



UKTI DSO MARKET BRIEF: BULGARIA



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WHY THIS MARKET IS IMPORTANT?

Between 1999 and 2008, the UK invested a total of €8,428 million into Bulgaria, being the fourth largest investor (following Austria, the Netherlands and Greece). Turkey and Russia are Bulgaria's other main trading partners.

UK investment in Bulgaria in the first quarter of 2009 increased by 23.5%, compared to the first quarter in 2008, from €2,258 million to €2,784.7 million. Bilateral trade has been growing steadily since 2001. In 2008, UK exports to Bulgaria reached £201.4 million (increase of 21% on 2007 figures), with the highest value exports being specialised machinery for particular industries, telecoms, sound-recording equipment and electrical machinery and appliances. There is increasing interest from UK companies in Bulgaria, which is an important and growing business for UK consultants.

Priority sectors include water, environmental, transport infrastructure, education and training, communications and advanced engineering and specialised machinery.

MILITARY OVERVIEW

Bulgaria is a member of NATO. The Bulgarian government is currently implementing reforms to the armed forces, and is to invest €188m over the next 4 years for this purpose. It is estimated that by the end of 2014, the Bulgarian armed forces will have 26,100 personnel, meaning 6,000 redundancies. The government is setting aside €58m for compensation payments. The Bulgarian MoD undertook a Force Structure Review in 2010, and Parliament subsequently approved a White Paper on the Defence and Armed Forces of the Republic of Bulgaria (see http://www.md.government.bg/en/doc/misc/20101130_WP_EN.pdf). This was followed by the Republic of Bulgaria's Armed Forces' Development Plan

(http://www.md.government.bg/en/doc/misc/20110207_AFDP_ENG.pdf), which had been approved by the Ministerial Council in December 2010. More recently, the Bulgarian Defence Ministry has produced an Investment Implementation Plan for the period 2011-2020. This was based on a defence budget of 1.5% of GDP (although this currently stood at about 1.2%) and the plan identifies a spend of 2 billion lev (€1bn) by 2020 to acquire military equipment.

The Investment Plan Programme outlined 13 priority projects of the Bulgarian military investment plan as follows:

- Establishing a battalion battle group – worth over 100m lev, which means that it will require the approval of the Parliament;
- Modernisation of the three-second hand frigates bought from Belgium – worth over 50m lev, therefore requiring the approval of the Cabinet;
- Purchase of new multi-role fighter jets – over 100m lev;
- Extending the life of the MiG-29 fighter jets – over 50m lev;
- Maintenance of the newly-purchased Cougar and Panther helicopters – below 50m lev (requires the approval of the Defence Minister only);
- Modernization of the navigation systems of the Bulgarian Navy – below 50m lev;
- Acquisition of communication and information equipment and support for a military detachment;
- Acquisition of a new land-based military terminal – below 50m lev;
- Development of technical systems for strategic surveillance – below 50m lev;
- Completing the creation of special operations forces – below 50m lev;
- Establishing a Joint Operational Command – below 50m lev;
- Cyber defence project – below 50m lev;
- Establishing an automated information system for the military (C2) – below 50m lev.

(N.B. All of the above assumes an exchange rate of 1 lev = £0.42; 1 lev = € 0.50, current as at 28th November 2012.)

SECURITY OVERVIEW

Membership of the Schengen Convention is part of Bulgarian government policy, and Bulgaria had aimed to achieve this in 2011. However, this has been delayed to 2013 at the earliest. The government has allocated €54 million (supplemented by a loan of another €54 million from the World Bank), which we understand is intended for procurement of – *inter alia* – an integrated system to monitor the Black Sea coastal border; five patrol vessels to protect the Danube and the Bulgarian coast; one Tetra digital telecommunications system plus helicopter storage and maintenance facilities. Other opportunities for UK companies lie in training, vehicles, access control, small armament, body armour. The Ministry of Interior has 61,170 employees in seven directorates.

DEFENCE & SECURITY OPPORTUNITIES

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Army: C4ISR systems, NBC protection equipment, logistics systems.

Navy: Helicopters

Air Force: Combat aircraft

Notes:

1. The *Romeo*-class submarine is expected to be retired by 2015 as part of cost-reduction measures.
2. Bulgaria is in the process of procuring Eurocopter AS565 Panther helicopters to replace the existing MiL Mi-14 fleet.
3. A decision on the combat aircraft tender is expected in around 2012.

ECONOMIC BACKGROUND (2011 FIGURES)

GDP (€BN): €38.5bn

Per capita GDP (€): €5,168

GDP growth: 1.7%

Unemployment: 11.2%

Exports: €20.2bn

Imports: €22.2bn

FDI inflows: €1.3bn

FDI abroad: €-0.1bn

Trade Balance: €-1.8bn

Current Account: 1.9% of GDP

Fiscal Balance: -2.0% of GDP

Foreign Direct Investments: €1.2bn

External Debts: 17.0% of GDP

Foreign Exchange Reserves: €13.3bn

Average wage in Q4, 2011: €372

Exchange rate: €1 = 1.95583 lev (fixed exchange rate)

DEFENCE ECONOMICS

Defence Budget: €1bn (2011-2020)

% of GDP on Defence: 1.5%

THE BULGARIAN DEFENCE MARKET AND HOW TO DO BUSINESS

The following general information is intended as a preliminary guide to help UK defence companies understand the Bulgarian defence market. It is not intended to be exhaustive.

Fundamentals Needed to Succeed in the Bulgarian Defence Market

Whilst each case is unique and requires a different approach, a UK company is likely to need the following for success in the Bulgarian defence market for any defence procurement opportunities that may arise:

- A distinctive product that is usually in service with the armed forces, and can demonstrate a clear capability improvement over existing Bulgarian capability;
- A detailed knowledge of the Bulgarian defence market sector you are intending to compete in, with particular regard to the competition and existing technology levels;
- To be aware that it is a lengthy process to establish a presence in the Bulgarian defence market. It will not happen overnight, can be quite painstaking and require a significant investment of time, effort and money;
- A sound knowledge of the Bulgarian political system, policies and governance such as export controls;
- A detailed awareness of the timescales involved in particular, plus an understanding of the Bulgarian government procurement process.

Routes to Market

The best way to do business in Bulgaria is to undertake as much market research as possible, and find a good reputable local representative. Entering the Bulgarian market through an agent or distributor is a very positive approach, as it helps British companies manage language, cultural, legal and other differences effectively. It facilitates timely and relevant reactions in cases of participating in tenders. Even some large companies collaborate in Bulgaria for the same reasons.

The appointment of a local partner or representative will only be the first step. Building a successful business requires an investment of time, regular contact, establishing a trusted working relationship, and product training as well as visits to the market, especially during the early phase.

HMG Support

For the Bulgarian defence market, advice, support and assistance to UK companies is provided by UKTI DSO RD Africa, Europe, Middle East, Central & South Asia in London, and the UK Defence Attaché in Prague (there is no defence section at the British Embassy in Sofia). Security issues are covered by the UKTI Commercial Team at the British Embassy in Sofia.

Bulgaria Export Controls

UK defence manufacturers must first obtain a F680 licence, in order to be able to export, but should also ensure that – owing to official security concerns – none of the items are controlled, or appear on the Military List. This also applies to UK security companies.

For more information, contact the Export Control Organisation of the Department of Business, Innovation and Skills, at <http://www.bis.gov.uk/exportcontrol>.

Visit Security Clearance

This is obtained from the UK Ministry of Defence's (MoD) International Visits Control Office, which is located at Abbey Wood in Bristol.

Further guidance and the required forms are at: <https://www.gov.uk/defence-equipment-and-support-principal-security-advisor/#inward-visits>

ARMED FORCES - MILITARY STRENGTH

Source IISS and the Military Balance 2010

Active: Army – 16,000; Navy – 4,140; Air Force – 6,500

Civilian: Approx. 6,000

SECURITY ISSUES

A EU grant of €161m and a loan from the World Bank of €54m have been allocated to help improve Bulgaria's chances of accession to the Schengen Convention. The finance is intended for: improvements in border control; introduction of biometric documents; improvement of entry into the country; migration-related projects; counter-terrorism and combating drug/human trafficking. Also, several fire brigades are in the process of modernising equipment, and there are expected to be opportunities for mobile compressed air systems, portable pumps, compressed air foam systems, positive pressure ventilation fans, suits, helmets and personal protective equipment.

DOMESTIC DEFENCE INDUSTRIAL CAPABILITY

Bulgaria has a well-established defence industry sector which, since 1991, and due to domestic budget constraints, has been forced to develop export markets. As a result the sector has emerged from the changes in a relatively robust and competitive position.

The Bulgarian Defence Industry Association (www.bdia-bg.com) boasts fifteen companies covering a range of activities, including armaments and munitions, communication systems and optoelectronics. BDIA members enjoy a number of advantages in developing export markets – cultural and economic links with Russia and the Russian Republics, a strategic location encompassing North Africa, the Middle East and Russia, a strong technical base and, last but not least, EU and NATO membership. The BDIA sees three specific areas of export opportunity – new licences for armaments and munitions, maintenance and repair services for ships and helicopters, and logistical support facilities (given Bulgaria's strategic location).

Along with the Bulgarian Defence Ministry and the Bulgarian Academy of Science, the BDIA contributed to the 2010 defence strategy White Paper which, in addition to maintaining Bulgaria's defence capabilities, also aims further to develop exports.

DEFENCE IMPORTS & EXPORTS 2007-2011

Source: UKTI DSO Survey of Defence Exports & Various Open Sources

Identified Bulgarian Defence Import Procurement:

Total: \$144M

Main Suppliers:

Belgium
USA
UK
Israel

Identified Bulgarian Defence Exports:

Total: \$26M

Key Customers

NATO

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COMPETITORS

Germany, Turkey, Italy, Greece, Russia and Austria are the main competitors.

PROCUREMENT ORGANISATION

The main defence procurement organisation is Snabdyavane i Targovia-MO EOOD (a procurement and trade company of the Defence Ministry). Its website is at <http://stmo.hit.bg/index.html>.

OFFSET POLICY

Bulgaria does not have any offset policy.

KEY PERSONALITIES

<u>Defence Minister</u>	Anu Angelov
<u>Armed Forces</u>	Chief of Defence – Gen. Simeon Simeonov
<u>Army</u>	Commander – Maj-Gen. Neyko Nenov Nenov
<u>Navy</u>	Commander – Commodore Rumen Nikolov
<u>Air Force</u>	Commander – Maj-Gen Constantin Veselinov Popov
<u>Minister of Interior</u>	Tsvetan Tsvetanov

Further Information:

If you require further information/clarification on anything in this Fact Sheet please contact:

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<http://ukinbulgaria.fco.gov.uk/en/>

Other Useful Websites:

Governmental portal on Bulgaria: <http://www.mfa.bg/en/>

Bulgarian Customs: <http://www.customs.bg/en/>
http://www.bulgarianembassy-london.org/index.php?Itemid=187&id=119&option=com_content&task=view

Official tourism website: <http://www.bulgariatravel.org/eng/index.php>

Bulgaria Travel Advice

Travel information and general embassy contact details can be found at:

<http://www.fco.gov.uk>

Foreign Consular Offices in Bulgaria

Media, travel, careers, business and state links/information can be found at:

<http://www.novinite.com/>
<http://www.bgnewsnet.com/>

Visa Services and Links

<http://www.mfa.bg/en/pages/menu/106>

The CIA World Factbook provides information on the history, people, government, economy, geography, communications, transportation, military, and transnational issues for 266 world entities. The Reference tab includes: maps of the major world regions, as well as Flags of the World, a Physical Map of the World, a Political Map of the World, and a Standard Time Zones of the World map.

<https://www.cia.gov/library/publications/the-world-factbook/>

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