

COUNTRY REPORT ON INFRASTRUCTURE AND FINANCE BULGARIA

TABLE OF CONTENT

- I. COUNTRY INFRASTRUCTURE AND POLICY DIRECTIONS..... 2
 - 1.1 IMPLEMENTATION PROCESS 3
 - 1.2 LEGAL AND REGULATORY FRAMEWORK FOR INFRASTRUCTURE..... 3
 - 1.2.1 National Legislation 3
 - 1.2.2 European Legislation 4
- II. GOVERNMENT PERSPECTIVE ON THE ROLE OF PRIVATE SECTOR INVOLVEMENT..... 5
 - 2.1 RESPONSIBLE AGENCY FOR PRIVATE SECTOR INFRASTRUCTURE PROCUREMENT..... 5
- III. SOURCES OF FINANCING 6

I. COUNTRY INFRASTRUCTURE AND POLICY DIRECTIONS

Bulgaria's policy direction for infrastructure development exists in four strategic priorities and one of three thematic territories:

- 1) Improving basic infrastructure;
- 2) Improving the quality of human capital with emphasis on employment;
- 3) Promoting entrepreneurship, favourable business environments and good management;
- 4) Supporting balanced territorial development.

Underinvestment in physical infrastructure over the past 15 years led to the country's current poor condition. The first priority provides support for better transport infrastructure, transport connections and investment in infrastructure for environmental protection. Taking into account European and limited national resources, investment will be graded, prioritized and coordinated. This will be the main contributor to the country's attractiveness in terms of investment and employment in accordance with first objective of the CSG and the National Strategy for Integrated Development infrastructure in Bulgaria and the Action Plan for 2006-2015.

Two major European transport corridors pass through in Bulgaria:

- 1) Vidin - Sofia – Kulata;
- 2) The River Danube.

Decision 884/2004 of the European Commission outlines the principal projects with European significance in the development of trans-European transport networks. The following projects were identified as priorities for development of trans-European transport networks:

- 1) Modernisation of the railway line Vidin - Sofia - Kulata;
- 2) Improvement of navigation on the Danube river;
- 3) Construction of Struma motorway.

Subsequently, one of the five transport axes identified is the southeast axis in Bulgaria, which spans the EU going through the Balkans and Turkey, the Caucasus and Caspian Sea Egypt and Red Sea. Provision has also been granted to improve access to Albania and the former Yugoslav Republic of Macedonia, Iran, Iraq and the Persian Gulf. The main multimodal connections passing through the territory of Bulgaria, which includes important projects of the Trans-European transport network, are:

- 1) Belgrade - Nis - Sofia via Plovdiv to Istanbul (TRACECA);
- 2) Italian ports of Bari/Brindisi in Durres/Vlora - Tirana – Skopje - Sofia - Burgas/Varna;
- 3) The Danube - Sava River.

The construction of these transport links will be of great benefit to the development of Bulgaria. Since the EU is focussing its funds on the development of major axes, Bulgaria

should focus its investment policy on the preparation and implementation of projects along these major axes. Given the geography of the country improvements in transport infrastructure and services will help increase transit traffic of passengers and cargo. If the implementation of major transport projects is significantly delayed, however, there is a risk that traffic will be rerouted through neighboring countries, leading to a loss of income, investment opportunities and reducing accessibility. Improvement and better coordination between different types of transport is vital in ensuring efficient internal and external connectivity in the country. Routes of great importance to the further development of the main transit network are: Ruse – Svilengrad, Dragoman – Svilengrad, Vidin - Sofia - Kulata and the River Danube. Improving the relationship between Sofia and the major seaports of the country, Burgas and Varna, is crucial for meeting the expected traffic increase. In addition, an improved connection between Varna, as the main river port, is of a key regional importance.

1.1 IMPLEMENTATION PROCESS

Depending on the ownership of the project site and the method of financing different implementation processes can be used. Design ideas for major projects are subject to strategic documents of state institutions/ministries and municipalities. Based on these strategy papers competitions are announced for the development of feasibility studies and preliminary designs. These competitions govern announcements of implementation, which encompasses the legal framework for construction or other legislation.

Project ideas can also be presented directly to financial institutions which then assess the business plan and allocation of resources.

1.2 LEGAL AND REGULATORY FRAMEWORK FOR INFRASTRUCTURE

The main legal documents concerning this matter are as follows:

1.2.1 National Legislation

- ***Law on public procurement;***
This law defines the principles, conditions and procedures for procurement to ensure efficiency in the disbursement of budgetary and extra-budgetary funds and funds associated with carrying out certain activities in the law of public importance.
- ***Law on Obligations and Contracts;***
- ***Law on Spatial Planning;***
This law regulates social relations associated with planning, design and construction investment in Bulgaria and sets restrictions on property development.
- ***Law on railways;***
This law lays down procedures for construction, maintenance, development and use of railway infrastructure; the requirements for access to it, the basic rules for the

movement of trains; and outlines the relationship between carriers and customers in providing transport services in accordance with international treaties and agreements, to which Bulgaria is a party.

▪ **Road Transport Act**

This law regulates the conditions and procedures for:

- Public, domestic and international passenger and freight cars, made by Bulgarian or foreign carriers;
- Transport on own account;
- Supervision of the shipment;
- Special rules for contracts pertaining to carriage of passengers and cargo.

▪ **Law on Road Traffic**

This law governs the rules of the road in regards to: Public use, vehicle requirements, qualifications for drivers, rights and obligations of road users and relevant departments and officials persons. It outlines coercive measures applied, and the penalties for violating the provisions of this Act and regulations issued from it.

▪ **Law on Road**

This law regulates social relations associated with ownership, use, management, management, construction, repair, maintenance and financing of roads in Bulgaria.

1.2.2 European Legislation

- **Directive 2004/17/EC** (of the European Parliament and the Council of 31 March 2004) coordinates procedures for the procurement of entities operating in water, energy, transport and postal services.
- **Directive 2004/18/EC** (of the European Parliament and the Council of 31 March 2004) coordinates procedures for awarding public works contracts, supplies and services.
- **Council Directive 92/13/EEC** (of 25 February 1992) coordinates laws, regulations and administrative provisions relating to the application made by the Community procurement of entities operating in the energy, transport and telecommunications sectors.
- **Regulation (EC) № 1422/2007** (of 4 December 2007 amending Directives 2004/17/EC and 2004/18/EC of the European Parliament and the Council) considers application thresholds for the procedures for awarding public procurement;
- **Regulation (EC) № 1177/2009** (of 30 November 2009 amending Directives 2004/17/EC, 2004/18/EC and 2009/81/EC of the European Parliament and the Council) considers application thresholds procedures for procurement.

II. GOVERNMENT PERSPECTIVE ON THE ROLE OF PRIVATE SECTOR INVOLVEMENT

There is a political will to support PPP concession projects in transport infrastructure. There is an acute need for adoption of a special law to unify, codify and harmonise the legal framework of PPP in Bulgaria. A specific PPP law has been discussed and will be specially created by an agency in the Ministry of Finance. For transparency there will be a responsible public register of PPP. The law is the priority agenda for this term of Parliament.

The main legal documents concerning this matter are as follows:

- Concessions Act;
- Public Procurement Act;
- Law on Obligations and Contracts;
- Commercial Law;
- Law on Spatial Planning;
- Law on Municipal Property;
- Law on Municipal Debt;
- Sector Legislation: Education, justice, environment etc.

To ensure legal certainty and predictability a special law for PPP should be adopted as soon as possible. It should clearly and accurately define the term "PPP" using the following basic criteria:

- Long-term collaboration between public and private partners;
- A strategy taken to ensure better quality or more efficient delivery of public services by design, construction, financing, management and maintenance of public infrastructure; optimal allocation of resources, risks and rewards private partner assumes construction risk and availability risk or risk demand;

2.1 RESPONSIBLE AGENCY FOR PRIVATE SECTOR INFRASTRUCTURE PROCUREMENT

The following departments are responsible for private sector infrastructure procurement:

- Department "Management of EU Funds, Ministry of Finance;
- Department Economic and Social Policy, Council of Ministers;
- MSAAR, "outsourcing" of administrative services;
- Directorates responsible for concessions in the line ministries;

Municipal departments responsible for managing municipal property, their investment divisions and directorates Budget and Finance;

III. SOURCES OF FINANCING

International

- EU structural and cohesion funds;
- EBRD;
- World Bank;
- Japan International Cooperation Agency.

Local

- UniCredit Bulbank;
- United Bulgarian Bank (UBB);
- Corporate Commercial Bank;
- Raiffeisenbank Bulgaria;
- Piraeus Bank Bulgaria;
- First Investment Bank (FIBank);
- Societe Generale Expressbank;
- Bulgarian American Credit Bank;
- ProCredit Bank Bulgaria;
- Allianz Bank Bulgaria;
- Tokuda Bank.