

REGIONAL INVESTMENT CENTRE – VARNA

INVESTOR'S ROADMAP

Project BG 2004/016-711.11.04 Coordinator
„Regional Agency for Entrepreneurship and Innovations - Varna”

In partnership with



AKSAKOVO MUNICIPALITY

BELOSLAV MUNICIPALITY

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INTRODUCTION

The Investor's Roadmap is elaborated per the PHARE programme, Public-Private Partnership Grant Scheme, project BG 2004/016-711.11.04 "Creation of Regional Investment Centre - Varna", with coordinator – Regional Agency for Entrepreneurship and Innovations - Varna in partnership with Aksakovo municipality and Beloslav municipality. It is designed for entrepreneurs and investor companies, interested in the development of the economic collaboration with both municipalities to the realization of mutually beneficial investments and opening new jobs.

The objective is to submit to all interested parties useful information on the conditions for development of the municipalities, their potential for investments and co-operation. The roadmap presents new updated data of general character, necessary for the macroeconomic analysis of the investment plausibility, legal, financial and practical aspects of the company development and activity in compliance with the Bulgarian legislation, as well as specific information on the economic development of both municipalities and practical instructions of the function of their administrations. This wide information spectre will doubtlessly help the entrepreneurs that are looking for cooperative investment interaction to plan and effectively realize their business intentions in both municipalities.

The development potential of both municipalities is determined by the fact that they are in direct proximity to Varna city - the third largest city in Bulgaria, combining one of the most visited Black Sea coastal resorts with the commercial and industrial data of a large industrial and transport centre, as well as research and educational activities, concentrated in five universities and five scientific research institutes.

By these introductory words we would like to present also the possibility to use the electronic option of this Roadmap, which can be found on the web-page of Varna Regional investment centre – www.rosio-varna.net.

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1. NORTH-EAST PLANNING REGION, VARNA DISTRICT AND THE PARTNER MUNICIPALITIES

1.1. NORTH-EAST PLANNING REGION



The North-East Planning Region (NEPR) was differentiated under the Law on Regional Development and Decree of the Council of Ministers № 145/27.07.2000 for realization of the regional development policy. It includes the following administrative territorial units: six districts (Varna, Dobrich, Razgrad, Silistra, Targovishte and Shumen) and 49 municipalities. The territory covers 19,966.60 sq. km with a population of 1,290,025 inhabitants. The NEPR is crossed by three Pan European Transport Corridors:

- Corridor № 7 (Danube Waterway);
 - Corridor № 8 (Duras - Skopie - Sofia - Burgas - Varna);
 - Corridor № 9 (Helsinki - Kiev - Ruse - Aleksandropoulis);
- and via the Port complex the country is connected to Central Asia and the Black Sea region.

1.2. VARNA DISTRICT

Basic characteristics of Varna district:

- 12 municipalities: Avren, Aksakovo, Beloslav, Byala, Varna, Vetrino, Valchi dol, Devnya, Dolni Chiflik, Dalgopol, Provadia, Suvorovo.
- Area of Varna district: 3,819.5 sq. km.
- Density of population -120.7 inhabitants/sq.km.
- Population of Varna district (on 31.12.2001) 458,661 people.
- Ca. 100 governmental institutions, departments of central governmental agencies.
- 8 higher educational establishments and colleges of various profiles and educational facilities.
- 5 scientific research institutes.
- 30,600 students and over 2,500 scientific researchers.
- Multiple qualification training centers.



1.3. AKSAKOVO MUNICIPALITY

GEOGRAPHIC LOCATION. Aksakovo Municipality is located in the north-eastern Bulgaria, at the eastern part of the Danube plain. Aksakovo Municipality is part of Varna district, located in the NEPR.

SETTLEMENTS. The municipality comprises 23 settlements with a total area of 472 sq. km – the municipal centre Aksakovo and 22 villages.

NATURAL FEATURES. The basic part of the municipal territory is covered by the Dobrudzha and Franga plateaus, some 200 m above sea level. The municipality has a sea outlet at Kranevo village.

MINERAL RESOURCES. The basic mineral resources on the Aksakovo Municipality territory are non-metaliferous minerals. There are sand deposits in the valleys of Botevska River under Krumovo village and near Botevo village. Near Osenovo village there deposits of sand, suitable for construction mixtures. Between the villages Ignatievo, Pripek and Slanchevo there are deposits of diatomaceous earth (kieselguhr). Near Krumovo village there clay reserves, used as raw material for expanded-clay aggregate, which has good heat insulation properties.

CLIMATE. The climate of the eastern and southern parts of the municipality, along the sea coast and Varna lake, is sea climate. The average annual air temperature at the seaside of the municipality is ca. 12°C, and on the high part of the plateaus it is lower - ca. 11°C.

WATER RESOURCES. The water resources on the territory of the municipality are insignificant. There are six rivers running through the municipality. Two of them - Batova and Osenovska run into the Black Sea, and the rivers Haramiyskoto dere and Ignatievsko dere run into Varna Lake. There are five dams on the territory of the municipality: "Krumovo" – Krumovo village, "Zasmyano" – Zasmyano village, "Osenovo" – Osenovo village, "L. Karavelovo" – L. Karavelovo village, and "Botevo" – Botevo village.

ENVIRONMENT. The municipality has significant biological variety. There is comparatively low level of pollution of the air, waters and soils on the municipal territory, which is a precondition for the availability of wide, comparatively environmentally clean and protected territories.

DEMOGRAPHY. The total population of Aksakovo Municipality as to February 2007 is **18,573 people**. Positive natural growth in the period 2001 – 2004 have the following settlements: the town of Aksakovo and the villages Vaglen, Ignatievo, Izvorsko and L. Karavelovo. Positive mechanical growth have all settlements, inclusive the town of Aksakovo.

UNEMPLOYMENT. The level of unemployment at the end of January 2006 is 11.65 %, whereby economically active are 8,020 people of the active population.

1.4. BELOSLAV MUNICIPALITY

GEOGRAPHIC LOCATION. Beloslav Municipality is located in the central part of Varna district on an area of 60.1 sq. km. It borders the municipalities of Devnya, Aksakovo, Varna and Avren.

SETTLEMENTS. The municipality comprises four settlements - the municipal centre Beloslav, in which over 75% of the population is concentrated, and the villages Razdelna, Strashimirovo and Ezerovo.

NATURAL FEATURES. The relief is dominated by plains and lowlands, 74 m average height above sea level. Within the borders of the municipality are included the areas west from Varna lake, and the northern foot of the Avren plateau.

CLIMATE. The climate is moderate continental, with prevailing influence of the Black Sea; the average annual air temperature is 13.2°C. The winters are moderately cold, snow cover is rare, and the summer is long and hot.

MINERAL RESOURCES. The territory of Beloslav Municipality is comparatively poor in mineral resources. On the territory of the municipality there are deposits of clay and marl near Razdelna village, stone quarries and construction gravel pits near Strashimirovo village; phosphates in the glauconite sandstone near the town of Beloslav. There is a turf deposit on the bank of the Beloslav Lake, between Beloslav and Razdelna village. From the above resources only the clay and marl deposits near Razdelna village are being exploited.

WATER RESOURCES. The municipality water resources are formed by Beloslav Lake, which is the sixth biggest natural lake in Bulgaria, with an area of 3.9 sq. km and ca. 9 million cubic meters in volume, and the rivers Provadiyska and Devnya, which run into the lake. On the territory of the municipality is located also a small part of Varna Lake, both lakes are connected with a navigation channel. Four boreholes of total flow rate 161 l/sec are exploited, obtaining fresh to slightly mineralized water with prevailing calcium and magnesium carbonate, suitable for daily use as table water.

ENVIRONMENT. Protected territory is the "Yatata" area (154 ha) in the land territory of Beloslav, aimed to preserve the natural habitat of rare and protected birds. The great number of species represent ornithological interest and is a prerequisite for the development of specialized eco-tourism.

DEMOGRAPHY. The population of Beloslav Municipality at the end of 2003 was **11,091 people** of which 5,529 men and 5,562 women, growing in 2007 to 11,560 people. The demographic situation in the municipality is characterized with a favourable age structure and positive mechanical growth, and the education level of the municipality's population is near to the average for Bulgaria. The labour force in Beloslav Municipality amounts to 4,954, and the economic activity index is 48.06%, which is near to the average level for Bulgaria.

UNEMPLOYMENT. The level of unemployment in Beloslav is the lowest, compared to all other small municipalities in Varna region, as per data of the regional employment office in Varna for February 2007. Officially registered as unemployed at the end of February are only 5.37% of the municipality inhabitants.

2. ECONOMIC DEVELOPMENT

2.1. AKSAKOVO MUNICIPALITY

2.1.1. INDUSTRY. The industry in Aksakovo Municipality is poorly developed, compared to the rest of the municipalities in the region - Varna, Devnya, Beloslav. The industrial zones are concentrated in the administrative center of the municipality, determined by the proximity of the city of Varna with a population of 300,000. The same factor is also reason for specifying an industrial zone in the villages of Yarebichna, Ignatievo and Slanchevo. Separate sub-divisions of the light industry are developed: food, meat processing, sewing, etc. Significant potential represents the plant for cellophane and cellophane products in the town of Aksakovo. The proximity of the resort complexes "St. St. Constantine and Helena" and "Golden sands" stimulates the development of furniture industry and the production of construction materials.

2.1.2. AGRICULTURE. The region of Aksakovo Municipality has a strongly expressed agricultural character and plays an important part to the satisfaction of the necessities of Varna city and the adjacent resort complexes as a large consumption center. According to the criteria for determination of regions for purposeful influence and territorial coverage, the municipality was determined as a region for growth. The land territory of Aksakovo Municipality is 47,197.6 ha and the municipality is in the first group of municipalities with over 30,000 ha of managed land. The arable land is 25,529.4 ha, mostly cornfields. The lasting plants in Aksakovo Municipality cover 3% of the arable land, mainly in the area of Aksakovo and the villages Slanchevo, Ignatievo and Gen. Kantardzhievo. Most of the lasting plants are vineyards, with an area of 671 ha.

2.1.3. INFRASTRUCTURE. Through the territory of the municipality passes the “Hemus” highway, connecting Varna city with the capital Sofia. Nearby are the ports of Varna-West - 12 km and Varna-East - 8 km, as well as the Ferryboat complex - 6 km. The municipality has an outlet to the Black Sea.

Varna international airport is located on the territory of Aksakovo Municipality. It is the second biggest civil airport in Bulgaria, used for internal and international transport. Its development has a direct relation to the tourist business. It is connected to the international roads E-70 and E-87 and is equipped with modern navigational facilities. The airport serves as a link with 35 countries and 101 cities.

The main lasting and continuous transport connection is between the municipal center Aksakovo and Varna city. This gives the opportunity for the settlements in the western part of the municipality, through the municipal center to use the transport network and possibilities of Varna municipality, and the rest of the settlements in the eastern part of Aksakovo Municipality, through the sea-side road Varna–Balchik, also to use the possibilities of the large transport center Varna.

The transport service in the municipality is well organized and is carried out per transport scheme of routes approved by the Regional Governor. The transport scheme of Aksakovo Municipality entirely comprises internal municipal lines, due to the fact that in relation to territory Aksakovo Municipality has a large contact zone with Varna municipality. Only automobile transport is developed on its territory. The direct proximity of the municipality to Beloslav Municipality allows use of the transport scheme of the latter.

The road and communications network ensure access to all points of the region and the rest of Bulgaria.

2.2. BELOSLAV MUNICIPALITY

2.2.1. INDUSTRY. The industry has a structure determining importance for the economics of Beloslav Municipality, the industrial enterprises having ca. 80% share in the economic sector in 2003 and ensuring 53% of the jobs. The industrial enterprises are characterized with their outdated technology and considerable energy consumption, which makes them comparatively non-competitive on the market. The basic production facilities has been commissioned into operation before 1989 and renewed in the 90ies of the preceding century.

The extractive industry has a limited importance to the local economy. The prospects for development of the branch are related to exploitation of the existing stone quarries and research of the capacity and possibilities for extraction of phosphates near the town of Beloslav.

“Maritime Technical Group Varna” AD is an enterprise engaged in **ship repairs**.

The faience, ceramics and glazing industry is developed by the Ceramics Enterprise in Razdelna village, producing bricks for the construction business and “Inchom” LTD - Beloslav, specialized in the production of glassware.

Heat and electric energy are produced by Thermal Power Station Varna EAD, which uses as basic fuels coals, natural gas and black oil. “Energoremont” AD, Ezerovo village is specialized in the maintenance of energy systems.

The **construction sector** is represented by two companies, specialized in the construction of buildings and equipment, construction and repair of road infrastructure, railway equipment, and radio and communication equipment. The prospects for the development of this sector are related to introduction of technological business and investments in modern technology at the existing enterprises. The proximity to the city of Varna as transport and communication center ensures access to cheap sea transport and allows, through active marketing, to create contacts for export of produce and

development of market opportunities.

Bulgaria's joining the European Union in 2007 brought the necessity of investments in installation for decreasing the harmful influence on environment which will influence on the competitive ability of certain enterprises.

2.2.2. AGRICULTURE. The agricultural land of Beloslav Municipality is 2,644.9 ha, of which the arable area is 2,338.4 ha, or 38.9% of the municipality's territory. There are no existing irrigating areas, nor a functioning irrigation system. The construction of an irrigation network is related to attracting investments. 88% of the agricultural land is private, 1% is municipal, 6% state owned, and 5% - other type of proprietorship and residual municipal fund. Characteristic for the municipality is the production of grain and technical cultures. Dominating are the wheat (757.9 ha), maize (100 ha), sunflower (380 ha), barley (20 ha).

On the territory of the municipality 640 ha are cultivated under lease. Old agricultural technology or none at all is used, which leads to low productivity and losses at the harvesting of the crops. The financial condition of the farms is bad; there are no assets for buying modern technology and agro technical events with lasting effect, which seriously decreases the efficiency of the agricultural activity.

The lack of large agricultural farms decreases the labour efficiency and possibilities for obtaining lower cost-price of the produce, as well as its realization on the market.

Animals are being raised in 90% of all agricultural farms, either as primary or supplementary activity. Almost all domestic animals are presented: cattle, sheep, goats, pigs and poultry. The process of decreasing the number of animals through the last 15 years is calming down, but the lack of market orientation continues to be a basic problem in the development of stock-breeding.

2.2.3. INFRASTRUCTURE. The transport system of Beloslav Municipality is comparatively well developed, favoured by the relief of its territory, the proximity to a large economic, administrative and educational center, and the industrialization of the municipality, which has in the past lead to a front-running development of the infrastructure. Beloslav Municipality is tangent to main road E-70/A-2 Varna–Sofia, which is of major importance for increasing the transport accessibility of the municipality and possibilities for economic development, through attracting new business and stimulating the economic activity of entrepreneurs.

All settlements in the municipality are connected to Varna city via a third class roads network of total length 32 km, the road infrastructure is supplemented by 7 km local roads. The railway transport is represented by the line Karnobat-Sindel, which is a deviation from the line Sofia-Varna. On the territory of the municipality there are five railway stations - in all settlements and the "Ferryboat complex" transport terminal. The available infrastructure in the railroad stations gives possibilities for transport of passengers and cargoes.

The water transport infrastructure includes the ports of Thermo-electric power station Varna EAD (capacity of one berth), "Varna-Ilichevsk" ferryboat complex (capacity two berths) and Ferryboat complex Beloslav for transport of vehicles over the channel between the lakes of Beloslav and Varna. The ports ensure possibility for transport of goods to the countries of the Black Sea region, which significantly improves the transport accessibility of the municipality and its attractiveness for the business.

The access to air transport is related to the proximity of the municipality to Varna city and its airport.

Beloslav Municipality is served by the regional telephone network with central exchange in Varna, all settlements being included in the automatic dialling system. Access to Internet is realized via hired lines of BTC AD and local network of the cable operators.

3. LEGAL AND REGULATION ASPECTS OF THE INVESTMENT PROCESS

3.1. INVESTMENT LEGISLATION

- Law on Encouraging of Investments (SG, № 97/1997);
- Regulation for Implementation of the Law on Encouraging of Investments (SG, № 74/2004).

The texts of the above documents are available in English on the page of the Bulgarian Investments Agency - www.investbg.government.bg.

3.2. INVESTMENT CERTIFICATES

Measures per the Law on Encouraging of Investments are applied only to investors, having obtained investment class certificate. The certification procedure and requirements to the investment plan are envisaged in the Regulations on the Implementation of the Law on Encouraging of Investments.

3.3 INFRASTRUCTURE SUBSIDY

Financial subsidy for building of the technical infrastructure, necessary for the realization of the investment plan is submitted to investors, having obtained a first-class investment certificate by the minister of economy.

3.4. INTERNATIONAL CONTRACTS

- Convention for constitution of Investment warranty Agency;
- Convention for constitution of an international center for solving investment disputes;
- Convention for constitution of the Worldwide trading organization;
- Bilateral agreements on mutual encouragement and protection of investments;
- Agreements for avoiding double taxation.

3.5. ENCOURAGING OF INVESTMENTS PER THE LAW ON ENCOURAGING OF INVESTMENTS

The new Law on Encouraging of Investments provides the conditions and procedures for investing in Bulgaria. It is equally applied to Bulgarian and foreign investors. The Minister of economy is the supreme executive body, ensuring the implementation of the governmental policy in the field of investments. The Law on Encouraging of Investments envisages measures for preferential treatment of investments, strictly meeting specific criteria, as follows:

- the investments must be for acquisition of lasting assets aimed to create a new or expand and modernize an existing production of goods and/or services;
- to create new jobs;
- the period for realization of the investments to be within 3 years.

The above encouragement measures however are not applied to investments in banks, non-banking financial institutions, insurance companies, investment agents, investment companies and special investment purpose vehicles, managing companies, retirement and health insurance companies, investments in gambling activities and investments in performance of privatization contracts.

3.6 LEGAL AND INTERNATIONAL GUARANTEES FOR THE FOREIGN INVESTMENTS

- National treatment.
- Most favoured nation treatment.
- Advantage of the international contracts.
- Legal guarantees against unfavourable amendments of the law.
- Protection against expropriation.

3.7. LEGISLATION, RELATED TO THE INVESTMENTS REGIME

- Legal regime of concessions.
- Residence of foreigners in Bulgaria.
- Acquisition of rights to a real estate.
- Labour legislation.

4. USEFUL PRACTICES AT THE INVESTMENT PROCESS

4.1. FOREIGN TRADE AND CUSTOMS REGIME

Bulgaria became an EU member on January 1, 2007. As from the date of joining the EU, the customs authorities apply directly the legislation of the Union, regulating uniform procedures, tariff and non-tariff measures at export and import of goods to and from “third” countries to EU and uniform customs control instruments.

The basic customs legislation includes Council Regulation (EEC) No.2913/92, dated 12 October 1992, regarding the establishing of Community Customs Code (OB L 302, 19.10.1992) and Council Regulation (EEC) No.2454/93, dated 02 July 1993, regarding the provisions for the application of Council Regulation (EEC) No. 2913/92 on the establishing of Community Customs Code (OB L 253, 11.10.1993) and their amendments. A consolidated version of these provisions in English and Bulgaria can be found at the website of the Bulgarian Customs Agency at www.customs.government.bg under the heading “Documents”.

4.2. TAXATION

Direct taxes:

- Corporate Income Taxation Act;
- Natural Person Income Taxation Act;
- Local Taxes and Fees;
- Withholding Taxes.

Indirect taxes:

- Value Added Tax (VAT);
- Excise duties.

Corporate Law. According to the Corporate Income Taxation Act (CITA) all legal entities and non-personified companies, realizing economic activity in Bulgaria, are subject to taxation with corporate tax of 10%. To the purposes of this act the non-personified companies are equalized to the legal entities. The local legal entities are subject to taxation of all their profits and revenues, irrespective of the place where such were realized. The foreign legal entities are subject to corporate taxation only of their economic activity in Bulgaria.

Natural Persons Income Taxation. Subject to taxation per the provisions of the Natural Persons Income Taxation Act (NPITA) is only the income of natural persons - local and foreign. The act governs the income taxation of natural persons, inclusive from activity as sole trader. Local persons are considered all persons, irrespective of their citizenship, that have permanent address in Bulgaria or reside in Bulgaria over 183 days within any 12-months period. The local natural persons have tax obligations for income from sources in Bulgaria and abroad. The foreign natural persons have tax obligations only for income from sources in Bulgaria.

Local Taxes and Fees. Specified in the Law on Local Taxes and Fees, they are subject to payment to the budget of the municipality.

Value Added Tax. The new Value Added Tax Act (VATA) is effective as from 01.01.2007 - the date

Bulgaria joined the EU. The tax rate is 20%, except for deliveries that are expressly mentioned in the act as subject to zero rate taxation. The tax rate for hotel accommodation for organized trips is 7%.

Tax-exempt deliveries are:

- deliveries of buildings or parts of such, which are not new, inclusive the adjacent plots, as well as incorporation and transfer of other material rights on such (except if the supplier chooses to have taxable delivery);
- deliveries of agricultural and forest land (if their designation has not been changed into "land for construction purposes");
- deliveries of non-economic character, etc.

However, transfer of title of proprietorship or other material rights, as well as rental of equipment, machines, installations and buildings that are rigidly fixed to the ground or built under its surface, is not a tax-exempt delivery.

VAT registration. The registration per VATA is compulsory and optional.

Compulsory registration. Every tax-obliged person with taxable turnover equal to or exceeding BGN 50 000 within a period not longer than the last 12 consecutive months before the current month is obliged, within 14 days from the expiration of the tax period during which such turnover has been reached, to submit application for registration with the respective territorial division of the National agency of revenues (NAR).

Optional registration. Every tax-obliged person, irrespective of the amount of its taxable turnover may be registered per VATA per its own request.

Entitlement to deduction of tax credit. VAT reimbursement. Entitlement to deduction of tax credit is available when the received goods and services are used for taxable deliveries. It originates when the deductible tax becomes due by the payer, i.e. in general for the tax period in which the supplier owes the tax to the budget, the receiver shall be entitled to deduct it as tax credit.

When the importer has exercised this entitlement, the customs authorities allow release of the goods without effective instalment or security of the tax.

The investment project is approved by the Minister of finance when the following circumstances are available:

- period of performance of the investment project - up to 2 years;
- amount of investments - over 10 mln. BGN for a period not exceeding 2 years;
- creation of over 50 new jobs;
- possibility of the person to finance the project, as well as to build and maintain the sites, ensuring its performance.

Excise. Excise is an indirect tax, calculated on the following goods:

- alcoholic beverages, inclusive wine and beer;
- tobacco articles;
- energy products and electric energy;
- automobiles;
- coffee and coffee extracts.

The above goods are subject to excise, except when under regime of deferred payment of excise:

- at their production on the territory of Bulgaria;
- at their introduction on the territory of Bulgaria from the territory of another member country;
- at their import on the territory of Bulgaria.

Import of excise goods means introduction of non-community excise goods on the territory of Bulgaria, as well as introduction of community excise goods from third territories, that are part of the customs

territory of EC. When the goods are placed under customs regime upon their introduction on the territory of Bulgaria, their import is considered realized when they are permitted for free circulation. The obligation for excise payment originates from the date of releasing the excise goods for consumption.

4.3. PROCEDURES FOR REGISTRATION OF COMPANIES AND FOREIGN COMPANY AFFILIATES

As from 01.07.2007 with the enforcement of the Commercial register Act the regime for company registration in The Republic of Bulgaria is amended and optimized. The text of the Act may be seen on the web site of the Agency of entries, www.registryagency.bg.

The Bulgarian legislation provides two basic types of business organization:

- Commercial companies;
- Co-operations.

They differ in their legal form of organization and the manner of liability distribution. The Commercial Act profoundly provides the following types of commercial companies:

- General partnership (SD/GP);
- Limited joint-stock company (KD/LJSC);
- Limited liability company (OOD/LTD), incl. Sole proprietorship limited liability company (EOD/SLTD),
- Joint-stock company (AD/JSC);
- Limited joint-stock company with shares (KDA/LJSCS).

Other possible per the Bulgarian legislation forms of business organization are:

- Sole trader;
- Branch;
- Commercial agency;
- Co-operation.

Most often met from the above in the practice are the limited liability company and joint-stock company, where the liability of the partners, respectively shareholders for the company liabilities of the company is limited.

Joint venture. Joint venture is a company with participation of Bulgarian and foreign persons. There is no limitation as to the amount of the foreign participation.

The company must be incorporated in one of the forms of commercial companies, as listed in the Commercial act:

- General partnership,
- Limited joint-stock company,
- Limited liability company, incl. Sole proprietorship limited liability company,
- Joint-stock company,
- Limited joint-stock company with shares.

Upon entry in the Commercial register of the court of registration, the company is considered local legal entity and its activity is governed by the provisions of the Bulgarian legislation. There is no hindrance for a joint-venture to be incorporated by several foreign persons also without Bulgarian participation - upon its registration per the Bulgarian legislation it will use all rights, granted by the law to the local companies.

Branch. Art. 7 of the Law on Encouraging of Investments provides that a foreign person or company that is not a legal entity may open branches in Bulgaria, if registered with the right to perform commercial activity per its national laws. The branch is entered in the commercial register of the court per its domicile.

The branch is not a legal entity separate from the company that has opened it - it is part of it, but with a different domicile. Nevertheless the branch must keep the commercial books like a separate trader, and the branches of foreign companies must also draw balance sheet at the end of the year.

Commercial agency. Foreign persons, entitled to perform commercial activity per their national legislation, may open in Bulgaria also commercial agencies, which must be registered with the Bulgarian Chamber of Industry and Commerce (BCIC). Such agencies are not legal entities and may not perform commercial activity. The foreign person may conclude deals with local persons only to the purposes of a registered by it agency, and for them the provisions of the Bulgarian legislation apply.

Other registrations. Both the Bulgarian and foreign entrepreneurs must register their economic activity, realized by any of the above listed legal organization forms:

- with the respective division of the Agency of entries - for issuing an uniform identification code (BULSTAT number);
- with the National agency of revenues - in case of hiring personnel on employment contract;
- with the respective division of the customs administration, in the cases, provided by the law.

As from 01.07.2007 with the enforcement of the Commercial register Act the regime for company registration in The Republic of Bulgaria is amended and optimized. The text of the Act may be seen on the web site of the Agency of entries, www.registryagency.bg, sub-menu "For the Agency - norms".

4.4. REPATRIATION OF PROFIT AND CAPITALS

The Bulgarian legislation establishes a liberal regime for repatriation of the profit, upon payment of the due taxes, and of capitals. The foreign investors may freely buy currency and transfer it abroad. The same right applies for the labour remuneration of foreign citizens, working in Bulgaria, as well as to foreign citizens with permit for long-term residency and registered as sole traders, co-operative members or partners with unlimited liability, upon submission of a document for paid fees.

Credit institutions are the banks and the electronic money companies.

The local banks may sell hard currency to natural persons and legal entities without any limitations. Upon Bulgaria's joining EU also enforced was the Law on credit institutions, which governs the provisions and procedures for licensing, realization of activity, supervision and termination of credit institutions.

The national currency is the Bulgarian lev, marked with BGN.

Any foreigner or Bulgarian may open and hold unlimited number of bank accounts, in any currency, in any bank in Bulgaria. There are no limitations at the export of profit, capital, fees and interests. The foreign exchange regime is based on the principle of free action, transfer and payment. The transfers are affected in compliance with the Currency Law and Regulation № 10/16.12.2003 on the export and import of lev and foreign currency in cash, precious metals, precious stones and articles.

Local and foreign natural persons may export and import currency to the amount of EUR 10 000 or more, or their equivalent in leva or another currency, upon declaring it to the customs authorities.

In case of export of currency above BGN 25 000 or their equivalent in foreign currency, the customs authorities allow the export of money upon submission of a certificate by the National agency of revenues that the person has no overdue obligations.

The foreigners may export an amount in excess of the allowable per the Bulgarian law, equal to the amount they have declared when entering Bulgaria.

4.5. DOCUMENTS REQUIRED FOR CONSTRUCTION OF BUILDINGS

For land plots within regulation:

- Application for issuing of sketch of a real estate and design permit.
- Issuing of a design permit with specified manner of building.

- Upon elaboration of the investment project a request for its co-ordination and approval must be submitted.
- Request for its co-ordination and approval of investment projects and issuing a construction permit.
- Amendment of the approved investment projects during the construction process.
- Issuing a construction permit - application for issuing a construction permit.

For land plots out of regulation:

- Issuing of a sketch by the municipal land committee.
- Application to the chief architect of the municipality for issuing of a permit for construction on agricultural land.
- Issuing of a design permit with specified manner of building.
- Upon elaboration of the investment project a request for its co-ordination and approval must be submitted.
- Request for its co-ordination and approval of investment projects and issuing a construction permit.
- Amendment of the approved investment projects during the construction process.
- Issuing a construction permit - application for issuing a construction permit.

5. STATISTIC INFORMATION

Macroeconomic indices of The Republic of Bulgaria	2002	2003	2004	2005	2006
Gross added value (mln. BGN)	28 107	29 604	32 437	35 220	39 972
Gross added value (real annual rate of change, %)	5.4	4.2	4.8	5.3	6.0
Gross internal product (mln. BGN)	32 402	34 628	38 823	42 797	49 091
Gross internal product (real annual rate of change, %)	4.5	5.0	6.6	6.2	6.1
Gross internal product deflator (changes, %)	3.3	1.8	5.1	3.8	8.1
Index of consumer prices (changes regarding preceding period, %)	3.8	5.6	4.0	6.5	6.5
Unemployment (%)	16.3	13.5	12.2	10.7	9.1
Average monthly salary (BGN)	258	273	292	324	355
Gross internal product per member of the population (BGN)	4 118	4 426	4 989	5 529	6 376
Interest percentages in The Republic of Bulgaria					
Basic interest percentage	3.96	2.68	2.61	2.04	2.69
Long-term interest percentage for evaluation of convergence	-	6.45	5.36	3.87	4.18
Interbank currency market	2.39	1.94	1.97	2.06	2.88
Overnight deposits	0.50	0.56	0.58	0.64	0.63
Fixed-term deposits	2.99	3.12	3.16	3.25	3.47
Short-term credits	9.18	8.56	8.94	8.67	8.82
Long-term credits	14.25	13.46	12.74	10.92	9.65
Profitability per long-term governmental securities	6.91	5.66	4.55	3.32	3.89

Source: Bulgarian national bank, department "Statistics", June 2007.

Gross external debt of the Republic of Bulgaria (mln. Euro)	2002	2003	2004	2005	2006
Gross external debt	10 768.9	10 640.6	12 658.5	15 089.6	19 669.9
Public and publicly guaranteed external debt	7 960.6	7 047.9	6 585.2	5 163.6	4 500.6
Private non-guaranteed external debt	2 808.3	3 592.7	6 073.2	9 925.9	15 169.3
Net external debt	3 872.8	3 437.3	3 150.6	4 497.1	5 970.5
Gross external debt (% from export of GNFS)	126.1	112.5	111.6	115.7	123.9
Short-term debt/gross external debt (%)	14.1	14.3	19.3	24.9	30.6
Payment balance of The Republic of Bulgaria (mln. Euro)					
Current account	-402.5	-972.3	-1 306.9	-2 621.9	-3 977.9
Commercial balance	-1 878.0	-2 425.6	-2 953.5	-4 409.7	-5 390.1
Export FOB (% changes regarding the same period of the previous year)	6.1	10.0	19.7	18.6	26.6
Import FOB (% changes regarding the same period of the previous year)	6.0	14.5	20.3	26.9	25.2
Direct investments in Bulgaria	980.0	1 850.5	2 735.9	3 103.3	4 104.5
Other indices for The Republic of Bulgaria					
Exchange rate of BGN for EUR 1	Currency board: fixed rate BGN 1.95583 for EUR 1				
Exchange rate of BGN for USD 1	1.88	1.55	1.44	1.66	1.49
Real effective exchange rate (index June '97 = 100)	131.4	140.1	141.9	141.8	149.3

Source: Bulgarian national bank, department "Statistics", June 2007

Amount of direct foreign investments in The Republic of Bulgaria per economic branches (mln. Euro)							
Branch	1999	2000	2001	2002	2003	2004	2005
Total	2173.8	2900.9	3323.6	3902.3	4946.2	6768.7	9674.3
Extractive industry	29.5	25.4	33.3	27.6	51.3	65.7	90.1
Other activities, servicing society and individuals	9.5	16.3	22.6	39.4	55.1	54.0	71.5
Health and social activities	1.4	0.7	0.7	0.9	0.7	1.5	1.4
Education	0.2	0.3	0.8	0.5	0.2	0.7	0.0
Real estate operations, rent and business services	104.8	202.4	196.5	251.1	416.2	531.4	928.6
Processing industry	1049.7	1227.4	1454.7	1481.9	1754.0	1900.2	1242.2
Production and distribution of electric and heat power, gaseous fuels and water	162.4	67.7	71.0	133.5	73.7	47.3	20.5
Fishing	0.7	1.0	0.2	0.3	0.3	2.9	2.8
Agriculture, hunting and forestry	5.3	16.6	16.6	17.2	40.7	46.3	58.3
Construction	41.8	78.7	82.9	104.3	75.9	164.2	368.1
Transport, warehousing and communications	261.8	215.4	264.3	469.0	569.7	1207.5	2260.4
Trading, repair and technical servicing of motorcars and motorcycles, personal belongings and household goods	216.1	435.0	582.9	633.6	871.5	1203.8	998.9
Financial agency	212.6	530.6	508.1	662.2	925.5	1351.6	3376.8
Hotels and restaurants	32.1	57.3	62.6	78.2	84.9	108.3	110.1
Unclassified	46.0	26.1	26.4	2.6	26.5	83.4	144.7

Source: Bulgarian national bank, department "Statistics", June 2007

BUSINESS INFORMATION SOURCES

Council of Ministers

№1, "Dondukov" blvd., 1194 Sofia
phone: +359 2 940 27 70 fax: +359 2 980 20 56
www.government.bg

Ministry of Finance

102, "G.S. Rakovski" str., 1000 Sofia
phone operator. +359 2 985 91
www.minfin.government.bg

Ministry of Regional Development and Public Works

№ 17 - 19, "Cyril & Methodius" str., 1202 Sofia
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www.mrrb.government.bg

Ministry of Economy and Energy

8, "Slavyanska" str., 1000 Sofia
phone operator +359 2 940 71
fax: +359 2 987 21 90; 981 99 70
www.mee.government.bg

Ministry of Agriculture and Food Supply

55, "Hristo Botev" blvd., 1040 Sofia
phone operator +359 2 985 11 199
www.mzgar.government.bg

Bulgarian national bank

№1, "Knyaz Alexander Batenberg" square, 1000 Sofia
phone operator +359 2 914 59 fax: +359 2 980 24 25;
980 64 93
www.bnb.bg

Privatization Agency

№ 29, "Aksakov" str., 1000 Sofia
phone +359 2 980 98 27
www.priv.government.bg

Small and middle enterprises agency

№ 1, "Sveta Nedelya" square, 1000 Sofia
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www.sme.government.bg

Bulgarian Investment Agency

№ 31, "Aksakov" str., 1000 Sofia
phone +359 2 985 55 00 fax +359 2 980 13 20
www.investbg.government.bg

Registry Agency

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National Institute of Statistics

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www.nsi.bg

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Center of North-East Planning Region
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Varna municipality

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Aksakovo municipality

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www.aksakovo.info

Beloslav municipality

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Varna Economic Chamber

22, "Saborni" blvd., 9000 Varna
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www.bia-bg.com

Varna Chamber of Industry and Commerce

135, "Primorski" blvd., 9002 Varna
phone +359 52 612 173 fax +359 52 612 146
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Bulgarian Maritime Chamber – Varna

9000 Varna, "Slaveykov" square № 5
phone/fax: +359 52 633 400
www.bcs.buldata.com

Varna Tourist Chamber

9000 Varna, "Rayko Zhinzifov" str. 52, fl. 3, ap. 6
phone/fax: +359 52 612 811; 612 809
www.vct-bg.org

Societe Generale Expressbank– Central office Varna

№ 92 "Vl. Varnenchik" blvd., 9000 Varna
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Commercial bank "Allianz Bulgaria" - Vladislav branch

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