

BULGARIA

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The year 2000 was a success for Bulgaria with respect to the country's economy, with the ongoing process of stabilisation and development of the financial sectors. The positive trends seen in the Bulgarian economy have been endorsed by specialists from leading European economic and financial institutions. Also evident has been the positive attitude expressed by some of the leading political and governmental leaders from Europe and other highly developed countries.

Indicative of Bulgaria's growing economic competitiveness is the increased level of exports, as well higher levels of foreign investment. As a result, there is a low level of budget deficit and inflation, and stable economic growth. The risk for investing in the economy is decreasing, despite the forthcoming parliamentary elections, the unstable political situation in Macedonia and the financial crisis in Turkey. Consequently, FITCH IBCA, the international rating agency, confirmed Bulgaria's credit rating as B+.

In spite of these positive market conditions, Bulgaria's mining companies are facing problems in ensuring the financial stability of their businesses, a difficult task given the fluctuations of metal prices on the LME. The restructuring of the underground sector was not completed in 2000 and state-owned companies incurred financial losses due to the fact that they were fully or partly decapitalised and because of their debt burden. In addition, many of these companies had signed unfavourable agreements for short-term loans. Other reasons for the poor financial performance of these companies are the outdated technologies and equipment being used for mining and mine developments.

A lack of profitability in the underground sector has resulted in most of the mines being liquidated or being wound down. Foreign investment is still below expectations due to the outdated machinery and equipment used in these operations. The only privatised national companies are those registered following the unbundling of the assets of Gorubso JSC and which are now involved in the mining and processing of lead-zinc ores. Other companies which had already been privatised and which have achieved a stable economic performance include Minstroi-Rhodopes JSC and the Russian-Turkish company, Rhodopes Investment JSC, which has shown an interest in obtaining permits for the rehabilitation of some of the pits in the region which have been liquidated.

There are however few operations with modern technology in place. Amongst them are the Chelopech gold/copper mine, whose major shareholder is Navan Mining, and those companies involved in open-pit and underground mining and beneficiation of copper ore, as well as those operating metallurgical copper plants at Pirdop and the non-ferrous metallurgy plant at Plovdiv. Two privatised copper mining companies, Ellatsite Copper JSC and Asarel Medet JSC are managing to compete in the marketplace, notwithstanding the low copper price and the particularly low copper grades at the companies' open-pit operations.

Considerable attention over the past several years has been given to ecological problems and environmental protection associated with the mining industry. As a result, the first state-owned companies have been registered for the rehabilitation of the region surrounding the Medet and Panagurishte open pits. Also, an agreement between Union Minière and Lurgi Metallurgie of Germany was signed

recently to improve the production process at the Pirdop metallurgical plant and to bring it up to European standards for environmental protection.

Increasing power usage has placed a great demand on natural energy resources. As such, efficient use of available resources is paramount, as are solutions for improving their use.

At present, some 20 companies are involved in open-pit and underground coal mining operations. During the second half of 2000, the formal restructuring of the sector began with the announcement of the privatisation of 11 coal mines, including Bulgaria's largest coal mine, Maritza-Iztok. Accounting for more than 80% of national coal output, the operation has been successfully privatised through a joint venture with Rheinbraun, with the German company holding a 67% stake, to develop the Maritza-Iztok's lignite deposits.

Other companies involved in underground mining are still in the process of re-structuring. For each one, a special programme for financial stabilisation is being prepared, the basic goal of which is to prepare the companies for change to operating in a market economy and in a competitive environment. Five companies are in the process of liquidation, however.

In spite of the fact that the economy was based previously on centralised market policies, Bulgaria had a well developed mining industry which served as a basis for the establishment of several smelting plants for ferrous and non-ferrous metals. However, a number of the companies in the

ferrous metallurgy sector have not been successful in their transition to a market economy, owing to their high consumption of power and materials relative to their low productivity levels. Notable exceptions include the privatisation of Promet JSC–Bourgas, Union Minière–Pirdop Copper JSC, KTZM JSC–Plovdiv and OTZK JSC–Kurdjali. These are on a reasonably sound financial footing with an expanded market position and improved ecological programmes.

Bulgarian Mineral and Metal Production (‘000t except where stated)			
Commodity	1998	1999	2000
Coal (total)	31,250	25,860	27,090
- brown coal	3,690	3,070	3,210
- lignite	27,440	22,660	23,770
- black coal	104.8	106.2	100
- anthracite	15.6	17.2	18.2
Crude oil	31.7	38.7	40.9
Natural gas (M m ³)	32.7	26.9	15.3
Iron ore	895.3	699.4	588.8
Iron concentrate	462.5	361.2	304.1*
Manganese ore ¹	55.6	0	0
Manganese conc. ¹	34,935	0	0
Steel	2,240	1,890	2,020
Copper ore	20,730	22,350	22,830
Copper conc.(20% Cu)	437.53	484.03	485.1*
Cathode copper	36.4	21.0	32.5
Gold (kg)	1,253	1,034	na
Silver (kg)	67,990	58,726	na
Lead-zinc ore	1,160	600	530
Lead conc.(70% Pb)	34.60	19.68	15.53*
Zinc conc.(52% Zn)	33.1	19.7	15.1*
Lead, all forms	77.1	81.6	84.1
Zinc	86.1	83.7	84.2
Kaolin (Mt)	927,700	858,200	1,010,800
Silica sand	592.7	533.4	689.5
Bentonite clay	176.1	232.4	295.8
Fire clay	56.4	47.6	34
Raw baryte	452.2	1,124	874.7
Perlite	12.1	12.7	16.7
Na pegmatite	35.9	28.3	21.8
Gypsum	183.9	148.7	169.6
Rock salt	2,400	1,300	1,700

* Estimated

¹.In 1999 and 2000, no manganese ore was mined and there was no production of Mn-concentrate by privatised companies.