

**Third Party Evaluator's Opinion on
Industrial Pollution Improvement Project in Plovdiv**

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Impact

The implementation of the project has exercised a significant positive impact on the economy of Plovdiv region, at least in two aspects.

Firstly, the process of building the installations in 1999-2003 involved numerous construction and installation companies from the region. Thus, within a three years period, the project provided employment for more than 400 people. That was a very favorable step towards decreasing the unemployment rate which amounted 16% for the said period. Meanwhile, the use of new technologies and equipment by the construction and installation companies was another opportunity for their experts to further profit from acquired competence and experience in the implementation of other projects.

Secondary, KCM S.A. managed to keep and improve its competitiveness through the implementation of the project. After 2003, KCM S.A. has registered sales for over BGN 300,000,000, which ranks the company No.2 in Plovdiv regional scale. Based on preliminary reports for 2006, KCM S.A. will occupy No.1 in the annual sales ranking of companies organized by the Plovdiv Chamber of Commerce. It should also be kept in mind that over 85% of KCM's sales comes from export, thus ensuring cash inflow of utmost importance for national economy.

Sustainability

Most of the transformation of state-owned property into private property – the so-called privatization, was completed after 1995. A major part of this process was implemented by companies shared between employees and managers – also known as “management buy-out” method. Analyzing this privatizing method on a national scale, we can find out that it did not achieve its objectives for a vast number of companies. This is due mainly to the fact that the new management teams lacked competence and especially finance for their production and investment activities. This is however not the case with KCM S.A. Having provided pre-financing of the environmental and investment program by means of JBIC's loan, and setting in the privatization contract a mandatory clause for implementation of the project, KCM S.A. managed to solve to a great extent the ecological problems related to production. It could be correspondingly stated that the project realized by JBIC has predetermined the successful privatization of KCM S.A. and this is how we achieved sustainability in the development of a private company in the actualities of a functioning market economy. The expected growth in sales for 2006 as compared to 2000 should reach 245%.