical western fashion. Therefore, it is best to clarify the situation by obtaining a verbal response.

### Travel Advisory

[Return to top](#)

Bulgarian law requires all travelers entering or leaving the EU through Bulgaria with EUR 10,000 (currently around USD 11,200) or more in cash to declare the sum to customs in order to comply with Regulation (EC) No 1889/2005 of the European Parliament and the Council, applicable from June 15, 2007. This initiative has been taken to assist the efforts being made at the EU level to tackle crime and improve security by cracking down on money laundering, terrorism and criminality. Travelers entering Bulgaria in the Sofia, Varna, Bourgas or Plovdiv Airports and carrying currency in excess of the above amount should use the red "Something to Declare" line and not the green "Nothing to Declare" line, even if specifically invited into the green line by a customs official.

Travelers who attempt to leave the country with the equivalent of BGN 25,000 or more must complete a customs declaration on which they must state the origin of the money, and present a certificate from the Bulgarian regional internal revenue service proving that they do not owe taxes, unless the sum is less than the amount originally reported when initially brought into the country. Please contact the Embassy of Bulgaria in Washington, D.C. or one of Bulgaria's consulates in the United States for specific information regarding customs regulations.

American citizens visiting Bulgaria are encouraged to register at the Consular Section of the U.S. Embassy in Bulgaria and obtain updated information on travel and security within Bulgaria. The Embassy's web site address is <http://bulgaria.usembassy.gov/>.

Visitors should exchange cash or travelers checks at banks or exchange bureaus. Very few exchange bureaus charge commissions on both cash and travelers check transactions, but they may be high or not clearly posted. Damaged or worn U.S. dollar bank notes are often not accepted at banks or exchange bureaus. All hotels accept major credit cards, but some small shops and restaurants do not. ATM cash machines are increasing in number in Sofia and other major cities, but bankcards, debit cards and credit cards should be used with caution due to the potential for fraud or other criminal activity. Be wary of skimming devices placed on automated tellers. Only use ATMs inside major institutions such as banks or major malls. Limit your use of credit cards to hotel bills or bills from other major vendors.

If traveling with pets, you must have a certificate of a veterinarian examination carried out within one week before departure. You must also have a certificate of a rabies shot made during the last six months.

Americans traveling abroad should regularly monitor the Department's Internet web site at <http://travel.state.gov> for the latest travel and security information. Up-to-date information on security can also be obtained by calling 1-888-407-4747 toll free in the United States, or for callers outside the United States and Canada, a regular toll line at 1-317-472-2328. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays).

## Visa Requirements

[Return to top](#)

A United States passport is required for U.S. citizens who are not also Bulgarian nationals. Bulgarian immigration authorities ask all foreigners to declare the purpose of their visit at the border or upon arrival and to provide their intended address. U.S. citizens who enter the country on regular passports without a Bulgarian visa are authorized to stay for a total of 90 days within a six-month period. Travelers on all types of passports (regular, official or diplomatic) who intend to stay more than 90 days must secure a "D" visa from the Bulgarian Embassy or Consulate. The visa issuance takes about 30 to 40 calendar days. "D" visas may be issued for employment purposes, missionary purposes, or if you are married to a Bulgarian citizen, among other reasons. Travelers using official or diplomatic passports, who intend to stay in Bulgaria for less than 90 days within six months, must secure a Bulgarian visa type "C" from a Bulgarian Embassy or Consulate prior to arrival. As of July 2008, U.S. citizens must apply for a visa at a Bulgarian Embassy/Consulate in the United States or if not residents in the United States, in their country of legal residence. U.S. citizens are also advised that if their purpose of stay in Bulgaria changes (i.e., work or marriage status), they must leave Bulgaria and apply again for a D-visa.

All US citizens receive an entry stamp in their passports. US citizens who do not have an entry stamp in their passports will encounter difficulties when they try to leave Bulgaria. When entering Bulgaria by car, if the vehicle has been recorded on the passport, the owner may not leave the country without the automobile. Sometimes vehicles are erroneously recorded on the passport of passengers in the car, who then have problems trying to leave the country without the vehicle.

As of 2012, holders of Schengen visas will be able to visit and stay in Bulgaria without Bulgarian visas. The Cabinet decided that until the date of Bulgaria's full accession to the Schengen zone, Bulgaria will unilaterally apply a visa-free system for holders of valid Schengen visas. The decision will allow holders of Schengen visas and residence permits to enter and reside in the Republic of Bulgaria for a period of no more than three months in any six-month period from the date of first entry, without needing to have a Bulgarian visa.

For further information concerning entry requirements, travelers should contact the Embassy of the Republic of Bulgaria at 1621 22nd St. N.W., Washington, D.C. 20008; <http://www.bulgaria-embassy.org/WebPage/Consular%20Information/procedur.htm>, main switchboard (202) 387-7969.

Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

U.S. Embassy, Sofia, Bulgaria: <http://sofia.usembassy.gov/>

## Telecommunications

[Return to top](#)

Bulgaria has a good telecommunications infrastructure with three mobile providers. It is also launching wireless services for business travelers. All three cellular operators offer BlackBerry service. There are numerous Wi-Fi hotspots in Sofia (mainly at coffee shops, big restaurants, malls, hotel lobbies, public parks and at the Sofia Airport).

The dialing code for Bulgaria is 359, followed by the appropriate area code: Sofia (2), Plovdiv (32), Varna (52), Bourgas (56), Stara Zagora (42), Veliko Tarnovo (62).

## Transportation

[Return to top](#)

Sofia is served by major European airlines including Aeroflot, Aegean Airlines, Air Malta, Air France, Alitalia, Austrian Airlines, British Airways, Cyprus airlines, El Al, LOT, Lufthansa, TAROM, Turkish Airlines and co-sharing with Iberia, Finnair, KLM, TAP and SAS, Air Serbia. Many American carriers operate code shared flights to Sofia – like United/Continental airlines, Delta and American Airlines. Bulgaria Air is also operating international flights as well as domestic service between Sofia, Varna and Burgas. Qatar airways offers good connections to the Middle and Far East. In addition, most European low-cost airlines (like Easyjet, Ryanair, Wizzair, Germanwings, Norwegian, Climber, S7 etc.) connect Bulgaria's airports with the rest of Europe.

Car rental from Hertz, Avis, Budget, Europcar and others are available.

Taxis are affordable. It is advisable to call ahead to a reputable taxi company for radio dispatch for your personal security as well as to avoid overcharges.

## Language

[Return to top](#)

Bulgarian is a Slavic language that uses the Cyrillic alphabet. English is often used when conducting business. Many Bulgarians also have some comprehension of the Russian language. German and French are also widely spoken.

## Health

[Return to top](#)

All foreign citizens traveling to Bulgaria may be asked to present valid evidence of health insurance to the Bulgarian border authorities in order to be admitted into the country.

The insurance should be valid for the duration of the traveler's stay in Bulgaria. The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad so that they can confirm whether their policy applies overseas and if it will cover emergency expenses such as a medical evacuation. U.S. medical insurance plans

seldom cover health costs incurred outside the United States, unless supplemental coverage is purchased. Further, U.S. Medicare and Medicaid programs do not provide payment for medical services outside the United States. However, many travel agents and private companies offer insurance plans that will cover health care expenses incurred overseas, including emergency services such as medical evacuations. When making a decision regarding health insurance, Americans should consider that many foreign doctors and hospitals require payment in cash prior to providing service and that a medical evacuation to the United States may cost more than USD 50,000. Uninsured travelers who require medical care overseas often face extreme difficulties, whereas travelers who have purchased overseas medical insurance have found it to be lifesaving when a medical emergency has occurred. When consulting with your insurer prior to your trip, please ascertain whether payment will be made to the overseas healthcare provider or if you will be reimbursed later for expenses that you incur.

### **Local Time, Business Hours and Holidays**

[Return to top](#)

Local Time is EST plus 7 hours.

#### **2015 Holidays in Bulgaria**

January 1	New Year's Day
January 2	Non-work Day
March 2	Non-work Day
March 3	National Day
April 10	Good Friday
April 13	Orthodox Easter Monday
May 1	Labor Day
May 6	St. George's Day, Day of Valor and the Bulgarian Army
May 24	Saints Cyril & Methodius Day
September 21	Non-work Day
September 22	Independence Day
December 24	Christmas Eve
December 25	Christmas Day
December 31	Non-work Day

#### **Work Week**

Bulgarians work a 40-hour week with businesses opening at 8:30/9:00 a.m. Monday through Friday. During the summer months, scheduling meetings late in the day on Fridays may be difficult as workers tend to leave early for weekend getaways. As in the rest of Europe, business activity slows considerably during the latter part of July and most of August when many Bulgarians take their extended summer holidays.

## Temporary Entry of Materials and Personal Belongings

[Return to top](#)

In theory, personal items brought in temporarily by travelers such as laptop computers, software, and exhibition materials should be declared upon arrival. Travelers should declare jewelry, cameras, and other valuables upon arrival in order to avoid difficulties when departing. The declaration form should be presented to Customs upon departure.

## Web Resources

[Return to top](#)

Business travelers to Bulgaria seeking an appointment with officials from the U.S. Embassy in Sofia should contact the Commercial Section in advance of their departure from the United States.

The Commercial Section can be reached by telephone at 359-2-937-5100 and by fax at 359-2-937-5320; or by e-mail at [Office.Sofia@trade.gov](mailto:Office.Sofia@trade.gov). Detailed information on the services and programs offered by the U.S. Commercial Service in Sofia is available at: <http://www.export.gov/bulgaria> and <http://www.export.gov>

[Return to table of contents](#)

## Chapter 9: Contacts, Market Research and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

### Contacts

[Return to top](#)

#### U.S. Government Contacts

U.S. Embassy - Sofia	<a href="http://sofia.usembassy.gov">http://sofia.usembassy.gov</a>
U.S. Commercial Service – Sofia	<a href="http://www.export.gov/bulgaria">http://www.export.gov/bulgaria</a>
U.S. Department of State	<a href="http://www.state.gov">http://www.state.gov</a>
U.S. Department of Commerce	<a href="http://www.export.gov">http://www.export.gov</a>
U.S. Department of Agriculture	<a href="http://www.usda.gov">http://www.usda.gov</a>
U.S. Agency for International Development	<a href="http://www.usaid.gov">http://www.usaid.gov</a>
U.S. Export-Import Bank	<a href="http://www.exim.gov">http://www.exim.gov</a>
Overseas Private Investment Corporation	<a href="http://www.opic.gov">http://www.opic.gov</a>
U.S. Trade and Development Agency	<a href="http://www.ustda.gov">http://www.ustda.gov</a>

#### Trade and Industry Associations

American Chamber of Commerce in Bulgaria  
 President: Dr. Krassimira Chemishanska  
 Executive Director: Mr. Valentin Georgiev  
 Business Park Sofia  
 Building 2, floor 6  
 Mladost 4 Area  
 1715 Sofia  
 Phone: (359) (2) 974-2743 Fax: (359)(2) 9742 741  
 E-mail: [amcham@amcham.bg](mailto:amcham@amcham.bg) Website: <http://www.amcham.bg>

Bulgarian Chamber of Commerce and Industry  
 President: Mr. Tzvetan Simeonov  
 9, Iskar Street  
 1058 Sofia  
 Phone: (359) (2) 987-2528, 8117-444, 8117-489; Fax: (359) (2) 8117-490  
 Business Center Directorate – Mrs. Margarita Damyanova - Director  
 E-mail: [interdept@bccci.bg](mailto:interdept@bccci.bg), [simeonov@bccci.bg](mailto:simeonov@bccci.bg); Website: <http://www.bccci.bg/>

Confederation of the Employers and Industrialists in Bulgaria

Chairman: Mr. Kiril Domuschiev

Executive Director: Mr. Evgenii Ivanov

8, Khan Asparuh Str.

1463 Sofia

Phone: (359) (2) 981-9169 Fax: (359) (2) 988-6776

E-mail: [office@ceibg.bg](mailto:office@ceibg.bg) Website: <http://www.ceibg.bg/>

Bulgarian Industrial Association

Chairman: Mr. Sasho Dontchev

Executive President: Mr. Bozhidar Danev

Director, International Organizations and Programs: Mr. Branimir Handjiev

16-20, Alabin Street

1000 Sofia

Phone: (359) (2) 932-0911, 932-0914, 932-0922 Fax: (359)(2) 987-2604

E-mail: [office@bia-bg.com](mailto:office@bia-bg.com); Website: <http://www.bia-bg.com/>

Bulgarian Construction Chamber

Chairman: Mr. Svetoslav Glossov

Executive Director: Mr. Ivan Boykov

6, Mihail Tenev Str.

1784 Sofia

Phone: (359) (2) 806-2910, 806-2911 Fax: (359)(2) 963 2425

E-mail: [office@ksb.bg](mailto:office@ksb.bg); Website: <http://www.ksb.bg/>

Bulgarian Association for Information Technologies

Chairman: Mr. Peter Ivanov

CEO: Mr. Vessela Kalucheva

36, Dragan Tsankov Blvd., Intepred World Trade Center, Office B339

1040 Sofia

Phone: (359) (2) 946 1513 Fax: (359) (2) 946-1451

E-mail: [bait@bait.bg](mailto:bait@bait.bg), Website: <http://www.bait.bg/>

### **Bulgarian Government Contacts**

Bulgarian Embassy in Washington, DC <http://www.bulgaria-embassy.org/>

1621 22nd Street, NW, Dimitar Peshev Plaza, Washington D.C. 20008

Tel: (202) 387 0174; (202) 299 0273; (202) 483 1386

Bulgarian Government <http://www.government.bg/>

InvestBulgaria Agency

Executive Director: Mr. Stamen Yanev

31, Aksakov Street

1000 Sofia

Phone: (359) (2) 985-5505 Fax: (359)(2) 980-1320

E-mail: [iba@investbg.government.bg](mailto:iba@investbg.government.bg)

Website: <http://www.investbg.government.bg/>



**Privatization Agency**

Executive Director: Mr. Emil Karanikolov

23, Vrabcha Street

1000 Sofia

Phone: (359) (2) 970 16 00; 987-3249 Fax: (359)(2) 981-6201, 981-1307

E-mail: [press@priv.government.bg](mailto:press@priv.government.bg)Website: <http://www.priv.government.bg/>**Communications Regulation Commission**

Chairperson: Mr. Veselin Bozhkov

6, Gurko Street

1000 Sofia

Phone: (359) (2) 949-2775 Fax: (359) (2) 987-0695

E-mail: [info@crc.bg](mailto:info@crc.bg)Website: <http://www.crc.bg/>**Bulgarian Institute for Standardization**

Chairperson: Mr. Ivelin Burov

13, Lachezar Stanchev Street, Izgrev

1797 Sofia

Phone: (359) (2) 81 74 523 Fax: (359)(2) 873 55 97

E-mail: [standards@bds-bg.org](mailto:standards@bds-bg.org)Website: <http://www.bds-bg.org/>**National Customs Agency**

Director General: Mr. Vanyo Tanov

47, G.S. Rakovski Street

1202 Sofia

Phone: (359) (2) 9859-4443, 9859-4213 Fax: (359)(2) 980-4061

E-mail: [pr@customs.bg](mailto:pr@customs.bg)Website: <http://www.customs.bg/>**Patent and Trademark Office**

President: Mr. Kamen Veselinov

52-B, G. M. Dimitrov Blvd.

1040 Sofia

Phone: (359) (2) 873 51 71, 9701 321 Fax: (359)(2) 873-52 58, 870 83 25

E-mail: [bpo@bpo.bg](mailto:bpo@bpo.bg)Website: <http://www.bpo.bg/>

**Bulgarian Newspapers**

TRUD daily

47, Tzarigradsko Shousse Blvd., Sofia 1504

Editor in Chief: Mrs. Svetlana Djamdjieva – (3592) 9214-204

Business News Editor: Mr. Georgi Velikov - (3592) 9214-142

Advertisement and announcements: (3592) 942-2130, (3592) 942-2132, (3592) 942-2134, (3592) 942-2133, fax: (3592)-942-2831, 9433940

Website: <http://www.trud.bg>

24 CHASA daily

47, Tsarigradsko Shosse Blvd., Sofia 1504

Editor in Chief: Mr. Borislav Zyumbulev – (3592) 942-25-00

Advertisement: (3592)942-2143, (3592) 942-4130 (32, 33, 34, 35), (3592) 942-2145 (46,47), fax: (3592) 942-2819

Website: <http://www.24chasa.bg>

STANDART daily

23, Mizia Str., Sofia 1124

Editor in Chief: Mrs. Slavka Bozukova – (3592) 8182-303, (359)888-870-455

Advertisement: Mrs. Viktoria Ilkova, phone (3592) 81-82-345, 81-82-320; 81-82-311; fax (3592) 81-82-395

E-mail: [agency@standartnews.com](mailto:agency@standartnews.com)

Website: <http://www.standartnews.com>

SEGA daily

1, Bulgaria Square, Sofia 1463

Editor in Chief: Mrs. Teodora Peeva – (3592)4282-300, (3592) 4282-305

Advertisement: phone (3592) 4282-314, (3592) 4282-350

E-mail: [adv@segabg.com](mailto:adv@segabg.com)

Website: <http://www.segabg.com>

NOVINAR daily

31, Iskar St., Sofia 1000

Editor in Chief: Mr. Stoyan Sirakov (3592) 943-45-32

Advertisement: phone (3592) 400-64-27, fax: (3592) 400-6426

E-mail: [novinar@novinar.bg](mailto:novinar@novinar.bg)

Website: <http://www.novinar.net>

KAPITAL daily

16, Ivan Vazov St., Sofia 1000

Editor in Chief: Mrs. Stanka Tosheva (3592) 4615 414

Advertisement: (3592) 4615 444

E-mail: [capital.daily@capital.bg](mailto:capital.daily@capital.bg)

Website: <http://www.capital.bg>

KAPITAL weekly  
20, Ivan Vazov St., Sofia 1000  
Editor in Chief: Mrs. Stanka Tosheva. (3592) 4615 414  
Advertisement: phone (3592) 4615 444; fax: (3592) 4615 236  
E-mail: reklama@capital.bg  
Website: <http://www.capital.bg>

MONITOR daily  
113A, Tsarigradsko Shosse Blvd. Sofia 1784  
Chairman of the Editors' Board: Mrs. Irena Krasteva – (3592) 9602-243  
Advertisement: Mrs. Natasha Rusenova (3592) 9602-214, fax (3592) 9602-213  
E-mail: monitor@monitor.bg  
Website: <http://www.monitor.bg>

BANKER weekly  
5B, Tzvetna Gradina Str., Sofia 1421  
Editor in Chief – Mrs. Bistra Georgieva, (3592) 4409 440, fax (3592) 4409 435  
Advertisement – Mrs. Krassimir Tomov (3592) 4409 408  
E-mail: reklama@banker.bg; advertising@banker.bg  
Website: [www.banker.bg](http://www.banker.bg)

PRESA daily  
2, Maria Luiza Blvd., Business Center TZUM, Sofia 1000  
Editor in Chief – Mr. Tosho Toshev (3592) 9370-769; (3592) 9370-774  
Advertisement – Mrs. Denka Vassileva (3592) 933 0913  
E-mail: presa@presa.bg

### **International Financial Institutions**

European Bank for Reconstruction and Development  
Sofia Resident Office  
17, Moskovska Street, 1000 Sofia  
Phone: (359) (2) 932-1414 Fax: (359)(2) 932-1441  
E-mail: [sofiaro@ebrd.com](mailto:sofiaro@ebrd.com)  
Website: <http://www.ebrd.com/>

European Investment Bank  
98-100, Boulevard Konrad Adenauer  
L-2950 Luxembourg  
Phone: (352) 43 79-3122 Fax: (325) 43 79-3191, 43 77 04  
E-mail: [info@eib.org](mailto:info@eib.org)  
Website: <http://www.eib.org/>

Multilateral Investment Guarantee Agency  
World Bank Group  
1818 H Street, N.W.  
Washington, D.C. 20433  
Phone: (202) 473 1000 Fax: (202) 522-2630  
Website: <http://www.miga.org/>

Delegation of the European Commission to Bulgaria  
9 Moskovska Str., Sofia 1000  
Phone: (359)(2) 933-5252 Fax: (359)(2) 933-5233  
E-mail: [COMM-REP-SOF@ec.europa.eu](mailto:COMM-REP-SOF@ec.europa.eu); [guest@evropa.bg](mailto:guest@evropa.bg)  
Website: <http://ec.europa.eu/bulgaria/>

World Bank  
36, Dragan Tsankov Blvd.  
World Trade Center, block A, 5th Fl., 1057 Sofia  
Phone: (359)(2) 969-7229; Fax: (359)(2) 971-2045  
E-mail: [info@worldbank.org](mailto:info@worldbank.org)  
Website: <http://www.worldbank.bg/>

### **Bulgarian Banks**

Contact information for all Bulgarian banks may be found on the Bulgarian National Bank  
Website: <http://www.bnb.bg/>

[http://www.bnb.bg/BankSupervision/BSCreditInstitution/BSCIRegistrers/BS\\_CI\\_REG\\_BANKSLIST\\_EN](http://www.bnb.bg/BankSupervision/BSCreditInstitution/BSCIRegistrers/BS_CI_REG_BANKSLIST_EN)

Association of the banks in Bulgaria: <http://abanksb.bg/en/>

### **Market Research**

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

### **Trade Events**

[Return to top](#)

Please click on the links below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

[http://www.export.gov/bulgaria/build/groups/public/@eg\\_bg/documents/webcontent/eg\\_bg\\_084367.pdf](http://www.export.gov/bulgaria/build/groups/public/@eg_bg/documents/webcontent/eg_bg_084367.pdf)

Bulgarreklama: <http://www.bulgarreklama.com>

Plovdiv Fair: <http://www.fair.bg>

Viaexpo: <http://www.viaexpo.com>

Expoteam: <http://www.sofia.motorshow.bg>

Bulgarian Economic Forum: <http://www.biforum.org>

Bulgarian Chamber of Commerce and Industry annual Calendar of Fairs and Exhibitions in Bulgaria: <http://www.bcci.bg/bulgarian/fairs/calendar/>

[Return to table of contents](#)

## Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

Global Markets/U.S. Commercial Service assists and advocates for U.S. businesses in international markets to foster U.S. economic prosperity. Our teams of trade and policy professionals offer customized solutions to help U.S. exporters, particularly small and medium sized enterprises, advance and protect U.S. commercial interests overseas and attract inward investment into the United States. Our global network of trade specialists, who are trusted intermediaries with extensive public and private sector contacts, credibility and influence in foreign markets, effectively assists U.S. businesses and partners in the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click [here](#).

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: [www.export.gov/bulgaria](http://www.export.gov/bulgaria)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD (E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

[Return to table of contents](#)