

The European Investment Bank Group in **Bulgaria**

We have
helped
create over

275 000

jobs
since 2008

Total lending

EUR
billion

5

since 1992





Vazil Hudák, Vice-President of the European Investment Bank

“For more than 25 years, the European Investment Bank has partnered with private Bulgarian companies – small, medium and large – and with the country’s public sector entities to provide affordable long-term financing and crucial advice that improves everyday life for Bulgarian citizens.

We have signed more than € 5 billion in financing in the country to support sustainable growth and employment through energy efficiency, renewable energy, the circular economy and innovation.

We are committed to a modernised Bulgarian economy and are proud of our contribution to a great future for the people of Bulgaria.”

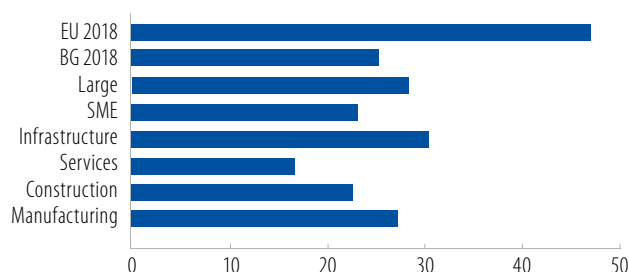
The context: Bulgaria’s economy at a glance

The average annual growth of the Bulgarian economy was close to 4% in 2016-2017. The unemployment rate (5.2%) reached its lowest level since the beginning of the transition to a market economy. Infrastructure investment is relatively high and comparable to other cohesion countries. Nevertheless, overall investment, especially corporate, remains relatively subdued.

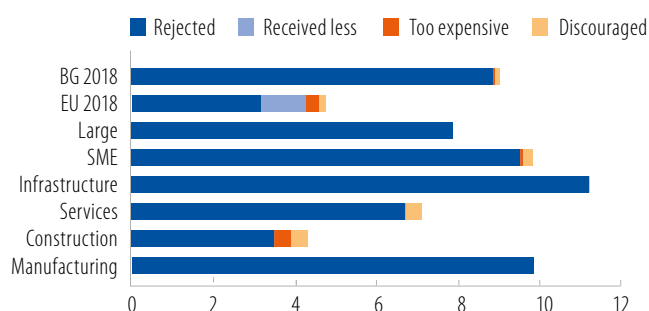
Modernising the capital stock and becoming more innovative is crucial to sustaining economic growth. At 0.78% of GDP, expenditure on research and development is only half-way to the 2020 target of 1.5%. Only 20% of machinery and equipment in Bulgarian firms is considered state-of-the-art.

More investment and innovation requires adequate financing. The share of external financing in Bulgarian firms is among the lowest in the EU. The share of finance-constrained firms in Bulgaria is among the highest in Europe. Collateral requirements are the most constraining factor in obtaining external finance.

Average responses to the question: “What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?”



Share of finance-constrained firms, %



Source: EIB Investment Survey 2018.

Corporates

Why the EIB Group for corporates?

- Direct financing for local and international mid-caps and large companies in most sectors, including industry, agriculture and services
- Traditional loans, quasi-equity loans, and structured or project finance
- Focus on energy efficiency, renewable energy, climate action, the circular economy and innovation
- Competitive terms and tenors to match the economic life of underlying assets
- AAA funding advantage passed on to clients

The EIB normally finances up to 50% of the investment needed, for projects with a minimum total cost of € 15 million. Smaller projects are financed through EIB credit lines to commercial banks and other financial intermediaries.

Healthy animals, safe food

Biovet specialises in keeping animals healthy with its global leadership position in animal medicines and supplements. "Animal health medicines are the cornerstone of a safe and secure food supply," says Anguel Jeliakov, Biovet's Chief Executive. "Vaccines are very important for food-producing animals, because we want to **reduce any risk of disease**. Preventing and reducing animal illnesses keeps the food supply safe and helps farmers stay in business."

Biovet is unusual in its sector in Europe, because it is fully integrated. "Biovet produces the active pharmaceutical ingredient, takes care of the final formulation of a medicine, and handles packaging and quality control," Jeliakov says.

The European Investment Bank signed a € 100 million EFSI-backed loan with Biovet in 2018 to increase production and research in animal health and microbiology. The company, a unit of the global pharmaceutical firm Hovione, has plants around Bulgaria.

With the EIB loan, Biovet will build two new facilities: a fermentation factory to make nutritional supplements and medicines for animals such as cows, sheep, horses,

pigs and poultry, as well as humans, and an animal vaccine facility. The company has more than 2 000 employees and will add over 200 jobs in rural areas with the new loan.

European Fund for Strategic Investments

The European Fund for Strategic Investments (EFSI) counters the EU's investment gap to revive investment in strategic projects around Europe. With a € 26 billion guarantee from the EU plus a € 7.5 billion EIB allocation, EFSI is expected to unlock at least € 500 billion of additional investment by 2020.

Key EFSI figures for Bulgaria as of October 2018

Number of transactions	15
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Approved EFSI financing

EUR million	415
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Expected mobilised investment

EUR billion	1.8
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Small and medium-sized enterprises

Why the EIB Group for SMEs?

- Loans to local banks and other intermediaries, which then “on-lend” to final beneficiaries such as SMEs and mid-caps
- Small businesses get amounts as small as € 25 000
- More than € 1.3 billion of financing to intermediaries in Bulgaria since 2005
- The European Investment Fund (EIF) offers targeted equity and debt financing solutions, which support the development of sustainable entrepreneurship
- The EIF commits financial resources to venture capital and private equity funds that focus on SMEs.

In Bulgaria – as across the EU – over 99% of all enterprises are small and medium-sized. These SMEs account for two out of every three jobs. The EIB Group offers a number of financial instruments to help Bulgarian SMEs compete, innovate and scale up their businesses.

In Bulgaria, the EIF has supported six venture capital funds that have invested in more than 230 innovative and high-tech Bulgarian enterprises. This has created

a thriving local start-up ecosystem that increasingly attracts global innovators and international investors.

Together with the European Commission, the EIB Group has launched solutions such as Joint European Resources for Micro to Medium Enterprises (JEREMIE), the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), the SME Initiative and InnovFin. All of these work toward improving access to finance, especially for risky or innovative SMEs, start-ups and micro-enterprises. With the fast and effective SME Initiative for Bulgaria, all of the available € 600 million was committed in less than two years.

Case study

How Bulgarian SMEs benefit from EFSI

Mihail Sotirov is Co-Director of Bul-Greece, the family business his father set up to import products from Greece when Communist-era restrictions were lifted in the 1990s. “There was a deficit of everything, so he would import whatever people asked for, from Fanta to heaters or paint,” Sotirov explains.

Today, the company focuses on refurbishing cars, providing materials for repairs after accidents and dents, as well as paintwork and coating for decoration and protection. The company plans to expand into importing and distributing flooring for sports halls and schools.

In 2017, Bul-Greece built a new warehouse with an EU-guaranteed loan from Raiffeisen backed by the EIF under the EU’s Investment Plan for Europe. “The new facility makes us more energy-efficient, which means less expenditure on energy. It’s more modern and more convenient, with better loading and unloading capacity for the trucks,” says Sotirov. The financing “requires less collateral. At the end of the day, it has allowed us to be more competitive.”

The EIF has committed

Over	EUR billion	1.6
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in SME financing

Mobilising over	EUR billion	3
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For more than	15 000	SMEs
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Public sector lending

Why the EIB for the public sector?

- Direct finance for public sector projects with an investment size of € 15 million or more
- Affordable interest rates
- Long-term loans
- Capital repayment grace periods
- Possible structured financing solutions
- Secured or unsecured financing
- Framework loans for investment programmes undertaken over several years – an attractive stand-by credit line that can be drawn down flexibly by promoters
- EIB “stamp of approval” attracts co-financiers

The EIB supports projects that make a significant contribution to economic growth, employment and the everyday life of citizens. Our activities in Bulgaria’s public sector focus on:

- Energy security
- Urban transport
- Environment (water and waste)
- Public transport infrastructure
- Co-financing of priority public infrastructure with other EU funds

Energy security

Bulgaria imports almost all its energy. Today, natural gas, crude oil and nuclear fuel all come from a single source, Russia.

In October 2018, the EIB approved a € 110 million loan to Bulgarian Energy Holding to finance the construction of a cross-border bi-directional pipeline between the natural gas systems of Greece and Bulgaria. “The pipeline will contribute to diversification of the gas supply to the Bulgarian and South-East Europe gas markets, improve security of supply to Bulgaria and Greece and lead to increased competition and higher liquidity in these markets,” says EIB loan officer Atanas Ivanov.

At an estimated cost of € 240 million, this is one of the biggest energy infrastructure projects in Bulgaria in the last 25 years. The very long tenor of the EIB loan (25 years, with a seven-year grace period) and its advantageous financial conditions ensure the viability of the project and lower tariffs that benefit gas consumers.

The project has already received a € 45 million grant from the European Commission under the European Energy Programme for Recovery.



Regional and local authorities

A metro for Sofia

Over 1.6 million people move through Sofia each day on its busy road, tramway and metro networks. In 2008, the EU bank provided € 125 million of financing for the development of Lines 1 and 2. The EIB remains the key lending partner for Sofia Metro, making available a further € 78 million of loans for Line 3. With the latest additions to Line 3, the metro's 75 km of tracks and 69 stations will transport around one million passengers each day.

This key public transport infrastructure has produced significant socio-economic benefits for residents and businesses in the city and surrounding areas – better and affordable public transport, greater accessibility to the central business and government districts and dispersed economic and social hubs around the city, less traffic congestion and a cleaner environment.

EIB investment in
urban transport
in Bulgaria

EUR
million **404**

Sofia municipal waste project

Bulgaria needs to invest more in waste management and wastewater treatment to achieve compliance with EU regulations. The EIB helps address this challenge with better use of EU funds.

Before 2010, Sofia's solid waste went to a single sanitary landfill and pre-treatment facility at Suhodol, creating significant disturbances for local residents. As the Bulgarian capital grew fast, it needed an efficient and effective solution to allow its waste treatment capacity to keep up.

The EIB approved a € 53 million loan to the Municipality of Sofia for an integrated solid waste management system, including a sanitary landfill, a mechanical/biological treatment plant, a bio-waste composting plant and a green waste composting plant located at two different sites on the city outskirts. The project has the capacity to treat 500 000 tonnes of municipal waste per year. In addition to the creation of 400 permanent jobs, the project contributes to the prevention and reduction of negative environmental impacts from waste generation and waste management, thereby strengthening the economic value of waste.

53%

of EIB loans to Bulgaria since 1992
support transport, urban development
and environmental infrastructure

Sovereign lending

Co-financing priority public infrastructure with other EU funds

Under the current 2014-2020 EU programming period, Bulgaria benefits from an EIB Structural Programme Loan of **€ 500 million** that covers transport, environment and growth (including roads). This loan helps accelerate Bulgaria's use of EU grants.

Transport: co-financing of **€ 246 million** for projects worth **€ 1.9 billion**

- In less-developed regions and on Trans-European Transport Network priority axes
- Removing bottlenecks and cutting environmental impact for sustainable transport
- Transport schemes financed by the Connecting Europe Facility are eligible

Environment: co-financing of **€ 170 million** for projects worth **€ 1.5 billion**

- Delivers climate action, environmental protection and sustainable development

Growth: co-financing of **€ 84 million** for projects worth **€ 0.9 billion**

- Sustainable, integrated urban development and regional road infrastructure

Advisory services

Bulgaria is one of the largest beneficiaries of EIB advisory services. As well as advising SMEs and assisting with investment projects in the transport, water and environment sectors, we have advised on the development of financial instruments and investment platforms that combine EU structural funds with other sources of funding.

Main activities in Bulgaria

JASPERS (co-funded by the EIB with the European Commission) prepared numerous projects, of which 30 major projects have been approved by the European Commission since 2008. These mobilised total investment of over € 5 billion, of which € 3.7 billion in EU grants. Many of these projects were co-financed by the EIB.

Project Implementation Support (funded by European Structural Investment Funds) is provided to Bulgarian authorities to improve the rate and quality of absorption of EU structural funds.

The European Investment Advisory Hub, with EU support, co-finances a programme run by the EBRD to provide advisory support to small businesses.

Financial instruments and investment platforms: the Hub and the Financial Instruments Advisory team support a fund-of-funds operation in Bulgaria, as well as the establishment of financial instruments and investment platforms in the environment, resource efficiency and SME sectors.

The European PPP Expertise Centre, of which Bulgaria is a member, has worked on Sofia Airport and other assignments in the country.

A national advisory platform, managed by Bulgarian authorities with support from the Hub, was set up in 2016 to improve the efficiency of the Bulgarian advisory services market.

Case study

Connecting the dots

The 174 km Struma Motorway connects Sofia with the Greek border, completing a direct route from Germany to the Aegean Sea. Most sections of the motorway have been completed or are in progress, partly co-financed with an EIB loan. The remaining 24 km is being prepared, with JASPERS working alongside Bulgaria's National Road Infrastructure Agency.

This will help complete Trans-European Corridor 4, which includes 4 340 km of rail lines and 3 640 km of roads, connecting nine countries – Germany, the Czech Republic, Austria, Slovakia, Hungary, Romania, Bulgaria, Greece and Turkey. Improving connectivity will drive growth by boosting trade and tourism.





About the European Investment Bank Group

The **European Investment Bank** is the long-term lending institution of the European Union owned by its Member States. It makes long-term finance available for sound investments that contribute towards EU policy goals. The **European Investment Fund** is a specialist provider of risk finance to benefit small and medium-sized enterprises. In 2017, the EIB Group provided nearly € 80 billion for investments across Europe and the world. We are the world's largest multilateral borrower and lender.



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