

Rating	Current rating	Previous rating	Rating Action
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**Local currency**

Long-term	AA
Short-term	a1

**Foreign currency**

Long-term	AA
Short-term	a1

Outlook POSITIVE

**Analysts**

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**Profile**

Pleven Municipality is located in the central part of the Danube valley.

On the west the municipality borders: Dolni Dabnik Municipality and Dolna Mitropoliya Municipality, on the north it borders Gulyanci and Belene municipalities, on the east it borders Levski and Pordim and on the south it borders Lovetch municipality, Ugarchin municipality and Lukovit municipality, which are part of the territory of Pleven municipality.

Pleven Municipality covers a territory amounting to 809,712 km<sup>2</sup>, which is 17.4 % of the territory of the region and 0,73 % of the national one.

The Municipality comprises of 25 settlements, two towns – Pleven and

Slavianovo and 23 villages: Beglez, Bohot, Brestovec, Brashlianica, Bukovlak, Varbica, Gortalovo, Grivica, Disevica, Koilovci, Kartojabene, Kashin, Laskar, Mechka, Nikolaevo, Opanetc, Pelishat, Radishevo, Ralevo, Todorovo, Tuchenitca, Tarnene and Yasen.

Pleven is the administrative centre of the Municipality.

It is located 170 km away from the capital – Sofia, 320 km from the Black Sea's coastline, 30 km from Danube River; 130 km from Danube Bridge and around 70 km from The Balkan mountain range.

Pleven Municipality has an outlet on the Danube River through Somovit Harbour, situated 30 km away from Pleven on the bank of the River.

The region of Pleven consists of Pleven as an administrative centre and of Pleven municipality.

The region of Pleven is part of the North – Central planning region. The population of the Municipality amounts to 152 215 people.

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### Resume

Indicator	2002	2003	2004	2005	2006
Operating revenues	30859566	29553962	35632367	33207291	37966797
Operating expenses	(33726319)	(30742983)	(36741753)	(34812382)	(43751449)
<b>Operating surplus (deficit)</b>	<b>(2 866 753)</b>	<b>(1 189 021)</b>	<b>(1 109 386)</b>	<b>(1 605 091)</b>	<b>(5784652)</b>
Debt service (excl. principal)	(199 533)	(260 319)	(360 615)	(229 546)	(195956)
<b>Net operating balance</b>	<b>(3066286)</b>	<b>(1449340)</b>	<b>(1470001)</b>	<b>(1 834 637)</b>	<b>(5980608)</b>
<b>Capital revenues, incl.:</b>	<b>2 237 909</b>	<b>2 339 566</b>	<b>2 738 211</b>	<b>4 765 472</b>	<b>6859366</b>
Own revenues (from sales of assets, etc.)	1 257 656	1 431 996	2 376 167	3 833 196	4 350 000
-Target subsidies from CB	980 253	907 570	362 044	932 276	2 509 366
<b>Capital expenses</b>	<b>(1255469)</b>	<b>(6188989)</b>	<b>(890 848)</b>	<b>(1 734 755)</b>	<b>(2 204 751)</b>
<b>Investment balance</b>	<b>982 440</b>	<b>(3849423)</b>	<b>1 847 363</b>	<b>3 030 717</b>	<b>4 654 615</b>
Other revenues (expenses) net	1 490 780	864 905	1 513 003	1 389 347	922 974
<b>Surplus (deficit)</b>	<b>(593 066)</b>	<b>(4433858)</b>	<b>1 890 365</b>	<b>2 585 427</b>	<b>(403 019)</b>
Financing	1 029 618	4 462 554	(1871651)	(1 227 001)	(714 000)
Balance from previous periods	-	-	79 696	98 410	1 370 019
<b>Ending balance</b>	<b>436 552</b>	<b>28 696</b>	<b>98 410</b>	<b>1 456 836</b>	<b>253 000</b>
<b>25% of own revenues and general equilization subsidy</b>	<b>3 006 918</b>	<b>2 916 678</b>	<b>4 068 631</b>	<b>3 921 620</b>	<b>4 566 854</b>
<b>60% of own revenues</b>	<b>6 005 442</b>	<b>6 797 074</b>	<b>8 176 821</b>	<b>8 885 807</b>	<b>10 132 568</b>

GENERAL INDICATORS					
Relations with CB / Total budget	0,656	0,553	0,651	0,625	0,604
Own revenues / Total budget	0,284	0,305	0,359	0,403	0,366
OPERATING INDICATORS					
Operating revenues / Total budget	0,877	0,795	0,938	0,903	0,823
Operating expenses / Total budget	0,959	0,827	0,967	0,947	0,948
Operating revenues / Operating expenses	0,915	0,961	0,970	0,954	0,868
INVESTMENT INDICATORS					
Capital expenses / Total budget	0,036	0,166	0,023	0,047	0,048

Capital revenues / Capital expenses	1,783	0,378	3,074	2,747	3,111
Sales of assets / Total budget	0,036	0,039	0,063	0,104	0,094
Target subsidy for capital expenses / Total budget	0,028	0,024	0,010	0,021	0,020
POPULATION INDICATORS					
Total budget / Population	231,13	244,34	249,60	241,61	303,20
Own revenues / Population	65,76	74,42	89,53	97,29	110,95
Relation with CB / Population	151,68	135,11	162,55	151,04	183,00
Capital expenses / Population	8,25	40,66	5,85	11,40	14,48
Capital revenues / Population	14,70	15,37	17,99	31,31	45,06
Target subsidy for capital expenses / Population	6,44	5,96	2,38	5,00	6,04
Operating expenses / Population	221,57	201,97	241,38	228,71	287,43
Operating revenues / Population	202,74	194,16	234,09	218,16	249,43
Population	152215	152215	152215	152215	152215

### Rating action and outlook

The current analysis concentrates on the financial performance and creditworthiness of Pleven Municipality based on data for the 2002 - 2006 period.

### Key rating factors and performance

### Key positive rating factors include:

- Low level of indebtedness for the 2003-2006 period. As of 31.10.2006 under a contract from 07.07.2003 the following loan payments were made: the principle amounting to BGN 595 000 and the interest amounting to BGN 176 249. The principle payments are expected to amount to BGN 714 000 and the interest payments are expected to amount to BGN 208 800 by the end of 2006. In 2006, the amount of the debt service payments is totaling 20 % of the allowed ceiling

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set by the Law on Municipal Debt for the respective year.

- Potential for attracting more foreign investments. Highway Humus is located 15 km away from the municipality, which will have a positive impact on the economic development of the municipality. It is expected that Pleven will become the largest education centre of the region, the attractive place for living, which will establish as a center for young and highly-educated people.
- Potential for generating significant additional own revenues. The municipality could generate supplementary revenues through increasing the tax collection rate, state and municipal property selling as well as by renting municipal property.
- The municipal property amounts to 56 000 decars, which have a positive impact on the increase of the own revenues.
- There are several protected areas, natural parks, historical sites and other places of interest, which influence the development of the eco-, recreation and cultural tourism, on the territory of Pleven municipality.
- Reasonable management. The management aims at lowering the expenses, increasing the revenues and finding alternative income sources.
- In 2004 the Municipality of Pleven was awarded a prize for transparency in its management
- Pleven is certified in 2005 as being a municipality ready for business development and recertified with the highest grade as a municipality ready for business enhancement

### Key negative rating factors include:

- In 2007, it is expected that the municipality will acquire a new debt amounting to BGN 15.000 mln as well as will repay an old debt under contract from 07.07.200. During the grace period of the loan, the municipality is free from the responsibility of paying off the accumulative principal, but only pays the

interest rate monthly. Currently, there is not any available information on the debt parameters, and measures cannot be taken as to how it could affect the municipal's long-term creditworthiness.

- Limited budget execution flexibility according to the international standards. An operational deficit is reported for the 2003 – 2006 period, which has reached an averaged value of 6.3 % from the total revenues.
- Insufficient flexibility concerning revenues. Pleven Municipality revenues depend on central budget subsidies and the remised tax for funding state delegated responsibilities, which influences the possibility for decision making as well as prediction makings.
- High expenditure levels. Pleven municipality has reported high operating expenses for the defined period of time. In 2006, their amount is BGN 43.751 mln, which results in operating deficit for the defined period. The Agency reports as a negative rating factor the steady growth of the municipality amounting to BGN 5.980 in 2006.

### Institutional framework

#### Administration

*Political program focuses on long-term development*

Members of the municipal council and the mayor are directly elected by the population. The current Municipal Council consists of 51 councillors, elected for a 4-year-term.

Political priorities are set up in a long term development plan (2007-2013). This plan focuses on the economic development, human resources progress, infrastructural improvements and environmental protection.

It is expected that some of the major priorities, amounting to BGN 1.134 billion set in the Pleven Municipality Development Plan, will be fulfilled in the 2007-2013 period.

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Financed as follows:

Republican budget – 20.5%  
Municipal budget – 4.2%  
State commercial companies – 0.27%  
Private companies – 0.006%  
EU Structural Funds – 71.2%  
EU Cohesion Fund – 3.8%  
Other gratuitous funding from the EU – 0.03%

The political distribution of the councilors in the Municipal Council is as follows:

Union for Democratic Forces – 22 councilors  
“Coalition left wing for Pleven” – 14 councilors  
NMSS – 3 councilors  
BZNS – NS – 3 councilors  
DPS – 2 councilors  
Coalition Macedonian movement– Democratic party 2 councilors  
Coalition,, Movement Gergiovdan BPL” – 2 councilors  
SSD – 1 councilors  
Coalition for the Rose–right wing for democratic forces - 1 councilor  
Initiative committee – 1 councilor

In November 2005, under a proposal of the Mayor, the Municipal Council approved a new structure of the municipal administration of Pleven municipality. The previous structure was approved in 2000, however, it did not cover some major areas such as: regulation changes and changes in the main priorities of the local government with the country’s EU accession. There is a redistribution of the functions between the units in the new municipal structure. The areas, which need better capacity building, should be determined with the aim of improving the work effectively between the different divisions.

The administration consists of 255 people, 253 of whom receive income from state revenues, and 2 from tax, non-tax and other municipal revenues. The increase in the number of people employed in comparison to the old structure amounts to 6 %.

The Municipality is managed by the Mayor, three deputy mayors (territorial development,

finance, education and culture, humanitarian works and local government and a secretary.

Pleven Municipality participates in the National Association of Municipalities in Republic of Bulgaria and the Association of Bulgarian Towns and Regions. In 2003, the municipality was included in the Technical Twinning Program funded through the Bulgarian Foundation for Local Government Reform and the International City Management.

### *Responsibilities*

Responsibilities are divided between the proper municipal responsibilities and the State delegated responsibilities.

Pleven has responsibilities in the following spheres:

Urban development (streets, parks, street lighting) and urban utilities (water, sewage, household waste treatment, electricity, heating and communication systems).

Kindergartens and nurseries.

Education (delegated)

Primary and high-school education

Healthcare (delegated): medical and social care, etc. The municipality is legally bound to provide funding for equipment, furniture, maintenance and current expenses of the public medical establishments.

Social welfare

Environment protection, culture, monuments and sport facilities’ maintenance.

The healthcare system of the municipality has well-developed institutions for hospital aid and diagnostic–consulting centres. The major healthcare institutions are located in Pleven: the largest Multifunctional Hospital for Active Treatment, six from all seven diagnostic–consulting centres, six medical centres from all ten for the region, all laboratories and healthcare medical centres. Two new laboratories, one medical centre and one diagnostic–consulting centre were opened in the 2002 – 2004 period.

The University Multifunctional Hospital for Active Treatment “D-r George Stranski” is the

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healthcare centre for hospital aid in the Central – North Bulgaria. The Hospital is supplied with diagnostics equipment and therapies. During the last several years it was provided with gama camera and nuclear magnetic resonance. The Hospital services patients from several regions. In 2004, a new obstetrician complex was found in addition to the main building. In the autumn of 2005 a new psychiatric clinic was also opened.

In 2004, outside of the municipal centre there are 33 outpatient services, which have diminished in number with one in Yasen village and Slavyanovo village. There are no outpatient services and stomatological centres in the Todorovo village, Gortalovo village, Tuchenica village, Kartojabene village, Kashin village, Laskar village and Ralevo village. The population of these villages amounting to 1 825 people is serviced by the outpatient services located in the neighbouring villages and in Pleven.

As of 31.12.2005 in Pleven there are 131 dispensaries for first medical aid, 3 outpatient services for medical aid, 125 dispensaries for specialised aid and 4 outpatient services for specialised aid. There are 153 First Aid Stomathological Centres and one outpatient service. There are 4 dispensaries for specialised aid.

### Social services

Pleven municipality assures home social services with the opening of the first **Home Social Patronage**, such as: food deliveries, maintenance of the personal and home hygiene. There are places for **Home Social Patronage** in Pleven, Slavyanovo and in four villages. As of 2004, the total number of the people employed in the social services is 47 people, from whom 33 work in Pleven. The Home Social Patronages in the villages Beglez, Bohot, Koilovci, Slavyanovo and Pelishat are united under the management of the **Home Social Patronage** in the end of 2000 by the end of 2003. **Home Social Patronage** – Pleven is a private centre. In 2005, there is one **Regional Home Social Patronage** – Pleven with its subsidiaries in Bohot village and Pelishat village; **Home Social Patronage** – Slavyanovo

village, **Home Social Patronage** – Beglez village and Koilovci village

On the territory of Pleven Municipality there are five clubs for the disabled and five for the pensioners established with the aim of supporting all the people living in non-equivalent conditions.

There is an Elderly Care Home located in Bohot village providing support for the elderly and meeting their needs. On the territory of Pleven Municipality there are over 10 000 people with a permanent inability to work. In 2003, a Centre for Rehabilitation and Social Integration was opened covering the needs of people for social services (e.g. rehabilitation manipulations) and improving their living conditions.

All of these centres are located in Municipal buildings. Pleven Municipality funds and maintains a Library, which covers the needs of 30 children with physical and learning disabilities.

### Education

Pleven municipality assures good education services to its population, which is one of its major priorities. On the territory of Pleven Municipality are opened five out-of-school units supporting the educational process. There is also a special school where children continue their studies.

### Education structures

On the territory of Pleven municipality there are 38 all - day - long functioning preschool kindergartens, from which 37 municipal and one (Pleven) private. In Pleven there are 25 kindergartens, one in Slavyanovo and 12 in the villages.

On the territory of Pleven municipality there are 56 secondary schools, from which 15 are state ones and 41 municipal. The primary schools are 9 and the elementary are 19. In Pleven there are 5 primary schools and 7 elementary ones. In Slavyanovo there is one primary school. In three of the villages (Varbica, Disevica and Brestovica) there are primary schools and in other 12 villages there are elementary schools.

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In Pleven Municipality there is one Junior High School, eight Schools of General Education, one Sport School and one Private Foreign Language High School. Two of the general education schools are foreign language learning schools, three are humanitarian and four are national science schools. There is one night high school. In the municipality, function 13 State Professional High Schools, one school for children with physical and learning disabilities and one socio-pedagogical school in Beglez village.

All high schools were specialized according to the needs of the local economy in the years before the structural changes. The major subjects such as: construction, mechanics, transport, construction and transport, techniques, wood processing and mechanical engineering, electronics and chemical technology are presented. In the professional high schools are presented subjects dealing with the servicing sector such as: tourism, food, wine and tobacco industries, commerce and servicing, vine- and wine-growing, clothing and textile. In 2004, the number of children in the professional High Schools was 6455.

In Pleven, there are a number of organisations and firms organising classes dealing with professional qualification and prequalification such as: “Regional Centre for Qualification and Prequalification”, “Regional Centre for Support of the Entrepreneurs” as well as the Bulgarian – German Education Centre”. The latter is part of the Bulgarian – German Education Centres in the country, offering long-term education and classes for improvement of the qualification.

In 1974, in Pleven was established one of the five Medical Universities in the country. The University consists of two departments. In 2004, the number of the Bulgarian students is 387 and of the foreign one – 232.

In Pleven, there is a Pedagogical College part of the St. Cyril and Methodius University. Students learn preschool and school pedagogic. The University organizes bachelor and master’s degrees classes conducted in the college.

On the territory of Pleven Municipality, there is one vine- and wine-growing Institute and an Institute for forage and stock-breeding.

### *Culture and Sport*

On the territory of Pleven there are one Sport School and one Children’s Sport Club. The problems of the Sport school could be resolved by the re-establishment of the relations with the federations as well as with the investment in the different sports. On the territory of Pleven there are 35 specialized Sport Clubs, 25 of which have an impact on the Bulgarian sport.

Such of the sports are well developed, including: the track - and - field athletics, the heavy athletics, gymnastics, basketball, volleyball, rowing, riding, tennis, handball, orientation and football. Some of the clubs are in bad financial condition.

On the territory of the municipality there are functioning reading rooms in 14 out of 25 settlements. In Pleven they are 9, in Slavyanovo – 1 and 12 more in the municipal’s villages. 3 of the reading rooms are in buildings constructed in the last five years.

The Regional Historical Museum – Pleven displays valuable exposures in its impressive building. It is a cultural monument of national importance with an area of 7000 m<sup>2</sup> and an open-area exposure of 37 decars. There are over 10 000 volumes of scientific books and periodical publications.

The structure of the Directorate of the War Museum consists of 4 museums, 2 mausoleums, 1 exposure, 3 park-museums, Panorama “Pleven Epopee 1877”, which consists of 166 monuments in Pleven and the region. The team of specialists in the museum carries out significant scientific and research activities, funding, collection and exposition works.

There is a Gallery “Collection- Endowment from Svetlin Roussev”. The collection is exhibited in an impressive building (established in 1905, by architect Nicola Lazarov), renovated in the 80s of the XXc. It is called the Turkish – Rome Bath due to some specific premises with Moresque architecture.

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Since 1984, the building has been a Fine Art Museum possessing donations of the works of the painter – Svetlin Roussev (born in Pleven). The museum has more than 400 of Roussev's works from his private collection, presenting the Renaissance, the Modern Bulgarian arts, the West Europe's Arts, India, Africa and Latin America. There are works made by world-famous artists such as De Lakroa, Francisco Goya, Millet, Pablo Picasso, Chagall, Salvador Dali as well as by artists from Russia and Romania.

Cultural institutions:

Library "Hristo Smirnenski" - Pleven  
Philharmonic orchestra  
Drama theatre "Ivan Radoev"  
Ensemble for folk songs and dances

### ***Transport and infrastructure***

On the territory of Pleven municipality there is a relatively well-developed transport system.

The total length of the road network is 316 km, of which 156 km are republican roads (I, II, III class) and 160 km municipal roads (IV class). The density of the road network is around the average for the country. The percentage of the I class roads is the lowest on the territory of the municipality. The roads I-3 - Botevgrad – Byala are running through Pleven municipality. The II class roads are two and are in good conditions - II-34 towards Nikopol and II-35 towards Lovetch (43.45 km).

The III class roads are 10, which length is 60.1 km. In bad conditions are the IV class roads, which length is 159.5 km. Their number is 20. They assure access to all of the villages in the Municipality.

The total length of the street network in Pleven is 171 km. The construction of the street network should be finished in the Kailaka District and in Druzba District. The road surfaces are in bad conditions due to the increase of the road traffic. The Municipal company "Ingstroj" provides the roads' repair works. The Bridges in Pleven should also be repaired.

The transportation servicing of the population is well developed. The automobile park has 5 660 trucks. There are 946 buses, 86 of which are municipal property. There are 79 transport junctions, from which 22 between towns and 57 connecting villages. The trolley network length is 17 km. 60 % of the technical conditions of the trolleys are good and 40 % satisfactory.

On the territory of Pleven municipality the railway transport is also developed. The railway line Sofia – Varna connecting with Rousse is passing through Pleven.

The drinking water-supply of the settlements in Pleven municipality is assured by underground and surface waters. 153 local water reservoirs have also been constructed. Many hydro geological researches have been done, however, no possibilities for exploitation of new water reservoirs have been found. The current water reservoirs lower their water capacity and the quality of the water is also getting worse.

The construction of "Cherni Osam" new water-power system is absolutely necessary. It will assure qualitative drinking water, not only for Pleven municipality, but also for Troyan and Lovetch municipalities.

On the territory of the municipality there are 21 municipal artificial lakes and 10 state ones. They are used for irrigation, industrial water-supply, sport fishing, etc. There is a high potential for the development of the recreation tourism as well as of the economic potential of the Municipality.

A centralized heating system is functioning in Pleven. In 2004, the Bulgarian company "Metrony" privatised the Heat and power supply - Pleven". The new owner started the gasification of the municipality. The new company produces 20 MV electro energy and 25 MV thermal energy. The centralised heating system in Pleven could be used along with and could be developed in parallel to the gasification system. Pleven is located in the Northern part of a gas main pipe. A road to the gas station has been constructed in the

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Commodore area. Gas pipes are connecting the other industrial consumers: Plama and "Heat and power supply - Pleven". The companies: Eco El, Vapcarov, Alukom, Pleven Cement, Rubin, Vit, Storko are gasified by these gas pipes. In 2004, a licensed company started the construction of a gas distribution network. It is also constructing inside gas installations for domestic and industrial consumers. The expected investments for gasification of the Mizia region with a centre – Pleven project amounts to EUR 76 million. One of the intentions of the Italian company is to work together with the "Heat and Power Supply Pleven" company. In 2005, the Black Sea's Technological Company gasified a number of municipal buildings: professional high school "Zahari Zograf", Panorama "Pleven Epos 1877", the Library, sport centre "Balkanstroj" etc. Currently, major projects for the gasification of schools and kindergartens have been completed. Over 200 domestic consumers have been gasified. In the next 5 years it is expected that 160 industrial buildings and over 250 communal consumers will be gasified. In ten years it is expected that the public sector will be fully gasified.

It could be concluded that the major part of the infrastructure is constructed.

### Economy

Pleven Municipality economy has a leading role on local as well as on a regional level. In the last 5 years 75 % of the regional GDP is produced in Pleven municipality. Pleven region has the greatest share of the gross domestic product in the North Central Region. The major part of the companies in the municipality has concentrated their activities in the regional centre (68 %). The companies' revenues amount to 81 % from total revenues for the region. Almost 70 % of the long-term assets in the region are possessed by the companies located in Pleven Municipality. They are far more effective in comparison to the companies in the other municipalities in the region.

The economy in the municipality is well developed and almost all industrial activities

are present. The most developed industrial sectors of the local economy are:

The processing industry;  
Commerce, repairs and technical servicing of automobiles and motorbikes, personal belongings and household goods;  
Production and distribution of electric and thermal energy;  
Transport, storage and communications;  
Construction.

The greatest is the share of the companies in the industrial sector - commerce, repairs and technical servicing of automobiles and motorbikes, personal belongings and household goods. The companies in the processing industry, which assure more free working positions, are second in number. The number of the companies from both industrial sectors amount to 65 % from all companies in the Municipality.

### Processing industry

Over 250 people are employed in the processing industry. 55 % from the companies of the processing industry employ over 100 people. The greatest share of the gross domestic product produced in Pleven municipality is acquired by the processing industry. This share diminishes in the last 5 years.

The greatest share of the long-term assets are concentrated in the processing industry, amounting to 2/3 in 1999, however, their share has diminished in 2003 to 1/3.

### Production of food, beverages and tobacco

There are companies employing over 100 people dealing with the production of foods, beverages and tobacco. The main companies are:

Lains Holding  
"Toniks - 96"  
Pleven Bread  
Poultry Slaughterhouse  
Gamza 1922  
Pleven Pivo  
Pleven Bulgartabac

"Lains Holding" is the largest former canning factory, which was declared bankrupt in 2001

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but was successfully privatized, has a new owner, who has made significant investments. “Toniks – 96” deals with the production and commerce of sausages. It is expected that the company will invest BGN 3 million in the construction of another factory in the municipality. In 2003, the number of the people employed in the factory was 380.

The owner of Pleven Pivo is the Belgium company “Interbrew”. Many people were dismissed in the last three years due to the restructuring of the major production and the outsourcing of some parts of the production outside the municipality.

In 2004, World Wines invested BGN 10 million in lands for vine growing. A new factory should be constructed for the production and bottling of high quality wines due to the company’s investment program.

“Pleven Bulgartabac” is one of the branches of Bulgartabac Holding. In 2004, the company was restructured, even though it kept licenses for tobacco processing. Investments amounting to EUR 5 million have been made for purchasing new equipment and reconstruction of the production facilities of the factory in Yasen village, ownership of Pleven BT.

### **Production of textile and textile products; production of clothes**

The textile industry is very well developed on the territory of the municipality. The main companies are:

- Mizia – 96
- Georgiev and Hristov
- Sanit
- Yana
- Moni
- Pleven
- Nevi Fashion

The employed are around 7000 people and 52 % of the people have been employed in the last five years.

In 2004, the Italian company “Nevi Fashion” invested BGN 5 million in the construction of a plant for the production of knitted fabrics. It is

expected that the company will invest another BGN 5 million for the 2005-2010 period. The company aims at employing around 400 people. The municipality will fund the construction of the infrastructure around the plant.

Production of machines and equipment

Main companies:

Vapcarov  
Ilinden

Vapzarov plant is one of the leading companies in the sector. 67% was privatised in 1996/1997 through mass privatisation. In 2002, the rest of its equity was sold. Now less than 1 % of it is still State owned property. There are over 300 people employed. In 2004, the long-term assets amounted to over BGN 4 million and the revenues amounted to BGN 565 000.

The company specialises in the production of equipment for hydroelectric power stations; press equipment; unique equipment, etc. It imports part of its production to Italy, France, Germany, Spain and Turkey.

There are 662 people employed in Vapzarov plant and Ilinden, which amounts to 4 % of the employed in the processing industry.

### **Other**

In Pleven there are other companies dealing with the processing industry, which employ more than 100 people and have an impact on the local economy. Those companies are:

- Lomonosov – production of textbooks;
- Metakom – production of steel and cast-iron;
- Rubin – production of bottles and jars;
- Pleven Cement
- Alukom – production of aluminium, aluminium alloys and aluminium radiators;

### **Commerce, repairs and technical servicing of automobiles and motorbikes, repairs and household goods**

In the commerce, repairs and technical servicing sector, there are many small

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enterprises and a number of large companies owned by multinational companies. Many new investments were made by large companies in the last couple of years. In 2003, Hypermarket Billa invested BGN 9 million in Pleven Municipality. Through a donation amounting to BGN 250 000 Billa improved the infrastructure around its hypermarket.

### Foreign investments in Pleven

Technopolis invested BGN 5 million in a commerce centre in which 60 people were employed. In 2005, Technoluks invested BGN 10 million in the construction of a new trade centre. Part of the area is taken by and used by Technomarket Europe. The construction of the second largest in Bulgaria Moto Phoe centre for commercial services has been started. Moto Phoe invested BGN 2.500 million. The Italian company Metekno invested BGN 21 million in a factory for the production of construction panels – type “sandwich”. The company will assure 50-60 new work places. The major part of the production will be imported. The German companies: Shnaider, Partner Group, Praktiker, Tengelman, Mr Bricolage, Plyus and Metro are candidate lead investors for the construction of hypermarkets selling consumer goods, fittings and construction materials. Several automobile companies are also looking for free land plots for the construction of commercial sites.

### Transport and construction

The transport and construction sectors are equally developed on the territory of the municipality. Over 4 % of the companies, which produce around 8 % of the GDP in the municipality deal with activities connected to those two sectors. The companies in the transport and construction sectors possess around 4 % of the long-term tangible assets.

In 2003, Betoneks was the most prosperous company in the construction sector. Amongst one of the most successful companies in the sector are: Monolit, Betoneks, Stroiproduct, Glavbolgarstroj, Pleven Engineering and Consortium – Pleven etc.

More people are employed in the public sector. In 1999, the employed were 84 %. In the next couple of years there were no major restructuring processes and in 2003, the employed amounted to 77 % of those employed in the transport sector. The major companies in the sector are:

- Bus transport
- Mobil 91
- Aton 2
- Trolley transport

In 2005, Bus transport invested over BGN one million in renovation of the auto park. The company services domestic and foreign bus lines.

### Agriculture

Soil and climate conditions make the area of the municipality appropriate to produce certain crops. The municipality has traditions in the development of the vine-growing and wine industry.

The main activities of the producers are supported by the Wine Institute as well as by the Institute for forage and stock – breeding.

### Tourism development

The number of the tourists for the 2004 – 2006.

A) Tourists spent the night in hotel in Pleven.

Year	Total number	Bulgarians	Foreigners
2004	32 874	27 295	5 579
2005	35 288	29 705	5 583
2006 October	26 716	22 858	3 858

B) Tourists went sightseeing, without spending the night in Pleven:

According to data from the Regional Historical Museum the number of the tourists for the 1996 – 2005 amounted to 271 837 people.

According to data from the War Museum the number of the tourists for the 1996 – 2005 period amounted to **1 328 878** people.

### Tourism development - Forecast:

## Public Entities

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There is a gradual growth in the number of tourists visiting Pleven due to its sustainable development as a business and administrative centre and the number of the attracted new investments. It is expected that in the near future new hotels will be constructed.

### Development of basic tourism types – Forecast:

The basic types of tourism are: the cultural-historical tourism (60 %), business and conference tourism (10 %) and SPA and leisure tourism (10 %).

Data for the material and technical foundation in Pleven municipality:

6 Hotels:

- Hotel “Balkan”, 3 stars, 334 beds;
- Hotel “Rostov”, 3 stars, 150 beds;
- Hotel “Storgoziya” 1 star, 68 beds;
- Hotel “Orbita Palace” 1 star, 44 beds;
- Hotel “Voenen club” 1 star, 17 beds;
- Hotel “Kailaka” 3 stars, 219 beds;

There are five small hotels and villas.  
Family hotel “Gallery” 2 stars, 20 beds;  
Villa “Viktoria” 2 stars, 10 beds, Opanec village;  
Villa “Panorama” 2 stars, 16 beds, 7 rooms, Gravinica village;

### **Other economic activities**

One of the main priorities of the municipality is the development of the tourism. In Pleven Municipality there are numerous places of interest, which could attract Bulgarian as well as foreign tourists.

Financial services

Operations with real estate, rents and business services;

The share of these enterprises is relatively high (7.9 %), however, the share of the GDP is low (2.6 %).

### Minery

The share of the gross production in the sector is only 0.4 % from the total production in the municipality. In the sector is working one of the most significant companies: “Research, Oil

and Gas Exploration”. The number of the people employed in it is 1169 people. In 2003, the company was privatised. It possesses a large number of concessions in the country for research and oil and gas exploration.

*Structure of the enterprises according to the number of people employed and the economic activities*

The share of the small enterprises is over 92 % from all companies in the municipality. The share of the average and large enterprises is under 2 %

The most significant is the share of the SMEs in the processing industry, which is one of the leading sectors in the Municipality.

### **Major investments made by Pleven Municipality in 2005:**

- In 2005, the construction of the universal library was finished. The construction of the library amounted to approximately BGN 670 000.
- 150 m from the main collector for waste waters have been constructed amounting to BGN 700 000. The construction of the water sewerage in the Kailaka park was finished amounting to BGN 130 000. Water sewerage and water pressure projects have been made in Grivica and Koilovci village respectively. 1400 m from the sewerage in Yasen village has been designed.
- In 2003, the production of Hristo Botev block, in which was invested BGN 600 000 continues.
- New lift was constructed in the municipal building with the aim at facilitating the access of the disabled.
- Many repairs have been done in: the Art Gallery Iliya Beshkov, Katya Popova Hall; sport clubs – Balkanstroil hall, Belite Orli stadium, and the hostel part of the Spartac Hall as well as in many health centres.
- In spring the new fruit and vegetable market – Tabor was opened. In the project BGN 1.100 million was

## PUBLIC ENTITIES

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invested. The surrounding infrastructure was improved and free parking places were constructed.

- In 2005, BGN 850 000 were invested in repair works in schools, kindergardens and nurseries.
- In improvements of the conditions of the street network were invested BGN 1.200 million. Major repair works on the following streets: Doiran Str, Slaveikov Str, Byalo more Str, Aprilov Str, Klisura Str. There are repair works for the construction of pavements on the following streets: Ctar Boris III Str, Konstantinov Str, San Stefano Str, Storgoziya District and Drujba District.
- The major repair works of Storgozia Street were finished with the aid of Public Investment Projects and the Ministry of Regional development and Public Works amounting to BGN 800 000. Over BGN 600 000 were invested in current repair works of a large number of the street network.
- BGN 240 000 were invested in the construction of the IV class road network.

### Demographic structure

The population of Pleven Municipality amounts to 152 215 people, distributed as follows:

- 125 715 people in the municipal centre;
- 26 624 people in the other 24 settlements;

The average population density in 23 of the settlements and in Slavyanovo amounts to 36.5 people per km<sup>2</sup>, which is even higher than the national population density, which in the urban areas is 35.8 people per km<sup>2</sup>. The age structure of the rural population is more unfavourable than the urban one due to the lower share of people in active age. The sex structure is relatively balanced with a subtle superiority of the women over the men - 50.6% /13 396 women/ in comparison to 13 104 men /49.4%/. For the municipality this ratio is far more obvious - 52% in comparison to 48%.

### Population

The population in the 24 settlements in the municipality is diminishing with approximately 3 % for the 2001-2005 period. However, the empirical data (Own research made by Pleven municipality "Profile of small villages" 2006) indicated that there was an increase in the number of the population amounted to 7.5 %.

In 2005, the population growth in the 24 settlements was (-12.5 ‰) – own research 2006 in comparison to (-12.7 ‰) for the villages in the country.

Activity rate for the town and the region:

In the first quarter of 2006, in the region of Pleven the number of people employed was 70 570 people, from whom 36 391 women. The average work salary amounted to BGN 290. The average work payment of men (BGN 305) is more than that of women with around 11 %. In the public sector there are 23 856 people employed. The average work salary is BGN 334. In the private companies the number of people employed is 46 715 people. The average amount of their payment is BGN 262. The payment is lower in the following sectors: agriculture, hunting, fishery and forestry – BGN 238; operations with real estate property, rents and business services – BGN 214; hotels and restaurants – BGN 204. There are 323 working places of which 24 % for analytical specialists, 22 % for qualified workers.

In the second quarter of 2006, in the region of Pleven the number of people employed was 71 313, from whom 36 323 women. The average work salary amounted to BGN 302. The average work payment of men (BGN 317) is more than that of women with around 11 %. In the public sector there are 24 486 people employed. The average work salary is BGN 365. In the private companies the number of people employed is 46 827 people. The average amount of their payment is BGN 269. The payment is lower in the following sectors: agriculture, hunting, fishing and forestry – BGN 270; operations with real estate property, rents and business services – BGN 226; hotels and restaurants – BGN 210. There are 327

## Public Entities

working places of which 25 % for analytical specialists, 19 % for qualified workers.

### Financial performance

*The Municipality is mainly financed through transfers from the State Budget*

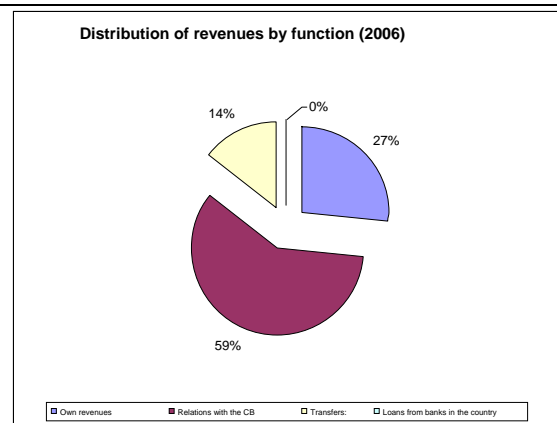
The municipality as well as its Bulgarian peers gets revenue from State grants, taxes as well as charges and fees.

Main funding source are the transfers from the State to cover the costs of the responsibilities it has delegated to municipalities. The main transfer consists of a share of the income tax paid locally.

Another transfer from the State is the general equalizing subsidy which is based on the income level of the population and its GDP per capita. The amount of this grant also depends on the funding means available at the State level. The third main transfer is the general supplementary subsidy which is aimed at covering additional costs incurred by the municipality for State delegated responsibilities.

In terms of taxes, the municipality has no flexibility to amend their rate and base. Apart from the income tax, main taxes received are the tax on real estate and the tax on acquisition of property. Charges and fees are directly levied by the city for the public services it provides. Their level is directly decided by the Municipal Council.

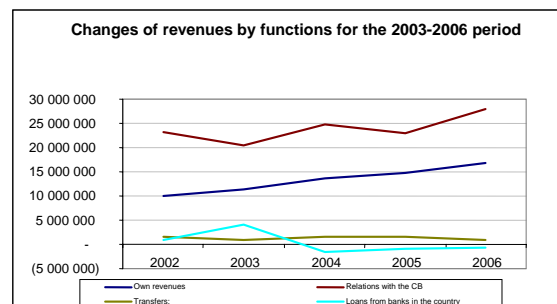
During the analysed period the share of the revenues from the Central Budget in the total revenues in the municipal budget decreases from 65.67 % in 2002 to 60.4 % in 2006.



### Budget is split between State delegated and municipal responsibilities

Budget expenditure and revenue items are strictly separated between those related to State delegated responsibilities and the proper municipal ones since 2003. There is a clear segregation between the two. A clear separation between operating and capital items is only made for the expenditure part of the budget. Global Ratings has therefore reclassified revenue as operating and capital.

The ratio between own revenues and subsidies from the Republican budget has changed in favour of revenues from own sources. In the period 2003-2006 this division has the following values:



### Own revenues structure

The main revenue source comprising the municipal budget is the **proceeds of taxes**. For the period examined they are between 35.4 % and 24 % from all own revenues and between 5.5% and 10.3% respectively from all budgetary revenues, though the State transferred remised taxes are not included.

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Indicator	2002	2003	2004	2005	2006
Tax revenues / Own revenues	35.4	34.3%	29.6%	25.1%	24%
Tax revenues / Total revenues	10%	10.4%	10.4%	10.1%	8.7%

Tax revenue structure is changing significantly in time both concerning the amount and the execution of the budgetary plan. Tax revenue share is clearly diminishing in importance while the proceeds from fees and other revenues are growing significantly.

**The revenues from fees and charges** are between 32.6 % and 37.5 % from the own revenues and between 6.1 % and 8.1 % from all budgetary revenues. The proceeds from fees mark an increase amounting to over BGN 2 million, however, it has kept stable values in comparison to the municipal's total own revenues as well as to the total budgetary revenues.

Indicator	2002	2003	2004	2005	2006
Revenues from fees and charges/own revenues	42%	43.7%	39.7%	39%	38%
Revenues from fees and charges / total revenues	11.9%	13.3%	14.2%	15.7%	13.9%

The third group of all own revenues include the so called **other revenues**. They are gathered mainly by municipal property rents. The earnings from this revenue item are between 17.1 % and 35.5 % from own revenues.

Indicator	2002	2003	2004	2005	2006
Property revenues / Own revenues	17.1%	17.7%	26.1%	32.5%	35.5%
Property revenues / Total revenues	4.9%	5.4%	9.3%	13.1%	13.0%

The highest are the revenues from state and municipal property sales. In 2006, the increase is expected to be four times in comparison to

2002. At the same time, in 2005, according to the balance sheet of the municipality the amount of the long-term tangible assets rose two times, amounting to BGN 12.4 million to BGN 20.6 million. Global ratings PLC assess positively this factor, due to the fact that the municipality has significant reserves and resources, from which significant own revenues could be generated in the next several years.

There is a significant increase in the municipal financial assets, namely its share capital and stocks.

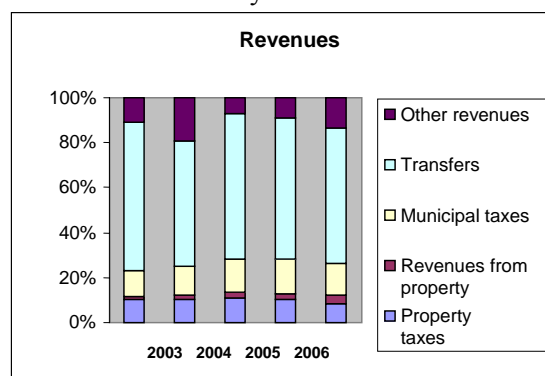
According to the budgetary plan for 2006 it is expected that transfers from the State budget would amount to as follows:

State delegated responsibilities: BGN 25.708 million.

Municipal responsibilities: BGN 2.146 million.

**Revenue side of the budget is highly dependent on State transfers and remised taxes**

The city's revenues are heavily dependent on tax proceeds collected and redistributed by the State. Pleven neither has the ability to modify the rate, nor benefits from the positive evolution of the tax base. Total transfers and remised tax amounts have fluctuated over the last years and make the municipal revenue highly dependent on the Central Budget and on the decisions made by the Parliament.



**Possibilities for increase in "Other" revenues**

The city is responsible for determining the level of municipal fees and directly collects their proceeds. The main one is the fee for

## Public Entities

household waste collection. During the defined period the amount of revenues increases because of the increased fee for household waste collection. Possibilities for increase of the other municipal fees are low having in mind the average welfare of the population. The Municipality gathers revenues from municipal property rents as well as through providing different social services. Additional income comes from fines and administrative penalties.

### Budget capital revenue is mainly formed by the proceeds from the sale of assets

Asset sale proceeds have been reclassified as capital revenues and form the major part of this revenue. Another source of capital revenues is the State budget target subsidy. Its amount is very volatile and depends on the projects to be funded yearly. In 2005, the capital expenses are not significantly increasing in comparison to the other Bulgarian municipalities. In 2003, the municipality reported the greatest value of its capital expenditures, amounting to BGN 6.188 million.

Pleven municipality reports a positive investment balance for the examined period of time, which is assessed positively by the Agency. However, in 2003, an investment deficit amounting to BGN 3.849 million was reported due to the increase in the capital expenses.

Indicator	2002	2003	2004	2005	2006
<b>Capital expenditures, incl.</b>	<b>2237909</b>	<b>2339566</b>	<b>2738211</b>	<b>4765472</b>	<b>6859366</b>
<i>Own revenues from asset sale, etc.)</i>	<i>1257656</i>	<i>1431996</i>	<i>2376167</i>	<i>3833196</i>	<i>4350000</i>
<i>Target subsidies from the CB</i>	<i>980 253</i>	<i>907570</i>	<i>362044</i>	<i>932276</i>	<i>2509366</i>
<b>Capital expenditures</b>	<b>(1255469)</b>	<b>(6188989)</b>	<b>(890848)</b>	<b>(1734755)</b>	<b>(2204751)</b>
<b>Investment balance</b>	<b>982 440</b>	<b>(3849423)</b>	<b>1847363</b>	<b>3 030 717</b>	<b>4 654 615</b>

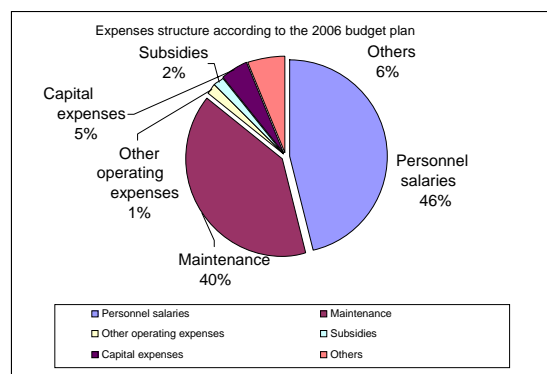
### Expenses are divided between state delegated and municipal responsibilities

Expenditure items are clearly divided in the budget between those incurred for the proper municipal responsibilities and the State delegated ones. The latter represents 59 % of the aggregated budget in 2006. They entailed the vast majority of staff costs (87.1 %) and of the subsidies (83.7 %) but only 23.4 % of the

maintenance expenses and 35.3 % of the capital expenses. The municipality has no discretion of these expenditure items which are determined at the State level based on common standards defined nationally. The municipality could decide to cover additional expenses through proceeds for state delegated responsibilities, but should respectively refund the amount used at the end of the year.

### Staff costs are dominant

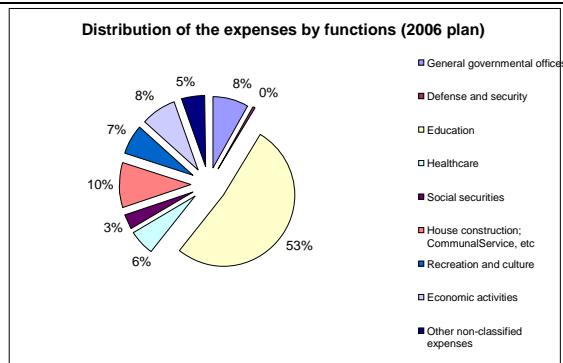
The expenses offer almost no flexibility as operating items account for 82.2 % of the total. Staff expenditure made the bulk of it with 46 % in 2006. The administration consists of 3695.5 people, 3183.5 of whom receive income from state revenues, and 512 from municipal ones.



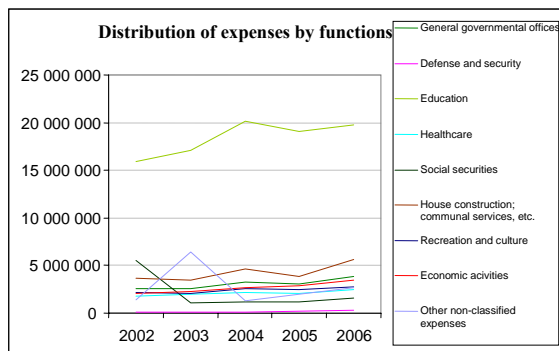
### Expenses are mainly incurred for education

Expenses are mainly incurred in the field of education. According to 2006 plan they equal 53 % from total expenses by functions. The other expenses are allocated as follows: general government offices – 8 %, defence and security – 0.7 %, healthcare – 6 %, house construction, communal services and environmental protection (including waste collection) – 10 %, recreation and culture – 7 %, economic activities – 8 % and other non-classified expenditures – 5 %.

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The fluctuations in the expenditures' amounts during the defined period are shown in the table:



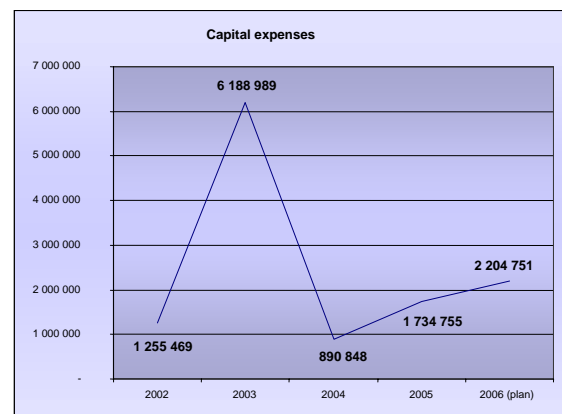
The data represented in the table show that the expenses for education are highly fluctuating during 2003 – 2006 period.

Expenses by functions	December 02	December 03	December 04	December 05	January 06
State organizations	2 567 656	2 563 411	3 264 660	3 097 095	3 882 101
Defense and security	139 563	143 280	142 491	171 023	323 152
Education	15914 968	17 089 047	20 158 241	19 037 471	19 756 957
Healthcare	1 730 696	1 962 492	2 195 000	2 081 244	2 452 648
Social security	5 493 196	1 115 547	1 147 311	1 224 115	1 591 025
House construction, communal services and environmental defence	3 687 081	3 448 824	4 605 010	3 807 587	5 650 857
Recreation and culture activities	2 188 577	2 113 375	2 558 040	2 485 540	2 722 266
Economic activities	2 092 978	2 307 007	2 671 394	2 908 306	3 432 942
Other non-classified expenses	1 366 606	6 449 308	1 251 069	1 964 301	2 681 650
<b>Total</b>	<b>35181 321</b>	<b>37 192 291</b>	<b>37 993 216</b>	<b>36 776 682</b>	<b>42 493 598</b>

### Capital expenditure

In line with its responsibilities, the municipality mainly incurs capital expenditure in the fields of municipal infrastructure, environmental protection, economic development and human resources and education.

The capital expenditures have been marking high increase during the examined 2003 – 2005 period. In 2006 is expected that the capital expenses will increase amounting to BGN 470 000 in comparison to 2005. In 2003, were reported the highest capital expenses.



The funds, which are used for repayment of the capital expenses, comprise of target subsidy from the central budget, own revenues and of transfers being capital expenditures.

### Aggregated Budgetary performance has been low but maintains good levels

Bulgarian municipalities tend to report low operating margins on average by international standards. This is mainly related to their revenue structure which largely consists of transfers and tax remised from the State aimed at matching delegated responsibilities without creating surpluses.

Pleven's budgetary performance have been more volatile than its peers' consolidated ones but have remained at a good level on average. A positive end balance is reported in the examined period, which is defined as a positive rating factor. In 2005, the highest amount of the

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positive end balance was reported amounting to BGN 1.456 million.

Indicator	2002	2003	2004	2005	2006
<b>Operating surplus(deficit)</b>	<b>(2 866 753)</b>	<b>(1 189 021)</b>	<b>(1 109 386)</b>	<b>(1 605 091)</b>	<b>(5784 652)</b>
Debt service (excl. principal)	(199 533)	(260 319)	(360 615)	(229 546)	(195 956)
<b>Net operating balance</b>	<b>(3 066 286)</b>	<b>(1 449 340)</b>	<b>(1 470 001)</b>	<b>(1 834 637)</b>	<b>(5980 608)</b>
<b>Capital revenues incl.</b>	<b>2 237 909</b>	<b>2 339 566</b>	<b>2 738 211</b>	<b>4 765 472</b>	<b>6 859 366</b>
- Own revenues/assets' sales)	1 257 656	1 431 996	2 376 167	3 833 196	4 350 000
- Targeted subsidy from the central budget	980 253	907 570	362 044	932 276	2 509 366
<b>Capital expenditure</b>	<b>(1 255 469)</b>	<b>(6 188 989)</b>	<b>(890 848)</b>	<b>(1 734 755)</b>	<b>(2204 751)</b>
<b>Investment balance</b>	<b>982 440</b>	<b>(3 849 423)</b>	<b>1 847 363</b>	<b>3 030 717</b>	<b>4 654 615</b>
Other revenues (expenses) net	1 490 780	864 905	1 513 003	1 389 347	922 974
<b>Deficit (surplus)</b>	<b>(593 066)</b>	<b>(4 433 858)</b>	<b>1 890 365</b>	<b>2 585 427</b>	<b>(403 019)</b>
Financing	1 029 618	4 462 554	(1 871 651)	(1 227 001)	(714 000)
Balance from previous periods	-	-	79 696	98 410	1 370 019
<b>Ending balance</b>	<b>436 552</b>	<b>28 696</b>	<b>98 410</b>	<b>1 456 836</b>	<b>253 000</b>

*The Municipality has concluded four concession agreements*

- “Part of a public garden”. Concessioner – “Busheta – 60 – Krasimir Dimov-Ivanov” – Pleven. Date and term of the concession agreement – 16.03.2001 for 10 years. Contracted concession installments amounting to USD 1 971 per year; 2 installments amounting to USD 985.5 paid on 31.01 and 31.07 of the respective year.
- “Part of a station garden”. Concessioner – “Biana Petrova - Bianka” – Pleven. Date and term of the concession agreement – 16.03.2001 for ten years. Contracted concession installments amounting to USD 2 557 per year; 2 installments amounting to USD 1 278.5 paid on 31.05 and 30.11 of the respective year.
- Park Museum “Nejovetc” – Griviva village. Concessioner – “Milvina” – Pleven. Date and term of the concession agreement – 25.10.2004 for 15 years. Contracted concession installments amounting to BGN 1 918

per year; 2 installments amounting to BGN 959 paid on 31.01 and 30.09 of the respective year.

- Hot dishes – Highshcool Ivan Vazov. Concessioner – “Zdravko Boyadjiev” – Pleven. Date and term of the concession agreement – 23.07.2001 for 10 years. Contracted concession installments amounting to USD 3 196 per year; 2 installments amounting to USD 1 598 paid on 30.06 and 30.12 of the respective year.

The Municipality does not generate significant revenues from these concession agreements due to their smaller impact on the economy. The contracted concession installments do not have an impact on the financial performance of the municipality. In the future it is expected that Pleven municipality will give the area of the airport located on its territory under concession, which depends on the development of the local economy and the potential interests of investors.

*The municipality holds shares in several companies*

The Bulgarian law authorizes municipalities to carry out commercial activities, establish commercial companies and participate in joint-venture companies with national or foreign investors. City's liabilities must, however, be limited to its shareholding. In 2005 companies which are 100% municipality owned are 14.

”Tibor”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
722	844	699	738	23	106	18	88

”Trolley transport”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
3301	3620	3186	3495	115	125	90	106

”Ingstroi”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
3816	5802	3709	5716	107	86	82	65

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### ”Parkstroj”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
515	547	513	537	2	10	1	8

### ”Housing”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
704	672	684	640	20	32	20	27

### ”Bus transport”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
2321	2537	2394	2757	-73	-220	-73	-220

### ”Ritual institution”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
160	141	156	149	4	-8	3	-8

### ”Galena”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
530	841	545	797	-15	44	-15	37

### ”Dezina”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
117	126	116	125	1	1	1	1

### ”Diagnostic-consulting centre - I-Pleven”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
478	471	477	470	1	1	1	1

### ”Diagnostic-consulting centre - II-Pleven”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
1846	1985	1837	1979	9	6	6	4

### ”Diagnostic-consulting centre - III-Pleven”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
891	954	890	950	1	4	1	3

### ”Stomatological centre - I”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
141	150	139	149	2	1	1	1

### ”MZRCM-I”

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
86	112	86	112	0	0	0	0

### Total:

Revenues		Expenses		Profit/Loss		Net financing profit	
2004	2005	2004	2005	2004	2005	2004	2005
<b>15628</b>	<b>18 802</b>	<b>15431</b>	<b>18 614</b>	<b>197</b>	<b>188</b>	<b>136</b>	<b>113</b>

Those companies generate revenues (or insignificant loss) and do not have significant financial liabilities.

Long- and short-term debt

### Low indebtedness

The municipality has not granted any guarantees and has no contingent liabilities.

Currently the Municipality has liabilities concerning an investment loan it has contracted under a Contract from 07.07.2003 amounting to BGN 5.000 million; serviced by HVB Bank “Biohim” – Pleven. The loan was granted under favorable terms and conditions: interest rate: base interest plus 3.25 BPS, grace period – 12 months. The principle of the loan is payable in 83 installments (BGN 59 500 each). The first principle payment is due on 25.06.2004. The last equalizing installment is due on 25.06.2011 and amounts to BGN 61 500. The collateral is pledge of future receivables in the budget.

In 2005, BGN 974 000 of the principle were repayed, from which BGN 714 000 granted under a Contract for a financial loan issued on 7.07.2003 and BGN 260 000 for covering the budget deficit. In 2005, the repayed interests amounted to BGN 229 546. The current Law

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on debt-service payment allows 30 % of the debt to be repaid.

As of 31.10.2006 the principal amounting to BGN 595 000 and the interest amounting to BGN 176249 were repaid under a Contract issued on 7.07.2003. By the end of 2006, the principal payments will amount to BGN 714000. It is expected that the interests will amount to BGN 208 800. The current Law on debt-service payment allows 20 % of the debt to be repaid for the respective year.

The Agency assesses the indebtedness of the Municipality as being low and it is not expected to have a negative impact on the creditworthiness of the municipality.

Bulgarian municipalities' debt service costs cannot exceed by law 25 % of the aggregated amount of the municipal own revenues and the general equalization subsidy for the respective year. The municipal debt is not guaranteed by the State and cannot be defined as State debt, unless a special guarantee has been granted.

In 2007, it is expected that the municipality will acquire a new debt amounting to BGN 15.000 million as well as will repay an old debt under contract from 07.07.2003. During the grace period of the loan, the municipality is free from the responsibility of paying off the accumulative principal, but only pays the interest rate monthly. Global Ratings PLC cannot issue a firm statement on the probable impact of the new indebtedness of the city on its creditworthiness until the agency reviews the terms and conditions of the new loan.

As of the end of October 2006 the long-term liabilities of Pleven municipality amount to BGN 3.274 mln – investment loan.

In the end of 2005, the accumulated short-term liabilities amounted to BGN 1.448 mln. The payables of Pleven municipality include liabilities to 30 budget redistributors as follows: Beglez, Bohot, Brestovec, Brashlyanica, Bukovlak, Varbica, Grivica, Disevica, Koilovci, Mechka, Nikolaevo, Opanec, Pelishat, Slavyanovo, Tarnene, Yasen, all-day kindergartens, "Ivan Vazov", high school, "Stoyan Zaimov" high school, Mathematical

Highschool "Geo Milev", Foreign languages school, "Kliment Ohridski" primary school, "Georgi Benkovski" High school, Municipal juvenile complex, skills training centre, Cultural Institutions, Nurseries, Pleven Municipality and Akvarel. Liabilities to suppliers amounting to BGN 1.098 million. Liabilities for taxes, duties and charges amounting to BGN 45 653. Liabilities to the central budget amounting to BGN 2 772. Liabilities to personnel amounting to BGN 7 074. Liabilities to loans between budget companies amounting to BGN 253 000. Other short-term liabilities amounting to BGN 41 553. These short-term liabilities amount to only 3.1 % from total budget for 2005 and do not have a significant impact on the financial performance of the municipality.

Currently, the municipality's management team does not intend to take on a debt in the form of commercial loans and financial lease.

### *Undistributed reserve for expenses*

According to the 30.10.2006 Budget Plan, it is expected that in 2006 the amount of the undistributed reserve to be BGN 1.802 mln. As of this date the reserved is not realized.

# PUBLIC ENTITIES



Revenues						
Total Revenues	Paragraph	2002	2003	BGN 2004	2005	2006 (plan)
<b>I. Own revenues</b>						
<b>1. Property Taxes</b>		<b>3 547 189</b>	<b>3 888 696</b>	<b>4 038 748</b>	<b>3 726 032</b>	<b>3 961 000</b>
- Tax on real estate	1301		908 673	988 608	1 051 061	-
- Tax on heritage	1302		1 267	526	287	
- Tax on motor vehicles	1303		944 034	964 370	956 116	
- Tax on acquisition of property through donation or other gratuitous way	1304		1 148 048	1 398 638	1 593 183	
- Road tax	1305		886 674	686 606	125 385	
<b>Total property taxes</b>		<b>3 547 189</b>	<b>3 888 696</b>	<b>4 038 748</b>	<b>3 726 032</b>	<b>4 061 000</b>
<b>2. Non-tax revenues</b>						
<b>Revenues from properties</b>	<b>2400</b>	<b>455 750</b>	<b>570 551</b>	<b>1 174 485</b>	<b>975 292</b>	<b>1 637 932</b>
- Instalments from municipal companies	2401			400 000	64 176	
- Net revenues from sale of services, goods and production	2404		161 468	214 209	250 101	
- Revenues from rents on property	2405		281 660	422 755	562 849	
- Revenues from rent on land	2406		32 199	85 090	43 897	
- Revenues from dividends	2407		94 865	51 800	49 483	
- Revenues from interest on current deposits	2408		359	631	4 786	
- Revenues from interest on term deposits	2409					
<b>Municipal Fees</b>	<b>2700</b>	<b>4 210 782</b>	<b>4 955 087</b>	<b>5 423 360</b>	<b>5 783 374</b>	<b>6 426 000</b>
- for kindergartens	2701		382 202	518 648	565 236	
- for nurseries and other healthcare activities	2702		68 719	88 586	98 483	
- for camps and other recreation activities	2703		2 737	8 112	-	
- social patronage and other municipal services	2704		144 451	150 510	170 708	
- for markets, fairs, sidewalks, etc.	2705		407 127	347 512	346 511	
- for half-day kindergartens	2706					
- for household waste	2707		2 799 839	3 090 790	3 291 440	3 700 000
- for boarding houses and others on education	2708		-	42 539	57 443	
- for extraction of quarry materials	2709		2 421	963	218	
- for technical services	2710		176 847	320 470	353 158	
- for administrative services	2711		26 542	124 849	133 445	
- for graveyard lots	2715		20 904	28 440	71 830	
- tourist fees	2716		2 451	39 901	48 947	
- other municipal fees	2729		920 847	662 040	645 955	
<b>Fines, sanctions and penalty interest</b>	<b>2800</b>	<b>374 592</b>	<b>209 769</b>	<b>421 191</b>	<b>307 748</b>	<b>310 000</b>
- fines, sanctions, interest penalties, indemnities, etc.	2802		209 769	421 191	307 748	310 000
<b>Other non-tax revenues</b>	<b>3600</b>	<b>139 063</b>	<b>167 849</b>	<b>5 230</b>	<b>5 140</b>	<b>113 087</b>
- other non-tax revenues	3619		167 849	5 230	5 140	-
Collected and paid-in VAT and other taxes on sales	<b>3700</b>			<b>70 175</b>	<b>(192 581)</b>	<b>(200 000)</b>
<b>Revenues from sale of municipal and state properties</b>	<b>4000</b>	<b>1 257 656</b>	<b>1 431 996</b>	<b>2 376 167</b>	<b>3 833 196</b>	<b>4 350 000</b>
- from sale of fixed assets	4002		395 385	428 483	455 892	-
- from sale of intangible assets	4003			43 237	439 603	
- from sale of land	4004		1 036 611	1 904 447	2 937 701	-
<b>Revenues from concessions</b>	<b>4100</b>	<b>24 038</b>	<b>22 257</b>	<b>14 207</b>	<b>18 475</b>	<b>25 000</b>
<b>Aids, donations and other gratuitous funds from the country</b>	<b>4500</b>		<b>82 252</b>	<b>104 472</b>	<b>269 548</b>	<b>163 595</b>
<b>Aids, donations and other gratuitous funds from abroad</b>	<b>4600</b>				<b>83 454</b>	<b>1 000</b>
<b>Total non-tax revenues</b>		<b>6 461 881</b>	<b>7 439 761</b>	<b>9 589 287</b>	<b>11 083 646</b>	<b>12 826 614</b>

## Public Entities

<b>Total Revenues (1 + 2)</b>		<b>10 009 070</b>	<b>11 328 457</b>	<b>13 628 035</b>	<b>14 809 678</b>	<b>16 887 614</b>
<b>II. Relations with the central budget (CB)</b>						
<b>Transfers (subsidies) from CB /net/</b>	<b>3100</b>	<b>23 088 405</b>	<b>20 565 071</b>	<b>24 742 543</b>	<b>22 991 221</b>	<b>27 855 051</b>
- general supplementary subsidy	3111	7 029 828	2 798 372	1 587 678	1 629 704	4 886 324
- general equalizing subsidy	3112	2 018 600	338 254	2 646 487	876 800	1 379 800
- target subsidy for capital expenses from CB +/-	3113	980 253	907 570	362 044	760 412	918 762
- state transfer for remised tax on income of individuals*	3118				-	1 507 106
- reimbursed transfers (subsidies)	3119	13 059 724	16 520 875	20 146 334	19 724 305	19 163 059
	3120				-	-
<b>II. Relations with the central budget (CB)</b>		<b>23 088 405</b>	<b>20 565 071</b>	<b>24 742 543</b>	<b>22 991 221</b>	<b>27 855 051</b>
<b>III. Transfers</b>						
<b>Transfers (subsidies paid) between budget accounts (net)</b>	<b>6100</b>	<b>1 482 277</b>	<b>743 724</b>	<b>906 807</b>	<b>935 651</b>	<b>535 674</b>
<b>Transfers (subsidies paid) between budget and off-budget accounts</b>	<b>6200</b>	<b>8 503</b>	<b>121 181</b>	<b>606 196</b>	<b>453 696</b>	<b>387 300</b>
<b>Transfers from/to Environmental protection fund</b>	<b>6400</b>				<b>171 864</b>	<b>83 498</b>
<b>Total transfers:</b>		<b>1 490 780</b>	<b>864 905</b>	<b>1 513 003</b>	<b>1 561 211</b>	<b>1 006 472</b>
<b>IV. TEMPORARY NON-INTEREST BORROWINGS</b>						
		<b>(298 400)</b>	<b>51 000</b>	<b>-</b>	<b>(51 000)</b>	<b>(253 000)</b>
<b>TOTAL REVENUES (I+II+III+IV)</b>		<b>34 289 855</b>	<b>32 809 433</b>	<b>39 883 581</b>	<b>39 311 110</b>	<b>45 496 137</b>
<b>V. Deficit (surplus) financing</b>						
<b>Acquisition of stakes, shares and other financial assets</b>	<b>7000</b>			<b>(185 400)</b>		
<b>Temporary financial aid</b>	<b>7200</b>					
<b>Loans from abroad net (+/-)</b>	<b>8000</b>					
<b>State (municipal) securities issued on international capital markets</b>	<b>8100</b>					
<b>Loans from banks in the country /net/</b>	<b>8300</b>	<b>882 425</b>	<b>4 155 822</b>	<b>(1694746)</b>	<b>(974 001)</b>	<b>(714 000)</b>
<b>Issues of state (municipal) securities +/-</b>	<b>8500</b>					
<b>Repayment of state (municipal) securities /net/</b>	<b>8600</b>					
<b>Repayment of debt in other bonds</b>	<b>8700</b>					
<b>Privatization</b>	<b>9000</b>					
<b>Other financing (+/-)</b>	<b>9300</b>	<b>147 193</b>	<b>306 732</b>	<b>8 495</b>	<b>(253 000)</b>	<b>-</b>
<b>Deposits and funds with deposit accounts (net)</b>	<b>9500</b>	<b>(138 152)</b>	<b>(79 696)</b>	<b>(18 714)</b>	<b>(1315934)</b>	<b>1 370 019</b>
- residual funds in BGN from previous period (+)	9501			79 696	98 410	1 370 019
- funds in BGN deposits at the end of period (-)	9507			(98 410)	(1370019)	
- ongoing transfers (+/-)	9513				(44 325)	
<b>TOTAL DEFICIT (SURPLUS) FINANCING</b>		<b>891 466</b>	<b>4 382 858</b>	<b>(1890365)</b>	<b>(2534427)</b>	<b>656 019</b>
<b>Total revenues (I+II+III+IV+V)</b>		<b>35 181 321</b>	<b>37 192 291</b>	<b>37 993 216</b>	<b>36 776 683</b>	<b>46 152 156</b>



**PUBLIC ENTITIES**

<b>Expenses</b>						
<b>Total</b>					<b>BGN</b>	
<b>Expenses</b>	<b>Paragraph</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006 (plan)</b>
<b>I. Expenses</b>						
Salaries on personnel on labour and service contracts	100	10 889 920	11 917 458	13 141 612	13698780	15058945
Other remunerations and payments on personnel	200	724 107	1 232 181	1 176 428	1182357	1789809
Social security payments from employer	300	3 371 806	3 552 156	3 840 239	3610911	-
Security payments from employer for teacher's pension fund	400			315 304	334 342	-
Healthcare payments from employer	500	548 740	614 031	668 567	656 185	4 420 393
Other healthcare payments	600	235 667	87 389		-	-
Payments on supplementary social security	700	110 741	240 353	150 892	146 784	-
Maintenance	1000	12 674 401	12 219 961	16 222 874	14192022	18 392 061
Scholarships	4000	247 134	298 727	268 161	271 098	286 240
Indemnities and aids for households	4200	4 508 714	50 381	37 876	46 780	681 696
<b>Total expenses</b>		<b>33 311 230</b>	<b>30 212 637</b>	<b>35 821 953</b>	<b>34139259</b>	<b>40 629 144</b>
<b>II. Subsidies</b>						
Subsidies for non-financial companies	4300	183 742	107 428	71 435	101 160	342 810
- for operating activities	4301					
- for healthcare activities and medical aid	4302					
- other payments and subsidies	4309					
Subsidies for non-commercial organizations	4500	221 100	334 753	363 032	388 935	451 336
Membership fees for memberships in non-commercial organizations	4600	10 247	8 040	18 759	21 553	21 300
<b>TOTAL SUBSIDIES:</b>		<b>415 089</b>	<b>450 221</b>	<b>453 226</b>	<b>511 648</b>	<b>815 446</b>
<b>III. Other expenses</b>						
Expenses on interest payments under state (municipal) securities issues	2100	-	260319	-	-	-
Expenses for interest under bank loans in the country	2200	199 533		360 615	229 546	195 956
<b>Total</b>		<b>199 533</b>	<b>260 319</b>	<b>360 615</b>	<b>229 546</b>	<b>195 956</b>
<b>IV. Capital expenses</b>						
Rebuild of fixed assets	5100					
Acquisition of fixed assets	5200					
Acquisition of intangible assets	5300					
Capital transfers	5500					
<b>Total capital expenses</b>		<b>1 255 469</b>	<b>6 188 989</b>	<b>890 848</b>	<b>1 734 755</b>	<b>2 204 751</b>
Undistributed expense reserve					-	1 802 162
Municipal revenues for financing of state activities			80 126	466 570	161 475	504 697
<b>Total expenses</b>		<b>35 181 321</b>	<b>37 192 291</b>	<b>37 993 216</b>	<b>36776683</b>	<b>46 152 156</b>

## Public Entities

Indicator	AVERAGE ABSOLUTE INDICATOR VALUE	AVERAGE INDICATOR VALUE /2003-2006	RISK EVALUATION
Operating surplus (deficit)	(2 510 980,60)	(0,064)	Low
Debt service (less principal)	(249 193,80)	(0,006)	Low
Net operating balance	(2 760 174,40)	(0,070)	Low
Capital revenues	3 788 104,80	0,096	Average
Capital expenses	(2 454 962,40)	(0,062)	Average
Investment balance	1 333 142,40	0,034	Low
Other revenues (expenses) net	1 236 201,80	0,031	Low
Deficit (surplus)	(190 830,20)	(0,005)	Low
Financing	335 904,00	0,01	Low
Balance from previous periods	309 625,00	0,008	Low
Ending balance	454 698,80	0,012	Low
Relations with CB / Total budget		0,618	Average
Own revenues / Total budget		0,343	Low
Operating revenues / Total budget		0,867	Low
Operating expenses / Total budget		0,929	Average
Operating revenues / Total budget		0,934	Average
Capital expenses / Total budget		0,064	Low
Capital revenues / Capital expenses		2,218	Low
Sales of assets / Total budget		0,067	Low
Target subsidy for capital expenses / Total budget		0,020	Low
Total budget / Population		253,977	Average
Own revenues / Population		87,590	Low
Relation with CB / Population		156,676	Low
Capital expenses / Population		16,128	Low
Capital revenues / Population		24,887	Low
Target subsidy for capital expenses / Population		5,162	Low
Operating expenses / Population		236,212	Average
Operating revenues / Population		219,716	Average