In 2000 there were 48 water and wastewater companies in Bulgaria, of which 13 were fully state-owned, 16 jointly owned (51% state and 49% municipalities), and the remainder fully municipally-owned. The sector was fragmented and suffered from insufficient resources, heavy political interference, and low quality of service. Water and wastewater companies were generally inefficient, characterized by over-employment, high levels of non-revenue water, and poor collection rates. Urgent reform of the sector was motivated by: i) the need for good quality water and wastewater services, which would require improved efficiency to generate sufficient resources for operations and maintenance of existing assets, and investment in new assets; ii) the necessity to improve water and wastewater quality to meet European Union accession guidelines.

The Government of Bulgaria initiated a reform program to improve the operational efficiency of the water companies with the aim of introducing private sector participation to the sector. As part of this reform process, the government bid out a 25-year concession for the Sofia water system, which was awarded to SofiyskaVoda in October 2000 (supported through a $29.2 million loan from the European Bank for Reconstruction and Development). However, the regulatory framework for the sector remained inadequate, and the Government of Bulgaria requested two PPIAF grants to help establish an independent regulator to ensure good quality service and affordable tariffs for citizens.

PPIAF SUPPORT

The first PPIAF-funded report reviewed current sector performance and the legal and regulatory framework for private sector participation in the water sector. In particular, the report focused on the establishment and role of a proposed water regulatory body, and provided recommendations on the design of a new regulator to: encourage the development of efficient, effective, and financially sustainable water service provision; issue water and wastewater licenses; develop performance standards for water and wastewater companies; and communicate a national water policy and strategy with regards to private participation in the sector.

The report recommended that the water regulatory body should be established at a national level, formed as a commission under the Council of Ministers to give maximum independence from government
and quality of services of enterprises in the gas, electric, district heating, and water supply and sewerage sectors.

In 2010, with non-revenue water in Bulgaria averaging 60% and an estimated €3.5–4.0 billion of investment required to replace and upgrade the water supply and sewerage network, the Ministry of Regional Development and Public Works announced plans to revolutionize the water sector in Bulgaria through 48 concessions modeled on the Sofia concession. The plans include the transfer of current utilities’ assets from municipalities to new water associations, which would manage the infrastructure.

DONOR COORDINATION

In addition to the PPIAF support, several other donors also provided assistance to the Bulgarian water sector. The European Union’s water quality requirements and environmental guidelines were used to help Bulgaria meet European Union accession requirements. The World Bank and European Investment Bank managed technical assistance to help introduce private sector participation in multiple water utilities across Bulgaria. The European Bank for Reconstruction and Development provided technical assistance and financing for the 25-year concession for the Sofia water system, awarded to SofiyskaVoda in October 2000. Finally, the International Finance Corporation is supporting the concession of the Pleven Regional Water Company.

IMPACTS

In 2006 the government engaged the International Finance Corporation PPP Transaction Advisory team to implement a concession for the Pleven Regional Water Company. The mandate is still ongoing, but preliminary findings suggest that the concession, once implemented, will mobilize $225 million of private investment, improving water service for 280,000 people.

RELATED PPIAF ACTIVITIES IN BULGARIA

- 2000: Water and Sewerage Regulatory Framework, $350,000
- 2002: Drafting of Legislation to Establish a Water Sector Regulator, $75,000