

Restructuring and FDI in the Bulgarian Wine Industry

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Abstract: Industry restructuring in Bulgaria was characterised by the application of privatisation procedures similar to the ones applied in the rest CEEWCs (see table 1) which, however, differed in importance, scope, objectives and speed. Privatisation in the Bulgarian wine industry proved to be slow, but important process for the dynamics in the sector. Different privatisation procedures and distribution of state assets were adopted, hence resulting in differences in the ownership structures. New wine processors were established, with FDI playing an important role. The EU integration process additionally had its own impact on the development of the industry, and will further enhance the expansion of the industry's activities in terms of grape and wine production and export, as well as quality improvements.

Key words: wine industry, restructuring, FDI, Bulgaria, transition

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Central and East European wine producing countries (CEEWCs) experienced tremendous changes in their wine systems during the last decade. With privatisation and land reform, a major restructuring of their wine sectors has occurred, with wine output patterns following different roads since the initial decline in the first half of the 1990s (Noev and Swinnen, 2002). However, ten years after the start of the reforms, despite the increase of the state interventions in the second half of the 1990s, contraction of grape yields, wine output, as well as of wine export (in volume and in value) in most of the CEEWCs is still considerable (figures 1 and 2).

Industry restructuring in Bulgaria was characterised by the application of privatisation procedures similar to the ones applied in the rest CEEWCs (see table 1) which, however, differed in importance, scope, objectives and speed. Direct sales to foreign and local investors (so called case-by-case privatisation) and restitution to previous owners were the first methods applied, followed by the mass privatisation (MP) process (so called "rapid privatisation"). Later, case-by-case privatisation widened its scope and manager employee buyouts (MEB) took an important role.

This paper sheds light on the process of wine industry restructuring in Bulgaria, the fourth (in volume term) wine producing country and biggest exporter of wine (in volume and in value) for the last decade in Central and Eastern Europe, and thoroughly describes the applied privatisation procedures in the country. The paper is organised as follows. It first presents the institutional background for the process of restructuring. The third section analyses the different privatisation procedures applied in the wine industry and the

FDI inflow in the sector. Section four discusses the wine industry development and establishment of new wine processors following the forthcoming EU enlargement. The last section concludes the paper.

The growing literature and empirical research on enterprise restructuring in CEE countries have focussed by now on the relationships between the changes in the ownership and the profitability of the restructured firms (e.g. Pohl et al, 1997); the impact of the (mass) privatisation on wage growth and distribution (e.g. Pohl et al., 1997; Brainerd, E., 2001); or on the capital market development (Kogut and Spicer, 2002). Social welfare, macroeconomic performance and modes of privatisation have been the main focus of the scholars' attention when impact of privatisation have been analysed, as noticed by Uhlenbruck and De Castro (2000), with a literature being primarily descriptive (e.g. see Marinov and Marinova, 1997; Earle and Telegdy, 1998; Anderson et al., 1999; Miller and Petranov, 2000; etc.).

2. Institutional background of the privatisation in Bulgaria

Privatisation is a process of establishment of clear and legally enforceable property rights of firms versus the state. Property rights reform can be seen as a clarification and reassignment of ownership rights among multiple economic actors, being government agencies, public or private corporations, households or individuals (Walder, 1994, p.53; Spicer et al, 2000). Pohl et al, (1997) determine the restructuring in CEE countries as thought of the initial transition from a highly distorted economy with many large loss-making firms to a normal market economy in which most firms are profitable. However, privatisation in Eastern Europe went beyond the scope of a simple transfer of ownership and property rights from the state to private owners. It comprised not only economic concerns, but political and social consideration as well, which resulted in a more

complicated and difficult transition than expected *ex ante*. Moreover, as noticed by Carlin and Landesmann (1997), historical inheritance and macroeconomic constraints have influenced the sources of dynamism for the enterprise sector and the progress towards the catch-up in each country.

Privatisation in Bulgaria was slow due to political and social conflicts (see table 2). Bulgarian experts and government officials often argued that the quality of privatisation should not be sacrificed for the speed of privatisation (Pohl *et al.*, 1997). However, a decade after the start of the reforms, there are no proves that the slow pace of the privatisation lead to larger successes than expected.

The industry restructuring in Bulgaria started in 1992 with the establishment of the state Privatisation Agency (PA) and case-by-case privatisation, which proved to be slow and hampered by administrative burdens. Later on, after the end of 1994, a mass privatisation (voucher) program was introduced followed by managerial-employee buyouts as a second stage of the mass privatisation programme, with sales to foreign and local investors, different than MEB, remaining vital. Economic paradoxes were not rare¹ further making cumbersome the transfer of property rights and giving unclear signals to domestic and foreign private investors.

Importantly, the privatisation process was administered and controlled by many institutions, including the PA, the Council of Ministers itself, a special sub-committee for privatisation of the Bulgarian Parliament, certain ministers (agriculture, industry, trade), several specialised government agencies, the Centre for Mass privatisation, municipal authorities, and special privatisation institutions created by the municipalities. In addition,

¹ While the annual trend in GDP change from 1990 to 1993 was positive in that the rate of decline was diminishing and suggesting stabilisation, the annual inflation was high and increasing considerably. Moreover, after the beginning of March 1995 the prices of electricity went up by 50% and the prices of food products increased as well, while at the same time the Bulgarian currency became with 15% stronger against the US dollar, according to the exchange rate administered by the Bulgarian National Bank (Marinov and Marinova, 1997).

municipal councils manage and administer the privatisation of all municipal assets separately. Therefore conflicts of interest and tension existed permanently among the authorities involved in the privatisation process, considerably hampering its actual implementation (Marinov and Marinova, 1997).

The framework for the industry restructuring in Bulgaria was laid in 1992 with the adoption from the National Assembly of the Law for Transformation and Privatisation of the State and Municipal Enterprises (LTPSME) and 7 additional regulations adopted in the period 1992-1994. In addition, part of the state assets were restituted to former owners based on the provisions of the Law for Compensation of the Owners of Expropriated Estates (LCOEE) and article 18 in the LTPSME. Later on, the LTPSME was amended several times, according to the view of the political parties in power on the way the privatisation has to be done. Importantly, in 1994, a new chapter was introduced and the privatisation through investment vouchers (i.e. mass privatisation) became possible. Other laws, including the Commercial Code, the Law for Agricultural Land Ownership and Land Use (LALOLU), the Law for the Obligations and Contracts (LOC), etc. were also taken into account. However, other laws which have an influence on the wine sector were adopted in the second half of the 1990s (e.g. the Law for Leases of Agricultural Land).

Importantly, several years earlier, before the start of the transition and the changes in the Communists Party's leadership, few important changes in the legislation system took place. The former communist government and parliament, following the doctrine of the Communist Party and its decisions from the 1988 meeting, adopted in January 1989 the so called "Ukaz 56" where for the first time in the Bulgarian communist economic history the private property was legally accepted as equal in power to the other type of ownership

existing in Bulgaria by that time (e.g. state, co-operative, etc.). Furthermore, private companies were permitted to exist and operate in the economic life.²

The restructuring of the wine industry targeted at the state monopoly "Vinprom". It was established in 1947 under the name "State Organisation for Production of Spirits" when all wine producing units at that time were consequently expropriated by the State and nationalised. In 1948 the company changed its name to "State Spirits Monopoly" and later on to "Vinprom". The monopoly had sub-divisions in every regional capital, as well as various number of prime processors (cellars) in the rural areas. Importantly, their product mix (e.g. production of red wines, white wines, mixture between both, vinegar, spirits, etc.) was depending on the location of the sub-division. The wine production was exported mostly to the Poland, East Germany and the FSU markets through the state export monopoly "Vinimpex". However, the wine industry was the major sub-sector of the food-processing industry exporting products to the western markets, with quantity dominating quality. Vertical integration through the central planning system was very strong and grapes were coming from the local co-operatives, which cultivated huge blocks of vineyards³. However, grapes were collected not only from the workers of the co-operatives, but also from different organised groups of high-school and university students (from Bulgaria and abroad), resulting mostly in a huge losses in value term and in bad quality of grape collection, respectively affecting negatively the quality of the wine output.

After the political changes in 1989, and the trade liberalisation in 1990, the process of restructuring of the wine industry started, although much slower than in the competitive

² The adoption of "Ukaz 56" can be interpreted as a controlled and regulated change in the economic system conducted by the communist party. To some extent these steps reminds the "socialist market economy" and the economic path followed by China in the early 1990s. However, the political changes in Bulgaria, which were induced from the communist leaders and were not part of a "street pressure", laid the ground of different transition path compared to China.

brewery sector. The main reason for the slower pace was the strong connection between the upstream and downstream sectors, and the way the land reform was conducted. Government privatisation priorities also played significant role. From this perspective, leaving the wine industry in state hands was a desirable option for the government due to the export orientation of the sector, which was the most stable source of foreign currency coming from the food-processing industry during transition.⁴

In the beginning of the 1990s, the different units comprising the state monopoly were divided into joint stock companies, following the LTPSME, each with 100 percent state participation. Later on, part or all of the shares were sold out through different procedures, including: (i) direct sale to foreign and domestic investors; (ii) mass privatisation; (iii) MEB; (iv) preferential sales of shares to former workers in the companies; (v) restitution; (vi) privatisation through liquidation. New wine processors were also established, with investments coming from different sources.

3. Privatisation in the Bulgarian wine industry

3.1 First stage: FDI and case-by-case privatisation

From the time of conducting the first privatisation deal in the food industry in 1993⁵ until the end of 1996, the food industry and the food processing sector attracted about 30% from the total foreign investments in the country with a total amount of 251.2 million

³ Wine industry is, probably, the most dependent on the vertical integration development food processing sub-sector.

⁴ Although the wine industry was the biggest exporter of value added products from the food-processing industry during the communist period, after the contraction of the former Soviet Union markets, the other food-processing sectors experienced huge difficulties in finding markets for their low quality products. This caused severe contraction of the food-processing output and many companies went into debts and later on, bankrupted.

⁵ Interestingly, the first 2 privatisation deals of the PA with foreign investors and also all deals in 1993 were for companies from the food industry.

USD⁶. Until the end of 2001, the total FDI⁷ in the food and food processing industry reached some 385.8 million USD, or 8.5 percent from the total FDI in Bulgaria and about 20 percent from the total foreign investments in the industry (table 3). The decline in the share with more than 21 per cent is of no surprise given the enhancing of the restructuring process in the other sectors of the economy. The declining value of the total FDI in the food and food processing sector is also as expected, as the FDI coming from privatisation is normally to decline with the end of the restructuring process. Agriculture remained one of the least attractive sectors in the economy and for a decade it experienced only about 16.9 million USD or, if measured in percentage, some 0.4% from the total FDI in the country and about twenty times less when compared to the FDI in the food sector.

Table 3 shows that FDI from "non-privatisation" methods are constantly increasing their share in the total investments and their amount, while the share of the foreign investments from the real privatisation deals fluctuates considerably and in 2001 is only some 2.8 per cent from the total FDI in the country.⁸

Over the period 1993-1995, from 35 large and medium state enterprises privatised by the PA, 12 were privatised by foreign investors, of which 7 were in the food sector. While only 20 per cent of all privatisation deals were in the food and food processing sector, they accounted for 50.3% from the total investments (177.68 million USD). If distributed by the different obligations this represents 42.6% from all contracted payments, 15.9% from all old debts covered by the new owners and 65.5% from all future investments by foreign

⁶ Included are not only the cash flows from the direct sales of the companies, but also the Greenfield investment, the additional investment in companies with foreign participation, the reinvestment and the joint ventures.

⁷ The threshold for qualifying an investment as a foreign and consequently resulting in different treatment and protection is 50,000 USD.

⁸ Table 3 presents an interesting evidence about the impact of the macro-economic stability on the FDI flow in Bulgaria. While the total amount of FDI in the country for the period 1992-1996, when permanent changes in the governments resulted in political instability and the biggest financial and macroeconomic crisis in 1996, has been some 766.7 million USD, FDI in the next five years (when a macroeconomic stabilisation was achieved and the government was the first one to finish its full four year mandate) amounted to some 754 million USD annually.

owners in the country who have signed privatisation contracts with the PA by that time. Importantly, the State was selling more than 67% from its stake in the companies, thus voluntarily losing control (the blocking quota of 33%) over the privatised enterprises. However, the wine sector remained state property. It experienced only two joint ventures with Portuguese investments, both operating in the support materials - cork stops, cap folio, etc. (Vicheva, 1997). This remained the case until the entrance of the British "Unibul Wines" in 1997, when a joint venture between it and "Vinprom Popovo" OOD on the amount of 1,645 million USD was established. Later, in 1998, this FDI was followed by the investment of the "Sea Bord Corporation" (USA) with the purchase of 67% stake from Vinprom-Russe for 15 million USD. Other 22.4% from the wine processor were sold out in 1999 to "Vinprom-holdings" LLC Ltd. USA for the amount of 3.2 million USD (40 per cent paid in cash and 60 per cent paid in the form of Brady bonds), with additional obligation for investment of 4 million USD⁹. The rest 10.6 % were kept for restitution claims and for sale to former workers of the wine processor under preferential conditions according to article 5 from the LTRSME.

According to BFIA and OECD data, the total FDI in the wine industry until June 1999 are 21,475 million USD. It represents 7,5 per cent from the total FDI in the food-processing industry (according to the same source). Interestingly, the FDI in the wine sector until the end of 1996 are only 1,1 per cent from the total FDI in the food-processing industry. This share increases up to 50,2 per cent if only 1998 is considered and 85.4% if only 1999 is taken into account.

However, the first privatisation deal conducted by the PA in the wine sector was in 1994 when 70 per cent from the "Menada-Vinprom" EAD Stara Zagora were sold out to

⁹ A major FDI form in the food industry is the participation of foreign partners in privatisation deals through purchasing Brady (external debt) bonds (Vicheva, 1997). This is valid not only in general, but also for the wine industry when different wineries were sold out to foreign and domestic owners as shown, for example, by the cases of "Menada-Vinprom" EAD, "Vinprom-Russe" AD, "Vineks-Slavjantzi" EAD, etc.

the domestic investor "Sjarovi Brothers" SD Stara Zagora for the amount of 80 million BGL, of which 10 million BGL in cash at the time of contracting and 70 million BGL in the form of Brady bonds. In addition, the buyer took the obligation to cover the debt of the company (147 million BGL) and to invest more 30 million BGL in a period of 3 years.

These sporadic case-by-case privatisation deals were replaced by more rapid and enthusiastic privatisation in the period 1998-1999, when another seven wineries were sold out by the PA to domestic investors, mainly through MEB. Meanwhile, during the process of mass privatisation in 1995-1997, part of the wine processors' shares were sold out to domestic investors too.

3.2 Second stage: the process of mass privatisation

Case-by-case privatisation was interrupted by the process of mass privatisation, which foundation was laid in 1995 by the Socialist government that came in power in 1994. By the summer of 1997 the first wave was completed. With the implementation of the mass privatisation (MP), Bulgaria joined the group of the other wine producing Eastern European and FSU countries, where restructuring policy of similar type was conducted (e.g. Russia, Romania, Moldova, Georgia, etc.). However, several important features make the MP program process in Bulgaria completely different than the MP programs in the other countries.

First, the process of mass privatisation (MP) in Bulgaria started almost seven years after the beginning of the transition. This starting period is different than the start of the MP programme in the other Eastern European wine producing countries (CEEWCs). In Russia and the Czech Republic, for example, the MP was introduced in 1992.

Second, the implementation of the MP was induced not only by the social policy of the socialist government (1994-1997), as it was the case in the rest of the CEEWCs, but also

from the negligible amount of state assets privatised in Bulgaria by that time. For the period 1992-1995, only 4.65% from the total state assets were privatised (table 2) through case-by-case privatisation. Two years later, this share increased with only 11.9%. However, with the mass privatisation the state increased the private ownership with some 22.08 per cent and by the end of 1997 about 39 per cent of the assets were in private hands. The boom in the privatisation was in 1999, when additional 26% were privatised (as part of the second wave of the MP) and at the end of 2001 about 80 per cent of the state assets were private property.

Third, the MP program was designed differently than the MP programs in the other CEEWCs like Russia, Moldova, Romania, Georgia, Mongolia, Slovak Republic, etc., and even than the Czech Republic's MP program, although it was modelled after it. In Russia, the enterprises voluntarily nominated themselves for privatisation, first by becoming corporatized through the transfer of their ownership to the State Property Fund, and second, with choosing from three alternatives, all of which reserved a substantial allocation of shares for management and workers (Kogut and Spicer, 2002). In the Czech Republic firms were selected for privatisation from the State and they had to submit privatisation proposals to the founding ministry (Claessens and Djankov, 1999), with inclusion of the vertically integrated industrial conglomerates in the second wave, due to the need of more time for their split into smaller, independent units (Lizal et al., 1995). This was not the case in Bulgaria where companies were listed from the State together with the shares for privatisation. Importantly, the State kept share in each company of at least 10 per cent, and the whole share in those companies for which bids on the auctions were missing.¹⁰ In addition, the second wave differed completely in organisation compared to the first wave, as a result from the political change of the government in

¹⁰ This feature was also met in the Czech Republic.

1997. However, the issue of the financial capabilities of the new owners and whether the property rights were transferred to efficient users remained under discussion.

Next important feature is the inclusion of investment privatisation funds in the MP program. While in the Czech Republic this was not incorporated in the beginning of the program, and later almost everyone was able to establish an investment fund, in Russia the establishment of investment funds was permitted in the first year of the privatisation.

In Bulgaria, they became an integral part of the program and were regulated and granted license from the Securities and Stock Exchange Commission (Miller and Petranov, 2000)¹¹. In most of the countries, investment funds were connected, directly or indirectly, with the banks, most of which were state-owned at the time of the MP. Moreover, in Bulgaria, nine investment funds were financed and/or supported also by state enterprises that had to be restructured during the MP program. Importantly, two from the 81 privatisation funds were dominated (sponsored) by co-operatives (see table 4) in the view of the Central Co-operative bank, the Co-operative Union, a large holding company and an influential wine co-operative, as noticed by Miller and Petranov (2000). This wine co-operative was LVK "Gamza" Suhindol, and not accidentally, the privatisation fund dominated by it had the name "Severco-op Gamza" (further in the paper called the "wine" privatisation fund), thus gaining from the reputation of the wine processor in the process of accumulating vouchers (so called investment bonds) from the population¹². The other investment fund was the "Co-operative Privatisation Fund Youg" (further called in the paper the "co-operative" privatisation fund). In addition, these two funds ended among the ten successful privatisation funds after the end of the auctions from the first wave

¹¹ The empirical evidence from the MP programmes show that investment funds in Bulgaria gathered the highest share of the vouchers belonging to the population - 80.5%, versus 72.8% and 62.9% for the 1st and 2nd waves in the Czech Republic, 23% in Russia, etc.

¹² An interesting feature is that the investment fund "Mel Invest", controlled by a holding company operating in the milling industry and with experience in privatisation deals and restitution of mills, was also one of the

(respectively 10th and 6th) according to the average prices paid by them in each round. The funds' strategies were including, in general, purchase of shares from one company during the auctions and later sale to another fund under specified terms, or reaching an agreement for exchanging shares after the auctions. However, the two co-operative funds bided for the same enterprises attempting to gain the maximum possible control of 68% in a certain company.¹³ They ended with shares from 68 and 53 companies, respectively for the "Severco-op-Gamza" and the "C.P.F. Youg", without showing, on average, any price signals for paying much more for certain shares in a given enterprises, which was not the case for the "milling" privatisation fund who has paid about 50% more on average for its shares, which was probably induced by the aim to secure the ownership over the chosen enterprises in the portfolio. As a result, the "milling" fund had higher losses of investment bonds (-0.66%) compared to the co-operative fund (-0.24%), and particularly the wine fund (-0.06%). Interesting is that the "wine" privatisation fund succeeded to accumulate investment bonds with about 44 per cent more when compared to the "co-operative" privatisation fund and with about 30 per cent more than the "milling" privatisation fund. However, the "wine" fund had the least diversified portfolio relative to its size, as measured by the ratio of the total capital against the number of companies in the portfolio. Importantly, all funds were targeting of obtaining at least 20 per cent share, on average, from the companies they bid in the auctions, with the wine fund investing in companies with much higher average capitalisation (and hence of larger scale, which is the case of the wine processors) compared to the enterprises where the co-operative fund invested its bonds, and especially the companies in the portfolio of the "milling" fund. However, other

biggest privatisation funds, and was industry-oriented: it focused on mills and related firms to them like bakeries.

¹³ There was a limit in the share that a privatisation fund could obtain in one company and it was 34 per cent. Additionally, the funds were not permitted to invest more than 10 per cent of their accumulated investment bonds in one enterprise. However, the funds were permitted to increase their share in the companies after the end of the auctions.

privatisation funds (e.g. "AKB - Fores", "Doverie", etc.) ended their participation in the MP programme with wine processors' shares in their portfolio.

In total twenty wine processors were privatised partially during the first wave of the MP process, according to official data. This represents 1.9 per cent from all enterprises in the MP program and 14.7% from all companies from the food processing industry, which were listed at the auctions, with an average share for privatisation of 48.9 per cent¹⁴ per company. The total capital of these wine processors, measured with the number of shares is 1,855,194¹⁵, which represents 14.67 per cent from all capital of the food-processing sector's enterprises in the MP program. The average number of shares hold by a wine processor is 38,865. This number is with 16% lower than the average for a beer processor (46,318) and much lower when compared to other food-processing industries (e.g. sugar, poultry-meat, pig-meat, etc.). The wine industry together with the milling industry, have the highest share of enterprises from the food processing industry's enterprises for restructuring in the first wave of the MP. The wine companies' shares that were released for privatisation differed. In total 777,293 shares were given for auctions, which is 11.7% from all shares of the food-processing industry for mass privatisation. The minimum share for restructuring per company was 20 per cent from the total capital, while the maximum was 70 per cent. From these twenty wineries, one privatised 20% of its shares, seven - 25%, two between 35 and 50 per cent, and ten over 67%. Interestingly, 70% from the shares were released for wine processors which do not play significant role in the sector or their product mix includes high share of production different than wine (e.g. vinegar and spirits). Importantly, for some of the wineries (e.g. "Dimiat" AD Varna) the rest of the

¹⁴ Analysis of the data shows that the State has kept larger shares in the most attractive sub-sectors, namely the wine industry, the brewery and the vegetable oil industry. While it has released more than 2/3 of the capital of the meat, dairy and canning processors listed for auctions. The sugar industry has to be analysed carefully as the sector was the most affected by debts and inefficiency before the privatisation, and its privatisation proved to be one of the most difficult.

¹⁵ All shares in the auctions were established at approximately 1,000 BGL per share.

shares were bought during the second wave, one year later, through MEB. For others (e.g. "Chernomorsko Zlato" Pomorie), larger part of the shares were privatised through MEB before the first wave of the MP program.

The wine processors' shares that were bought by the investors are in total 13% from the total bidded purchased shares for the food processing sector, with 2 per cent more than the initial share of 11.7%. This shows the attractiveness of the sector, as large number of shares from other food processing industries like sugar, meat and even milling, remained unsold. In total, for 14.7 per cent from the food-processing enterprises in the MP, shares that were auctioned left unsold, with no wine processors in this number.¹⁶

3.3 Privatisation through the stock exchange

The mass privatisation provided a strong impetus for the development of the capital market in the country. Shares were changed between the different privatisation funds after the end of the MP, or companies were sold out partially or totally through the Stock exchange. Table 5 shows that for a period of one year 14 transactions were related to the wine industry. Although this number represents only 0.07% from all transactions for this period and some 0,4% from the traded shares, it accounts for 4,7% from the total turnover at the Stock Exchange, much more than the total share of the rest food-processing industries traded on the stock exchange. Wine processors, which shares were traded on the stock exchange or are admitted for a trade are listed in table 6.

3.4 Restitution to former owners

According to the LTPSME and the LCOEE, shares from the enterprises that have been expropriated in the beginning of the Communist time, or the whole enterprises have to be

restituted back to the former owners. The restitution of assets to former owners affected twenty two wine processors, according to the official data. The shares accepted for restitution vary within the wineries, but do not exceed 15 per cent. For only two wineries the shares for restitution are about 14.0 per cent, and for another six between 4.5 and 7.4 per cent. For the rest 14 wineries, the State restituted shares less than 3.2 per cent from the total assets' value. Importantly, based on the shares acquired from the restitution, the former owners can participate in the general meetings of the wine processors, but given their small number they cannot influence or block their decisions. For two of the wine processors, restitution was done according to the LCOEE, the rest following the lines of the LTPSME.

However, wineries that were co-operative property before their nationalisation were restituted back to their former owners. For example, in an earlier stage, in 1993, the Ministry of Agriculture restituted the wine processing facilities of the co-operative LVK "Gumza" Suhindol to its previous owner, the co-operative structure in the village of Suhindol.

3.5 Privatisation through liquidation

This special procedure is regulated in the Commercial Code and the LTPSME. Only two wine processors were pre-registered following the regulations of the liquidation procedures, the both situated in the South part of the country.

Unsuccessful privatisation deals in the sector were rare, with only two cases deserving attention. While in the first one, the contract for privatisation was cancelled due to unrealised obligations taken the by the new owner of the wine processing facilities, in the second case, the wine processor was put on the list for sales several times (four), with

¹⁶ The least attractive sub-sector appears the sugar industry, with 44.1% from the shares left unsold. The

successful privatisation deal concluded after the fourth year of the start of the privatisation procedure. The both wine processors are situated in the North country.

4. Foreign and local investments in new wine processors

Encouraging the creation and development of new firms in transition countries is of particular importance. However, market entry in transition countries, and particularly in Bulgaria, is still hampered by numerous licensing procedures, which slow down start-ups and bind considerable amounts of enterprises' and public administrations' resources. Administrative obstacles continue to exist at local level (EC, 2002). According to the BFIA (2002) there are 56 operational wine processors in Bulgaria, of which 12 are newly established. This number represents, however, only part of the industry wine producing units, which go beyond the number of 130 if primary wine-processors are included. However, the register of the wine processors is still updating, and currently there are 77 wine-processors registered in the National Vine and Wine Chamber.

Establishment of new wine processors requires considerable investments, not only in technologies and human capital, but in vineyards as well. Vertical integration goes hand in hand with quality when wine industry is discussed and is a prerequisite for future development and market success. Two cases deserve attention and will be analysed in this sub-section as they show most clearly the future of the industry and the positive impact of the entry of FDI and the forthcoming EU enlargement.

4.1 FDI in new wine-processors¹⁷

We first focus on the case of Domaine Boyar AD, as it is one of the biggest players on the Bulgarian wine market and one of the largest exporter of Bulgarian wine, and a

meat industry also has been unattractive.

leading Bulgarian wine trader at the western European wine markets, including the UK wine market. The company, which is a subsidiary of the foreign Boyar International (UK), signed in 1998 a contract with EBRD, and a project on the total amount of 61.5 million USD was given a start. It aimed at the construction of new greenfield winery and in addition, at the modernisation and expansion of the production facilities and improvement of the quality of the production in the two privatised and controlled by Domaine Boyar JSC at that time wine processors, namely "Domaine Boyar - Jambol" AD and "Domaine Boyar - Shoumen" AD. The latter are situated, respectively, in the south and in the north part of the country. The project targeted at the increase in the Domaine Boyar's production capacity from 27,000 tones of grapes crushed in 1997 to 65,000 tones by 2002. The new winery (so called Domaine Boyar Blueridge Winery) was projected (and built) in the south part, closer to the mountain Stara Planina, in the city of Sliven. The project's costs included a loan of 28.5 million USD from the EBRD, of which 9.5 million USD syndicated to ING Barings. Additional 2 million USD were invested from the EBRD in equity, after which investment the EBRD became a minority shareholder in Domaine Boyar JSC with an 8 per cent share.¹⁸ The additional financing was provided by the Baring Central European Investments B.V., the Dutch wine trader Baarsma's Dranken and Boyar International Limited (UK) in the form of equity. The Domaine Boyar's Blueridge winery opened in September 1999, and has a capacity of crushing about 17,000 tones of grapes and producing 8 million litres of wine. The project of the winery has been developed by the Australian company "A&G Engineering".

The investment in the modernisation of the two existing wineries amounted to some 11.5 million USD, of which about 2,5 million USD were devoted to the processing

¹⁷ This section draws on EBRD data, and EBRD and Bulgarian press releases.

¹⁸ EBRD activities in the wine sectors in transition countries include also a medium-term (6,5 years) 5 million USD loan to GWS (Georgia), a full subsidiary of Pernod Ricard S.A. The contract was signed in 1999. The loan aims at the purchase of winemaking equipment and improving the product quality.

facilities in "Domaine Boyar - Shumen" AD. The improvements in the technologies were combined with environmental measures including implementation of a more comprehensive occupational health and safety policy, construction of waste-water treatment facilities, removal of hazardous materials such as asbestos from on-site infrastructure, monitoring and reduction of noise levels, etc. It is also expected to have a positive impact at vineyard level. This EBRD's project in the Bulgarian wine industry represents 39.7% from the total EBRD investments in the Bulgarian private agribusiness sector by the end of 2001 (respectively 41.6% from the debt investments and 30.8% from the equity investments). The project is, by now, the highest EBRD investment involvement in the Bulgarian agribusiness sector.¹⁹ In addition, the EBRD has become an owner of more than 30 per cent share in another wine processor, namely "Vinprom" Damjanitza AD, during the period 1999-2000.

In 2001, "Domaine Boyar" AD merged with the foreign owned Vinprom-Ruse AD and a new company, "Domaine Estates" AD was established. The consolidation of one of the leading wine processors, was caused mainly by the decline in the international market shares, and the unfavourable land ownership situation in the country.

4.2 EU enlargement and the SAPARD programme

The forthcoming EU enlargement opened a discussion on the future of the agricultural sectors in the associated countries. The SAPARD programme was developed as an instrument with which the land and food processing structures to be supported in their development and hence, the gap in volume of output and quality between the EU and the transition countries to be considerably reduced by the time of accession.

¹⁹ According to EBRD data and our estimations, the EBRD direct investments in the Bulgarian agribusiness sector amounted to 70.238 million Euro (of which 60.608 million Euro in debt, and the rest 9.63 million Euro in equity, including private and state investments), and in total 10 projects were developed amounted to

Bulgaria is the first associated country that completed the negotiations for implementation of the programme and received the right to manage the financial means under it. The annual amounts under the programme are 53.026 million Euro.²⁰ According to the rules of the programme, those farmers and processors approved for subsidy will receive half of the investment after the implementation of their investment plan and the control assessment by the committee responsible for it. This requirement, together with other administrative burdens, the slowly developing inter-linkage between the farm sector and the responsible authorities for the implementation of the programmes depress the smooth realisation of the programme. In addition, the lack of administrative capacity for the programmes' implementation, combined with the high minimal requirements for investment and the unwillingness of the bank sector to pre-finance investments in the agricultural sector, considerably hurts the implementation of the programme.²¹ However, for a period of 16 months in total 227 projects were approved, for the total amount of 156 million BGN, of which 42 were finalised and a subsidy of 10.318 million BGN is paid²² (tables 7 and 8).

The financial subsidies are divided into three measures, according to the purpose of the investment.

Measure 1 includes investments in farm enterprises. It has four sub-divisions, the third one of which is devoted to permanent crops: orchards and vineyards. Specifically, there are certain criteria and requirements which have to be fulfilled in order the investment plan to be approved (see table 9). The permitted investments in vineyards could focus on

some 233.1 million Euro. Regional EBRD investments in the Bulgarian agribusiness sector are some 226 thousand Euro.

²⁰ Bulgaria succeeded to negotiate one of the highest annual payments under SAPARD, with only Poland and Romania receiving more on an annual basis.

²¹ This is reflected in the financial sources used under the programme. Although projects covering the total amount have been approved, their implementation remains a problem. As a result, by August 2002, only 13.5% from the total amount of the SAPARD subsidy was used.

²² More 27 projects were approved in October-November 2002. (1.95 BGN= 1 Euro.)

(i) taking out and replanting of the existing vineyards of high quality grape varieties (hybrids are explicitly excluded); (ii) purchase and implementation of irrigation systems, with exception of the land covered by high quality wine vineyards; (iii) creation and purchase of all the equipment for primary production, producing certified permanent crops, including vines and grapes; (iv) purchase of different production facilities, including software. The minimum size of the investment in vineyards should be at least 10,000 Euro, with maximum of 500,000 Euro that a beneficiary could receive during the total duration of the programme. A beneficiary can receive maximum 5 subsidies under the programme, but obligatory condition is the completion of the previous investment project before the next subsidy to be approved. If it is a natural person he/she has to be younger than 55 years, and in the cases of a legal entity the state/municipality stake in the total capital should be less than 25 per cent. In addition, the beneficiary should own or posses at least 2 ha for wine grapes, or at least 0,5 ha for table grapes, or minimum 1 ha for production of vines and has to receive more than 50% from his/her income from the farm. In addition, the project for creation of vineyard should be co-ordinated with the regional Vine-Wine Chamber and approved by the regional office of the Executive Agency of Vine and Wine. If a vineyard has to be taken out, a document issued by the regional Vine-Wine chamber proving the right of taking out the old vines and the right of planting the new vines should be added to the project documentation. Projects under this measure were approved for the first time in August 2002, more than one year after the start of the programme. However, only few of the 14 approved projects aim at the replanting of old vineyards. Importantly, investment projects for planting the local (indigenous) grape varieties Mavrud, Shiroka Melnishka Loza and Gamza have a higher impact in the final project's assessment compared to development of vineyards with the international varieties Cabernet Sauvignon, Merlot, Chardonnay, Sauvignon Blanc, Pinot

Noar, etc. (table 9). Although this difference in the impact of the grape variety aims at stimulating the use of indigenous grape varieties, it does not take into account the consumers' tastes and preferences in the domestic and foreign wine markets.

Measure 2 aims at the improvements in the processing and marketing of the food and fishery products. From the five sub-measures one is focusing on wine processing. The financial subsidy can be used for (i) construction or renovation of the enterprises; (ii) purchase of equipment improving the quality of the products and hygiene; (iii) purchase of equipment for processing the sub-products from the production process, as well as the garbage; (iv) purchase of new and modern production and packaging technologies; (v) creation of labs for product quality control and purchase of the necessary equipment; and for (vi) establishment of system for quality management according the requirements of ISO 9000. Importantly, the subsidy does not cover investments in land and purchase of existing buildings, as well as costs for rent or leasing. Moreover, the beneficiary should be registered in the National register of the producers of wine grapes, wine and products from wine and grape according to art. 40 from the LAWAB, and must have in total at least 500 tones of annual wine production. In addition, the beneficiary has to secure with a preliminary contract the sale of at least 50 per cent of its annual production. Special priorities are given to projects aiming at improvement of the product quality or reduce the production costs per tone of production. The minimum investment costs per project should be 100,000 Euro and the maximum permitted is 1.5 million Euro.

In total 186.91 million Euro can be invested in the wine sector (respectively 155.49 million Euro from measure 1 and 31.42 million Euro from measure 2; see tables 11 and 12). Measure 3 focuses on the diversification of the economic activities and creation of alternative income sources, and is of less importance for the wine sector, although it gives opportunities for investments (creation or renovation) in enterprises for primary

processing. From all 51 approved projects from measure two and 21 approved projects from measure three up to end of October 2002, seven and one, respectively, are related to the wine industry. They cover investments in technologies and production facilities (e.g. "Vinprom" Peshtera AD) as well as renovation of old cellars (e.g. "Domaine Boyar" AD; "Todorov" Bistritza). One of the projects supported the construction of the new winery "Chateau Rouceau" in the south part of the country, near the village of Hadji Dimitrovo. It is by now the only winery built under the EU SAPARD program. The winery was opened in 2002 and it has capacity of 1 million bottles of wine, with production targeted at wines from the varieties Cabernet Sauvignon and Merlot. The project amounted to 1,543,171 Euro. Importantly, another 1,548,649 Euro were invested from the winery for the purchase of 200 ha of municipality land in the area where the wine processor is located, and its transformation into vineyards.

5. Conclusions

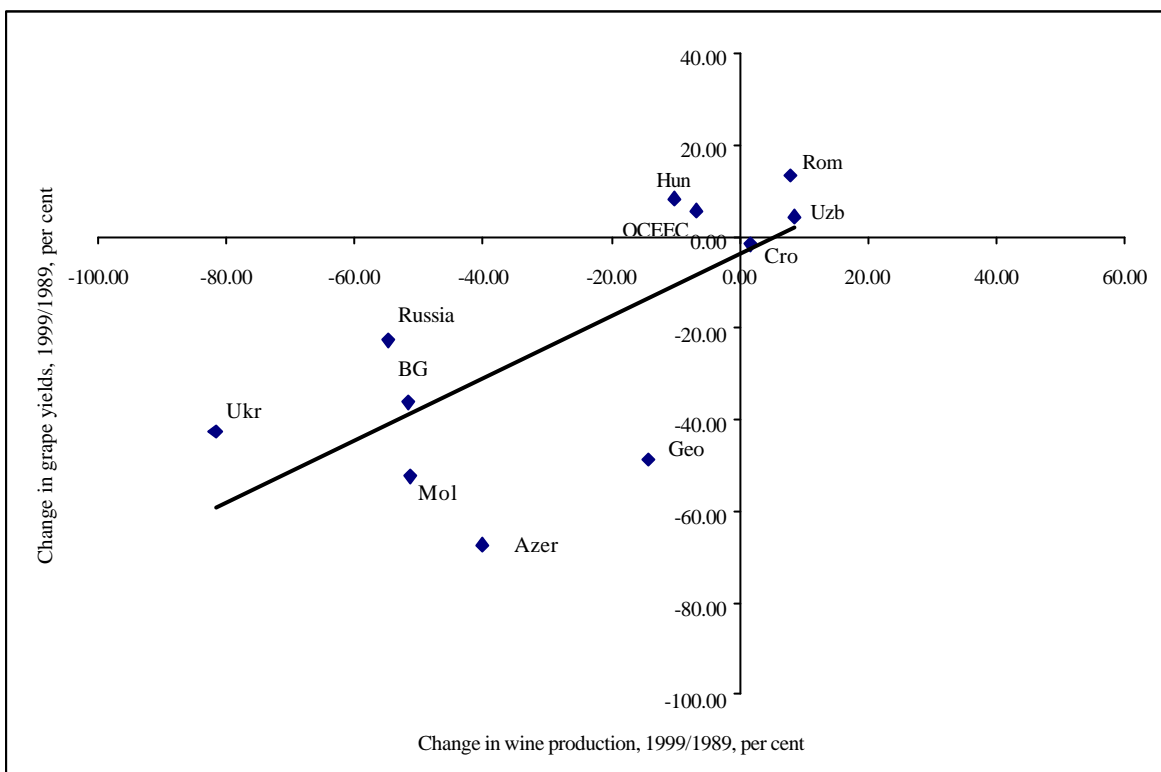
Privatisation in the Bulgarian wine industry proved to be slow, but important process for the dynamics in the sector. Different privatisation procedures and distribution of state assets were adopted, hence resulting in differences in the ownership structures. New wine processors were established, with FDI playing an important role. The EU integration process additionally had its own impact on the development of the industry, and will further enhance the expansion of the industry's activities in terms of grape and wine production and export, as well as quality improvements.

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Figure 1. Growth in the wine production and grape yields in the Central and East European Wine producing Countries, 1999/1989, per cent

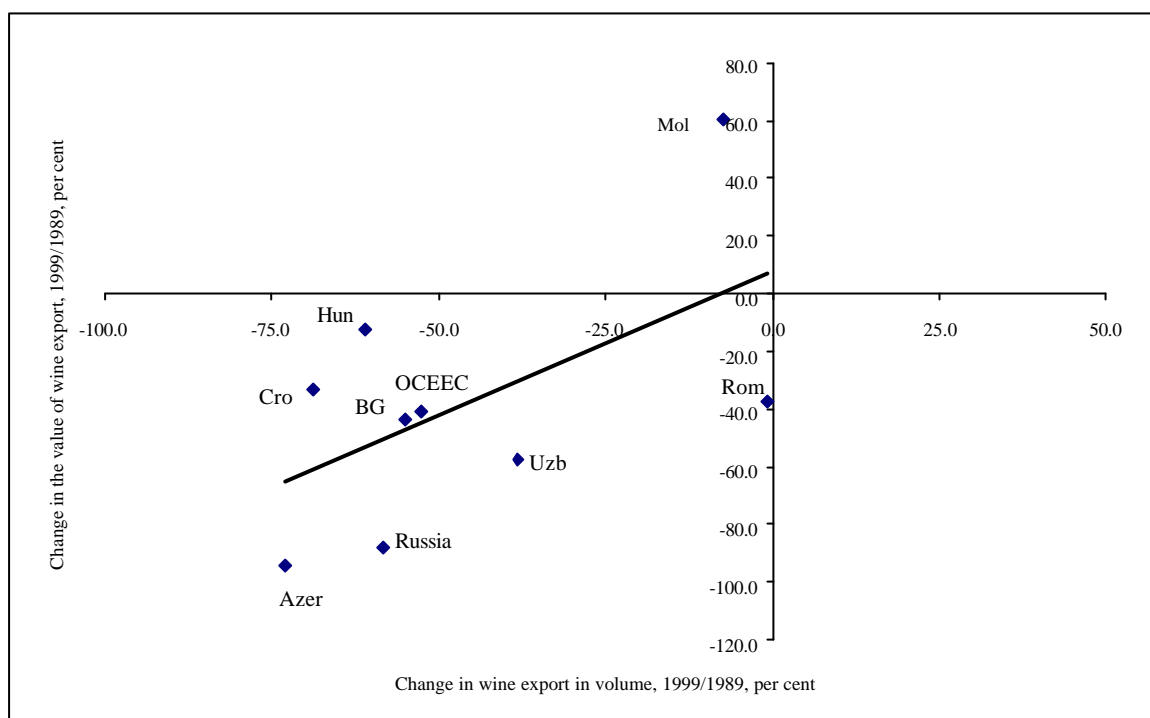


Notes:

- a) "OCEEC" includes all other Central and East European countries producers of wine and grapes.
- b) The base year for comparison for Croatia, Russia, Moldova, Azerbaijan, Georgia, Ukraine and Uzbekistan is 1992. For the rest countries - 1989.

Source: Own calculations based on FAO, NSI and Anderson & Norman data.

Figure 2. Growth in the wine export in volume and value for the CEEWCs, 1999-1989, per cent



Notes:

- a) "OCEEC" includes all other Central and East European countries producers of wine and grapes
- b) The base year for comparison for Croatia, Russia, Moldova, Azerbaijan, Georgia, Ukraine and Uzbekistan is 1992. For the rest countries - 1989.

Source: Own calculations based on FAO, NSI and Anderson & Norman data.

Tables

Table 1. Methods of privatisation of Medium-Sized and Large Enterprises in the wine producing CEECs and FSU

Country	Direct sales	Vouchers	MEB
<i>CEECs</i>			
Albania	n.a.	Secondary	Primary
Bosnia and Herzegovina	Secondary	Primary	n.a.
Bulgaria	Primary	Secondary	Secondary
Croatia	n.a.	Secondary	Primary
Czech Republic	Secondary	Primary	n.a.
Estonia	Primary	Secondary	n.a.
Latvia	Primary	Secondary	n.a.
Lithuania	Secondary	Primary	n.a.
Macedonia, FYR	Secondary	n.a.	Primary
Hungary	Primary	n.a.	Secondary
Romania	Secondary	n.a.	Primary
Slovak Republic	Primary	Secondary	n.a.
Slovenia	n.a.	Secondary	Primary
<i>FSU</i>			
Armenia	n.a.	Primary	Secondary
Azerbaijan	Secondary	Primary	n.a.
Belarus	n.a.	Secondary	Primary
Georgia	Secondary	Primary	n.a.
Kazakhstan	Primary	Secondary	n.a.
Kyrgyz Republic	n.a.	Primary	Secondary
Moldova	Secondary	Primary	n.a.
Russia	Secondary	Primary	n.a.
Tajikistan	Primary	secondary	n.a.
Turkmenistan	Secondary	n.a.	Primary
Ukraine	Secondary	n.a.	Primary
Uzbekistan	Secondary	n.a.	Primary

n.a. Not applicable.

Source: EBRD, in WB (2002) and own assessment for Bulgaria.

Table 2. Bulgaria: Pace of privatisation - share of privatised state assets (in per cent) from the total state assets declared for privatisation according to their balance value as of 31.12.1995

Institution	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total
SPA	0.49	2.22	0.76	5.34	3.60	2.67	21.18	3.52	1.15	40.93
All institutions, incl. SPA	0.56	2.47	1.62	6.19	5.72	6.78	25.69	6.70	1.70	57.44
CMP*	-	-	-	-	22.08	-	-	-	-	22.08
Total per year	0.56	2.47	1.62	6.19	27.80	6.78	25.69	6.70	1.70	79.51
Total from the beginning (cumulative share)	0.56	3.03	4.65	10.84	38.64	45.42	71.11	77.81	79.51	

* "CMP" - Centre for mass privatisation

Source: SPA and own calculations

Table 3. Bulgaria: FDI in the food and food-processing industry (million USD)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total
Food and food processing industry	0.0	28.4	50.1	40.5	132.2	15.8*	31.5	32.7	11.7	42.9	385.8
<i>share of total FDI (%)</i>	0.00	27.73	23.76	24.91	51.56	2.48	5.08	3.99	1.17	6.18	8.50
Agriculture, forestry and fishing	0.00	0.00	0.00	0.06	1.38	4.63	0.06	2.36	7.10	1.30	16.89
<i>share of total FDI (%)</i>	0.00	0.00	0.00	0.04	0.54	0.73	0.01	0.29	0.71	0.19	0.37
Total FDI	34.4	102.4	210.9	162.6	256.4	636.2	620	818.8	1001.5	694.2	4537.4
- from privatisation	0.0	22.0	134.2	26.0	76.4	421.4	155.8	226.7	366.0	19.2	1447.7
- from non-privatisation**	34.4	80.4	76.7	136.6	180.0	214.8	464.2	592.1	635.5	675.0	3089.7
Total number of privatisation deals	1715	3052	4269	5646	6168	5503	6226	4845	5153	9089	51666

* until the end of May 1997. Vicheva (1997) claims that another 90 million USD have been under contract at that time. However, we couldn't find official data confirming the exact number of FDI for 1999. Hence, we stayed with the value of 15.8 million USD.

**"Non-privatisation": Greenfield investment + additional investment in companies with foreign participation + Reinvestment + Joint ventures

Source: Bulgarian Foreign Investment Agency (BFIA) and Vicheva (1997) for the FDI in the food industry for 1992-1997. The shares of total FDI are own calculations.

Table 4. Bulgaria: Wine, Co-operative and Milling Privatisation Funds - basic data

	Severco-op-Gamza	C.P.F. Youg	Mel Invest
Type of sponsor	(Wine) Co-operative(s)	Co-operatives	Holding company in the milling industry
<i>Fund portfolio</i>			
Total capital (in inv. bonds)	2,645,099,000	1,505,636,000	1,845,420,000
Number of companies	68	53	73
Number of shares	2,231,355	1,553,963	1,199,064
Average: Price/share ¹	1,185	973	1,529
Total capital/Number of firms	38,898,515	28,408,226	25,279,726
<i>Privatisation fund stakes in the enterprises and average capitalisation of companies in fund portfolios</i>			
Average stake	21	20.4	26.8
Std. dev. stake	1.95	3.25	1.89
Average capital	1,634,715	1,063,790	172,355
<i>Total effect for the funds</i>			
1st round (%) ²	-0.04	3.73	-2.69
2nd round (%)	5.61	2.24	1.61
3rd round (%)	0.31	1.33	-0.27
Lost Bonds (%)	-0.06	-0.24	-0.66
Add. Shares (%)	0.08	0.12	0.14
Total (%) ³	5.89	7.19	-1.87
Rank ⁴	10	6	15

¹ All shares in the auctions were established at approximately 1,000 BGL per share

² Positive percentage in the 1st round indicates that a privatisation fund is buying mostly shares in companies that have few if any shares remaining in later rounds (Miller&Petranov, 2000). The minimum prices paid dropped in each round.

³ Positive measure indicates that privatisation fund paid lower than average prices for its shares.

⁴ The ranking is based on the average price paid by privatisation fund in each round instead of the average price in the overall auction.

Source: Centre for Mass privatisation and Miller&Petranov (2000)

Table 5. Bulgaria: Industries on the Bulgarian Stock Exchange for the period 12.11.2001 - 12.11.2002-11-13

Branch	Transactions		Shares		Turnover	
	Number	% from total	Number	% from total	in BGN*	% from total
Banking	300	1.56	472581	0.34	33020857.59	28.52
Chemical ind.	2133	11.09	2689624	1.92	14031997.01	12.12
Electrotechnical ind.	2125	11.05	1417758	1.01	6534168.69	5.64
Investment company	5304	27.58	2815754	2.01	4284801.05	3.70
Pharmaceutical ind.	1081	5.62	471604	0.34	3040043.28	2.63
Machine building	391	2.03	494316	0.35	1538903.87	1.33
Light ind.	533	2.77	470573	0.34	867922.49	0.75
Metalurgy	121	0.63	141164	0.10	814651.59	0.70
Construction	29	0.15	88324	0.06	425503.25	0.37
Transport	40	0.21	256928	0.18	338797.84	0.29
Telecommunication	271	1.41	833075	0.60	327040.60	0.28
Paper Ind.	92	0.48	68166	0.05	82123.61	0.07
Other ind.	4056	21.09	127246810	90.93	31153077.30	26.91
Tourism	1424	7.41	1257359	0.90	6670384.92	5.76
Wine ind.	14	0.07	554807	0.40	5452570.26	4.71
<i>Tobacco ind.</i>	430	2.24	387449	0.28	3908564.34	3.38
<i>Brewery</i>	75	0.39	7904	0.01	87725.93	0.08
<i>Other Food ind.</i>	55	0.29	21641	0.02	35698.80	0.03
<i>Agricultural Ind.</i>	45	0.23	22279	0.02	30397.27	0.03
Scientific Research	8	0.04	264	0.00	10020.00	0.01
Trade	696	3.62	212055	0.15	3114639.38	2.69
Services	5	0.03	2741	0.00	3531.00	0.00
Total	19228	100.00	139933176	100.00	115773420.07	100.00

* Exchange rate: 1 Euro = 1.94 BGN

Source: BSE and own calculations

Table 6. Wine processors admitted for trading on the BSE at the end of November 2002

Company	FINANCIALS			Last trade		
	Nominal (BGN)*	Capital (BGN)	Fixed assets (BGN)	Average (BGN)	Last (BGN)	Date
Chernomorsko zlato JSC - Pomorie	1.00	2 381 221.00	7 669 000.00	1.30	1.30	Feb 20, 2002
LVK-Vinprom JSC - Targovishte	1.00	167 924.00	4 943 000.00	4.00	4.00	May 10, 2001
Vinarna Melnik JSC - Petrich	1.20	50 205.60	216 000.00	-	-	-
Novoselska gamza JSC - Vidin	1.00	98 623.00	1 981 000.00	1.95	1.95	Feb 27, 2001
Vinzavod-Asenovgrad JSC - Asenovgrad	-	-	-	5.00	5.00	Aug 3 , 1999
Vinarska izba Rozova dolina JSC - Karlovo	1.00	57 554.00	1 445 000.00	10.00	10.00	May 29, 2000
Vinprom-Kyustendil JSC - Kyustendil	3.00	55 200.00	338 000.00	-	-	-
Vinarska izba Vrachanska	1.00	51 595.50	442 000.00	-	-	-
Temenuga JSC - Vratza						

* Exchange rate: 1 Euro = 1.95583 BGN

Source: BSE

Table 7. Bulgaria: Size of the investments projects under the SAPARD programme (signed contracts)

Measures	Rejected projects (number)	Approved projects (number)	Approved permitted costs			
			Total		Public (contracted subsidies)	
			Value	Share ^a (%)	Total	EC
Measure 1	57	165	70,701,509.32	93.21	35,340,048.78	26,505,036.59
Measure 2	24	45	81,341,086.05	45.55	40,285,937.04	30,214,452.78
Measure 3	12	17	4,285,554.90	20.94	2,100,777.41	1,575,583.07
Total	93	227	156,328,150.27		77,726,763.23	58,295,072.44

Note: the approved and rejected projects are to 30.09.2002; All values are in BGN

^a % from the approved permitted costs for 2000, per measure

"measure 1" - investments in farms

"measure 2" - improvement of the processing and the marketing of the agricultural and fishery products

"measure 3" - development and diversification of the economic activities, and creation of possibilities for alternative income sources

Table 8. Bulgaria: Implementation of the SAPARD programme

Measures	Completed projects (number)	Total	Public costs paid to the beneficiary	
			Total subsidy	EC
Measure 1	35	15,692,303.64	7,846,151.82	5,884,613.87
Measure 2	3	4,273,006.78	2,136,503.39	1,602,377.54
Measure 3	4	670,234.44	335,117.22	251,337.92
Total	42	20,635,544.86	10,317,772.43	7,738,329.32

Note: The paid projects are up to 20.08.2002; All values are in BGN

Table 9. Bulgaria: Criteria for SAPARD vineyards project assessment, Measure 1

Criteria		Points	
No.	Description	Yes	No
1	Young farmers (18-40 years old)	24	0
2	Full time employment	23	0
3	Less than 50 workers hired in the farm	23	0
4	Has a contract with processors supported under measure 1.2 or with processor fulfilling the EU standards	15	0
5	If the projects is for:		
	- rawsberries, strawberries, blackberries or borovinki in semi montaneous or montaneous regions	15	0
	- local grape varieties: Mavrud, Shiroka Melnishka Loza or Gamza	15	0
	- market oriented grape varieties: Cabernet sauvignon, Merlot, Chardonnay, Sauvignon Blanc, Traminer, Pinot Noar, Gamet Noar	15	0
	Total points (maximum)	100	

Source: MAF

Table 10. Bulgaria: Criteria for SAPARD projects' assessment, Measure 2

Criteria		Points	
No.	Description	Yes	No
1	Improvement of the environment	15	0
2	Reduction of the production costs per tone at the end of the project	15	0
3	Contract with producers, supported under Measure 1	15	0
4	Improvement of the quality (own labs)	20	0
5	Increase in the product diversification	15	0
6	Export (more than 20%) at the time of submitting the application	10	0
7	Less than 100 hired workers	10	0
Total points (maximum)		100	

Source: MAF

Table 11. Bulgaria: Budgets of the SAPARD's measures 1 and 2 (in million Euro)

	2000	2001	2002	2003	2004	2005	2006	Total
<i>Measure 1</i>								
Total	38.784	34.480	33.960	47.680	45.974	47.464	52.992	301.333
- SAPARD	14.544	12.930	12.735	17.880	17.240	17.799	19.872	113.000
- National contribution	4.848	4.310	4.245	5.960	5.747	5.933	6.624	37.666
- Private contribution (beneficiary)	19.392	17.240	16.980	23.840	22.987	23.732	26.496	150.666
<i>Measure 2</i>								
Total	91.306	47.958	37.028	14.882	13.442	15.578	9.506	229.700
- SAPARD	34.240	17.984	13.885	5.581	5.041	5.842	3.565	86.138
- National contribution	11.413	5.995	4.629	1.860	1.680	1.947	1.188	28.712
- Private contribution (beneficiary)	45.653	23.979	18.514	7.441	6.721	7.789	4.753	114.850

Source: MAF

Table 12. Bulgaria: SAPARD Budget distribution, Measures 1 and 2

Sector	Total	Share from the budget
<i>Measure 1</i>		
Milk and dairy production	70.150	23.28
Meat and meat production	3363.092	8.96
Orchards and vineyards	155.488	51.60
Vegetables, flowers, essential oils, herbs, cereals, vegetable oils, cotton and tobacco (high quality varieties)	48.695	16.16
Total	3637.425	100.00
<i>Measure 2</i>		
Dairy	41.685	18.16
Meat	40.945	17.84
Wine	31.420	13.68
Fruits and vegetables	30.650	13.34
Fishery	5.000	2.18
Wholesale markets	80.000	34.80
Total	222.700	100.00

Source: MAF