

# ***Bulgaria – your investment decision***

**Bulgaria-Nigeria business forum,  
21. April 2009, Sofia**

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Marketing Expert**

***InvestBulgaria Agency***

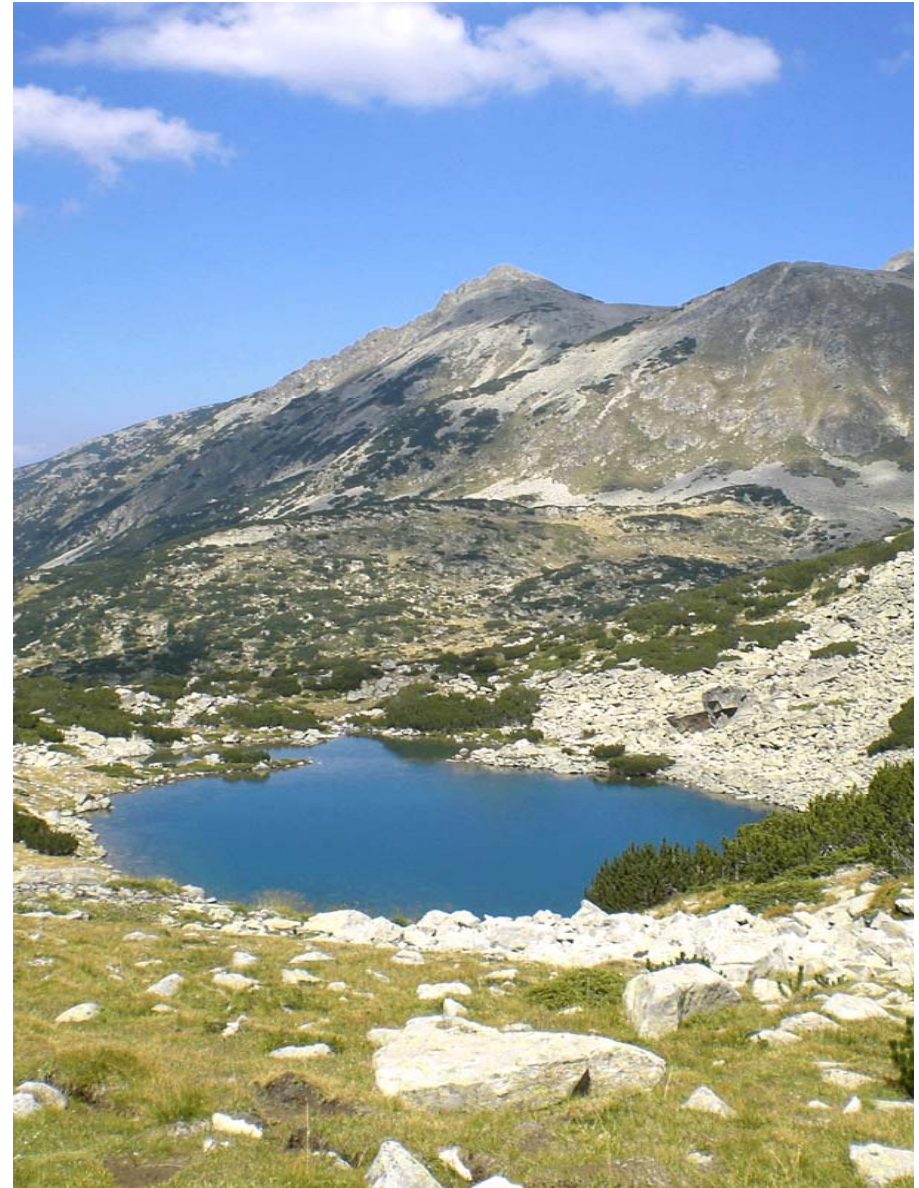
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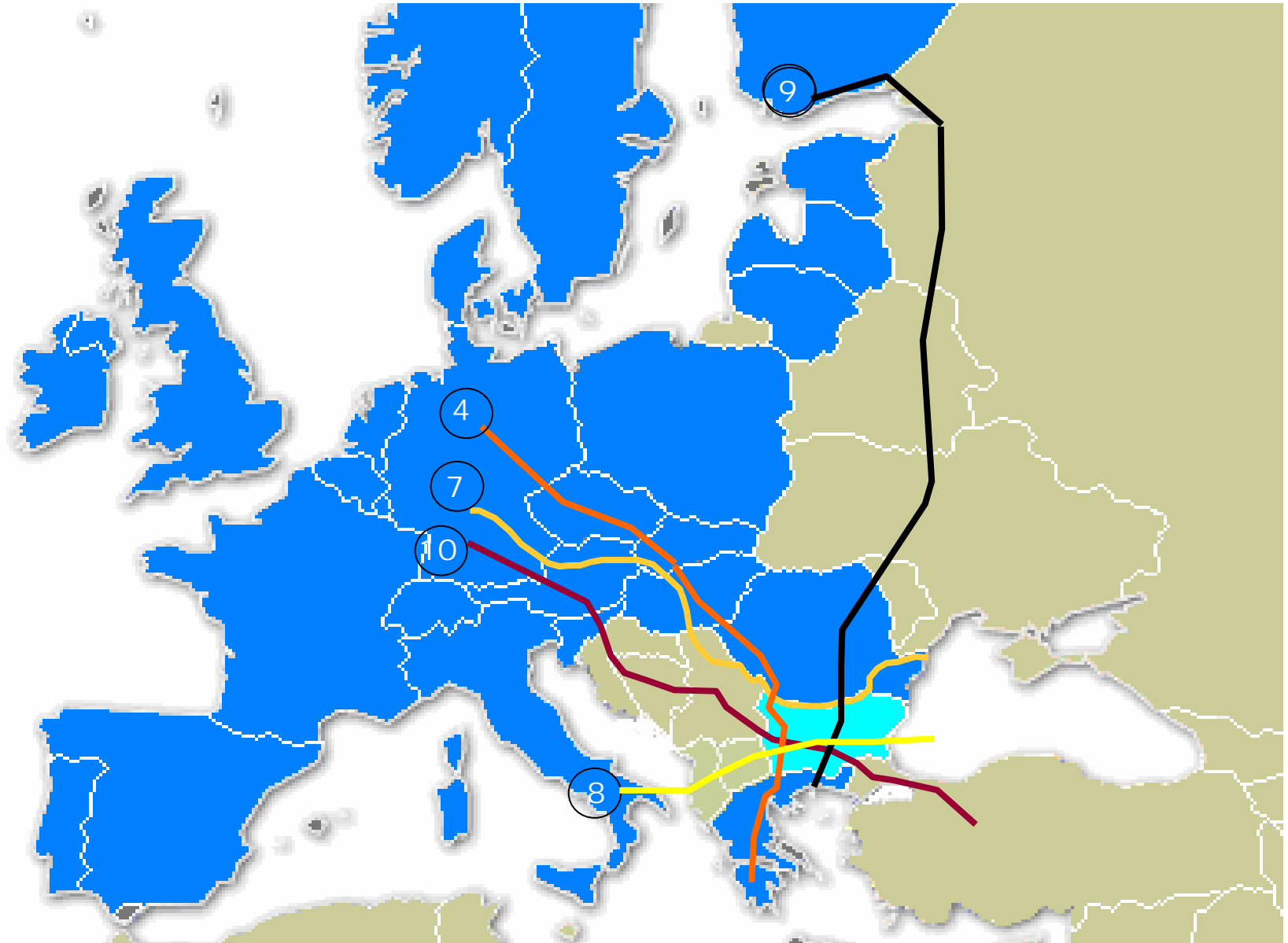
# Structure of the Presentation

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- ✓ **Positioning Bulgaria**
- ✓ **Why Bulgaria**
- ✓ **Macroeconomic Indicators**
- ✓ **FDI Inflow**
- ✓ **Highly Skilled Labor Force**
- ✓ **Comparison between Bulgaria and Europe**
- ✓ **Business Sectors of Highest Potential for Investors**
- ✓ **Investment Promotion Act**
- ✓ **Investment Incentives in Bulgaria**
- ✓ **InvestBulgaria Agency**



# Pan-European Transport Corridors



# Market access



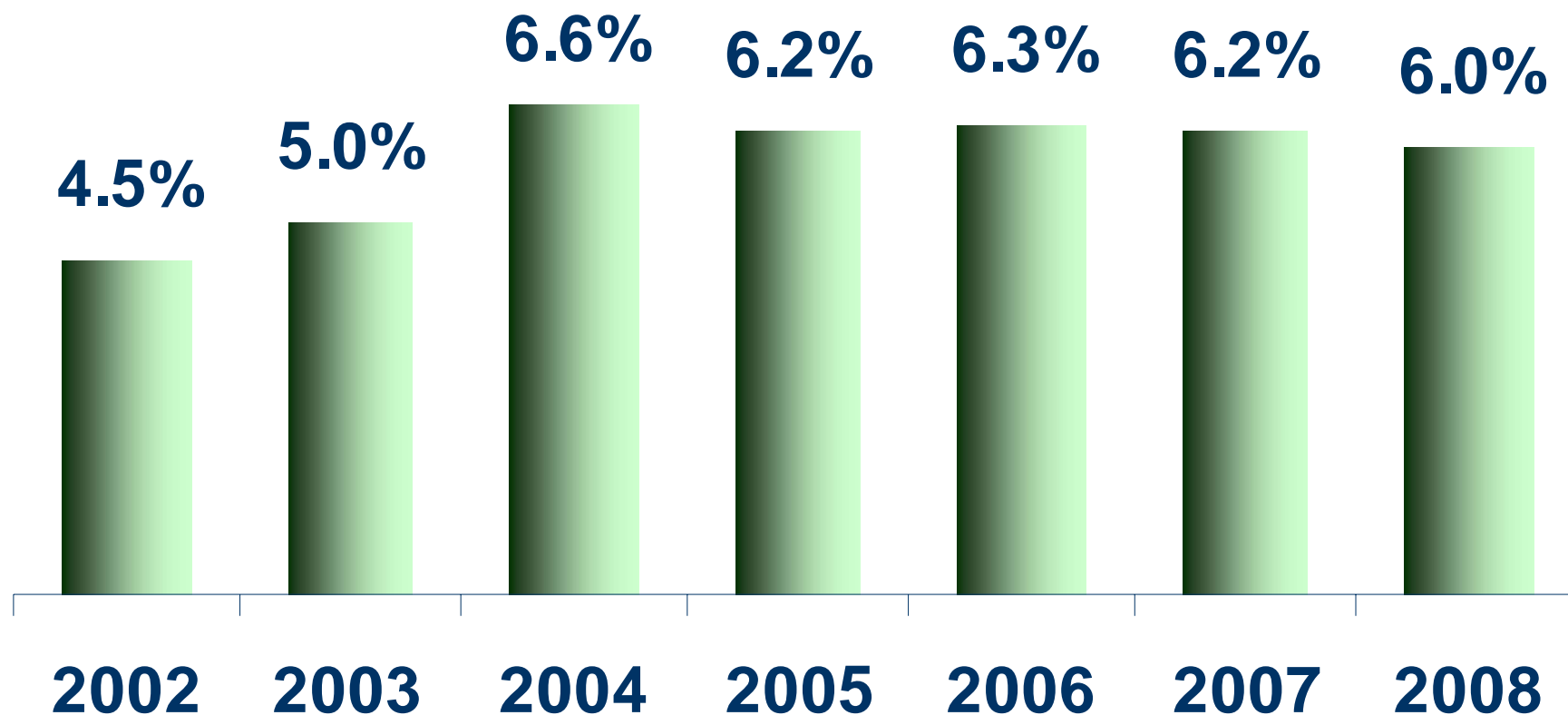
# Why Bulgaria

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- ✓ **EU membership and NATO membership**
- ✓ **Macroeconomic and financial stability**
- ✓ **EU's most favourable taxes:**
  - **10% corporate income tax rate**
  - **0% in high-unemployment areas**
  - **10% flat tax rate on personal income**
- ✓ **Europe's lowest operational costs**
- ✓ **Well-educated and highly-skilled labour force**
- ✓ **45,000 Bulgarian students in Europe**
- ✓ **Government financial support for priority investment projects**
- ✓ **Linking Europe and Asia**
- ✓ **Excellent climate, natural scenery, food and hospitality**

# Steady GDP growth, 2002 – 2008

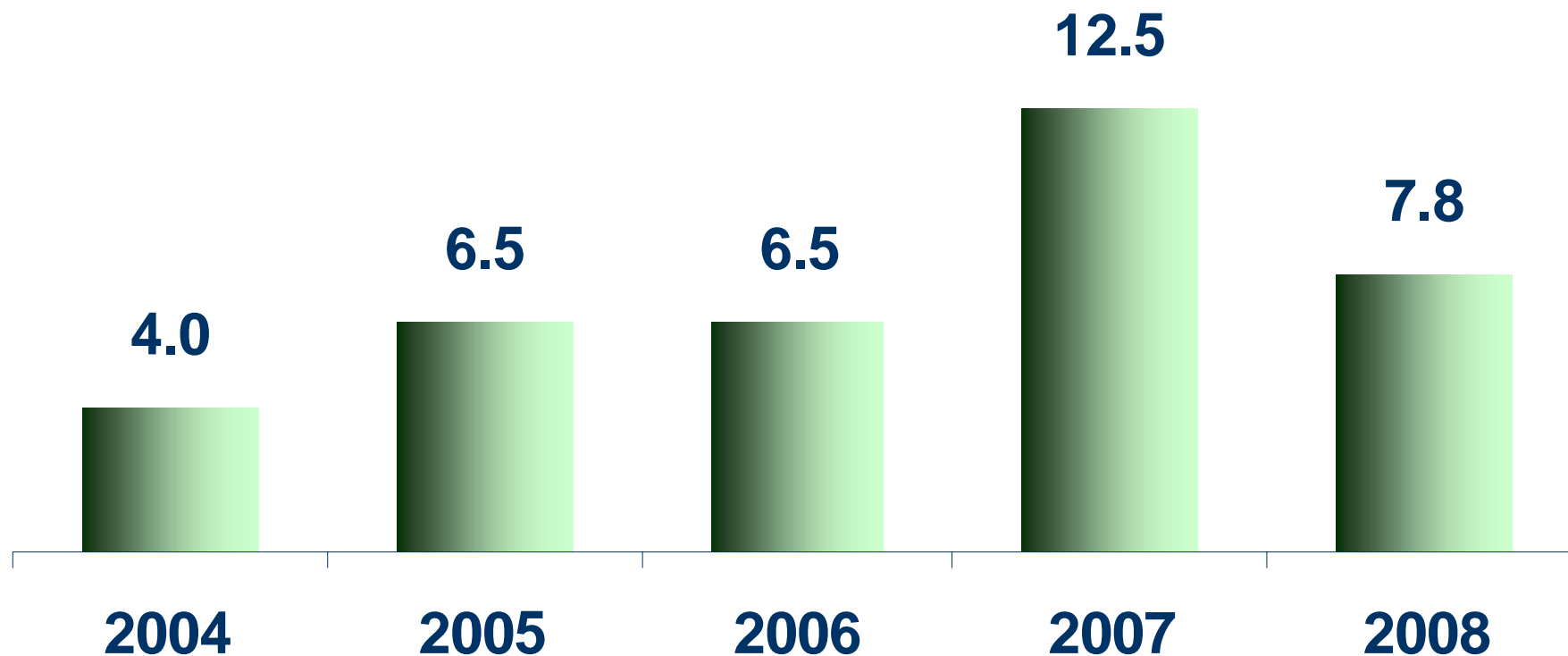
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Source: Bulgarian National Bank

# Inflation, (annual change, %), 2004 - 2008

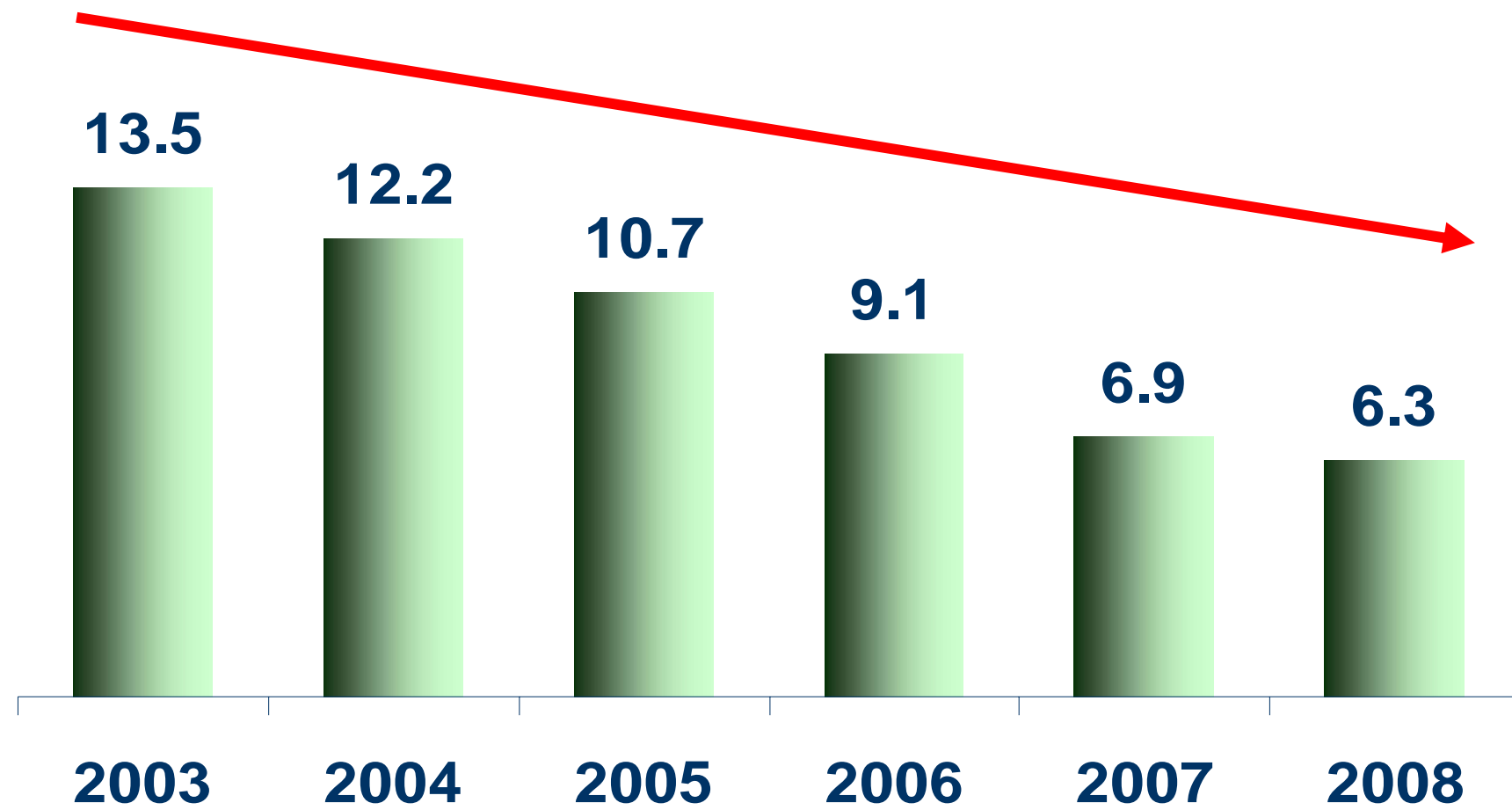
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Source: Bulgarian National Bank



# Decreasing unemployment rate, 2003 - 2008



Source: Bulgarian National Bank



# Credit rating

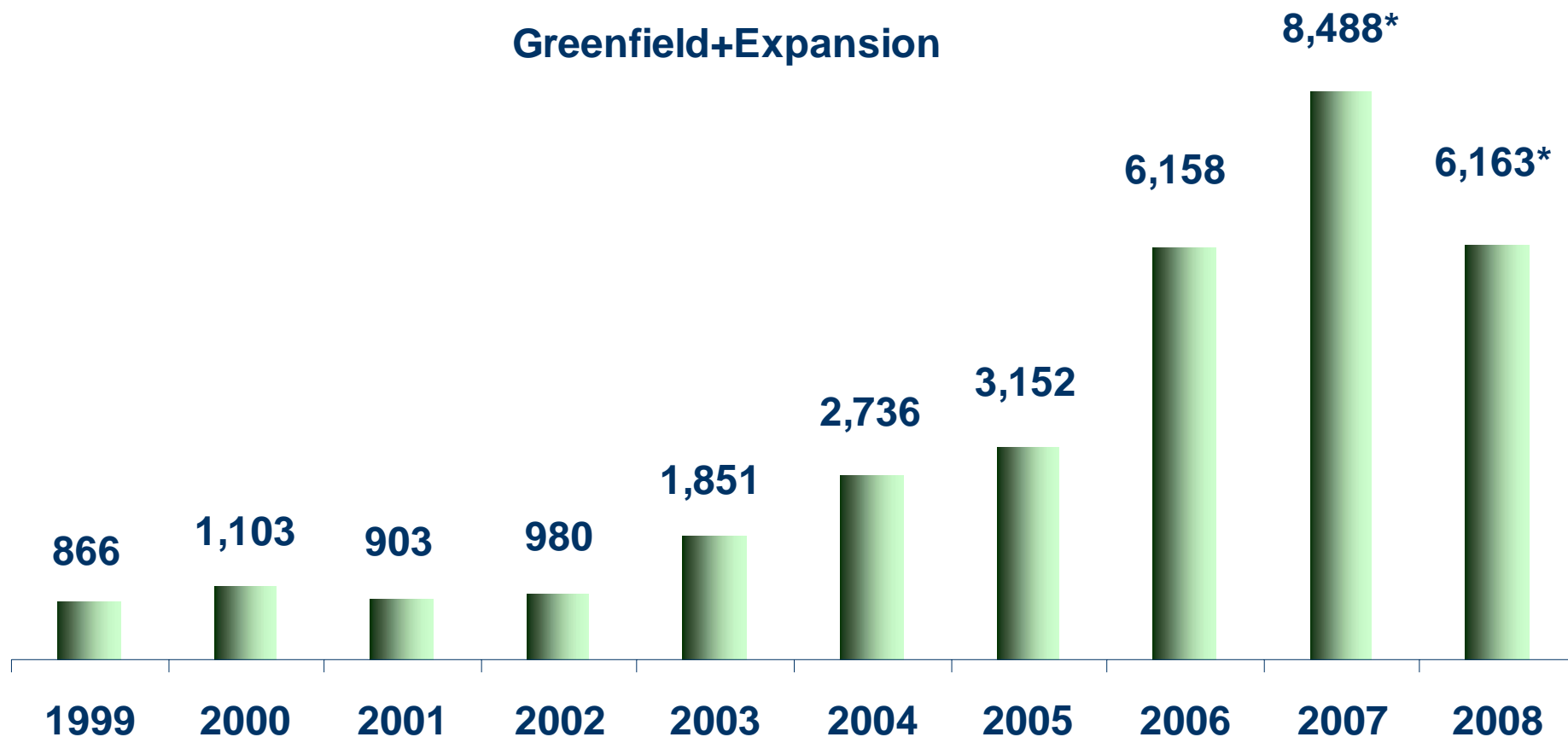
Agency	Date	Foreign currency			Local currency		
		Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Japan Credit Rating Agency	16 Dec 2008	BBB	-	Negative	BBB+	-	Negative
Fitch	10 Nov 2008	BBB-	F3	Stable	BBB	BBB+	Stable
Standard& Poor's	30 Oct 2008	BBB	A-3	Negative	BBB	A-3	Negative
Moody's	25 Sept 2008	Baa3	-	Stable	Baa3	-	Stable

Source: Ministry of Finance

# Record FDI inflow in 2006 - 2008, EUR m



## Greenfield+Expansion



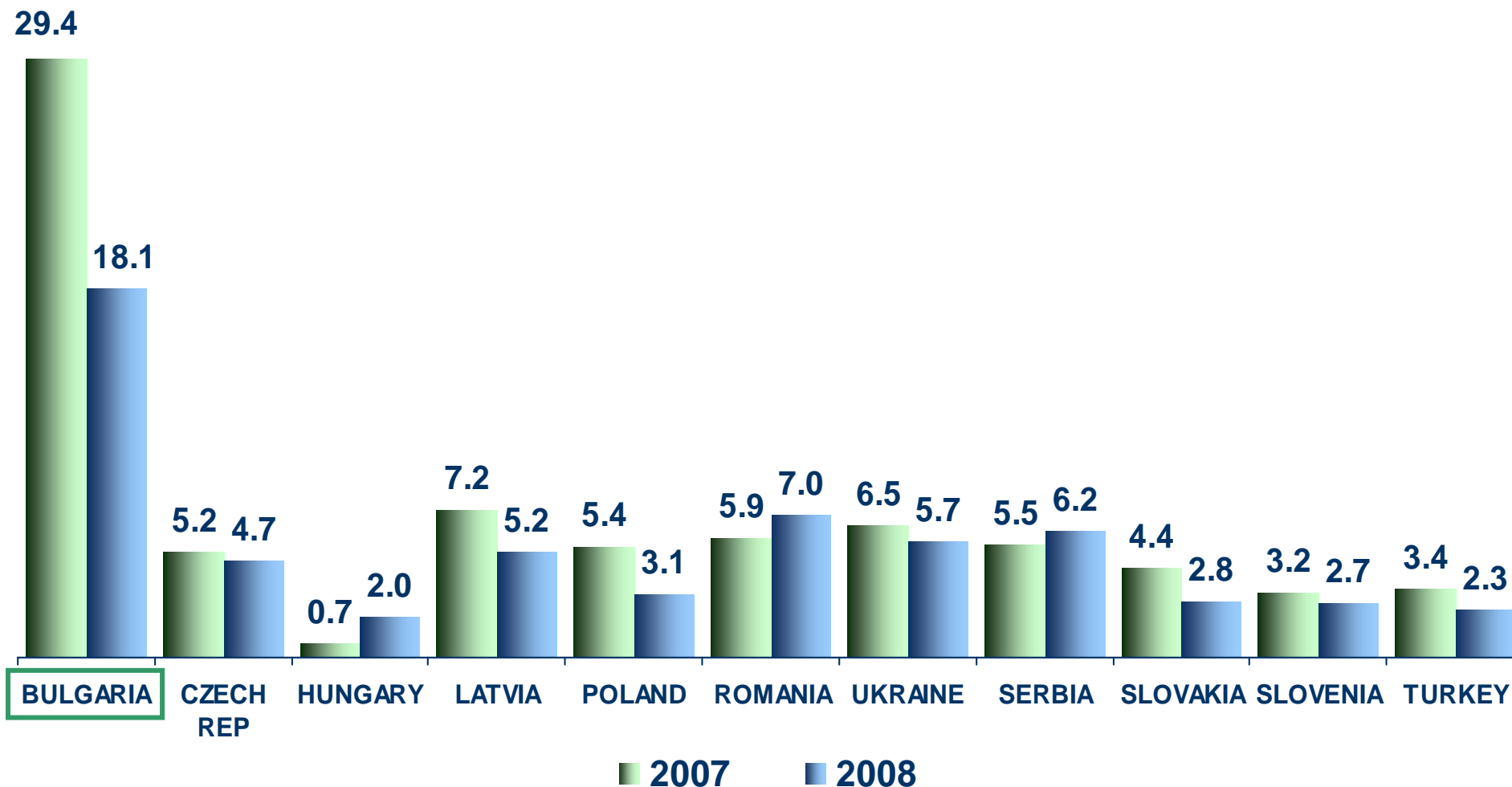
\* Preliminary Data

Source: BNB, IBA

# Bulgaria leads CEE countries in terms of FDI to GDP indicator













## FDI to GDP, %, 2007 – 2008

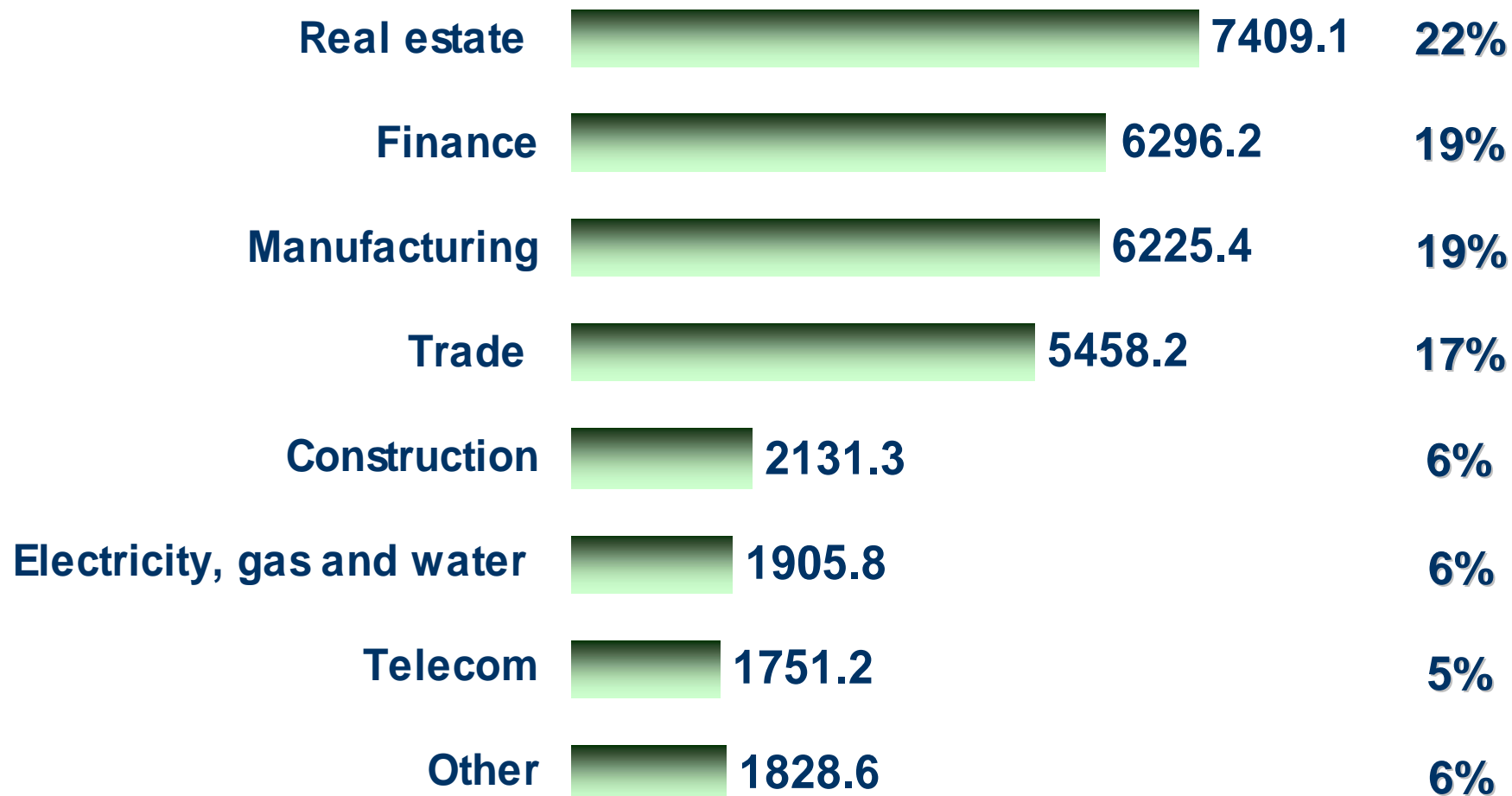


Source: BNB, Bank Austria Creditanstalt

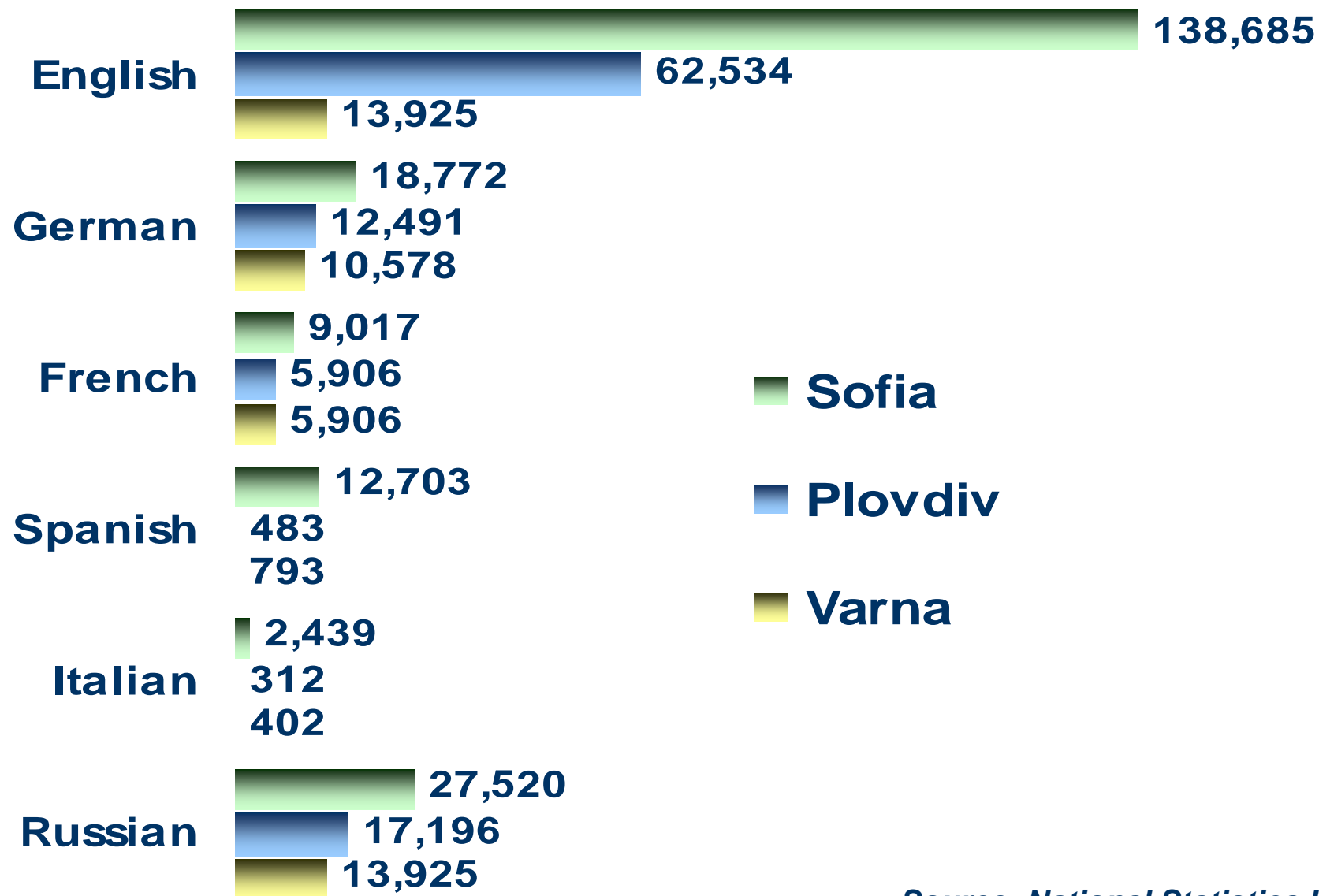
# FDI stock by country, 1996 – 2008, %, EUR m

				
<b>Austria</b>	<b>the Netherlands</b>	<b>Greece</b>	<b>Un. Kingdom</b>	<b>Germany</b>
<b>16%</b> <b>5426.5</b>	<b>12%</b> <b>3949.0</b>	<b>9%</b> <b>3070.3</b>	<b>8%</b> <b>2741.4</b>	<b>6%</b> <b>2185.5</b>
				
<b>Cyprus</b>	<b>Belgium &amp; Luxemburg</b>	<b>USA</b>	<b>Hungary</b>	<b>Italy</b>
<b>5%</b> <b>1752.7</b>	<b>5%</b> <b>1577.1</b>	<b>4%</b> <b>1218.7</b>	<b>3%</b> <b>1157.8</b>	<b>3%</b> <b>1091.7</b>

## FDI stock by sector, 1998 – 2008, %, EUR m

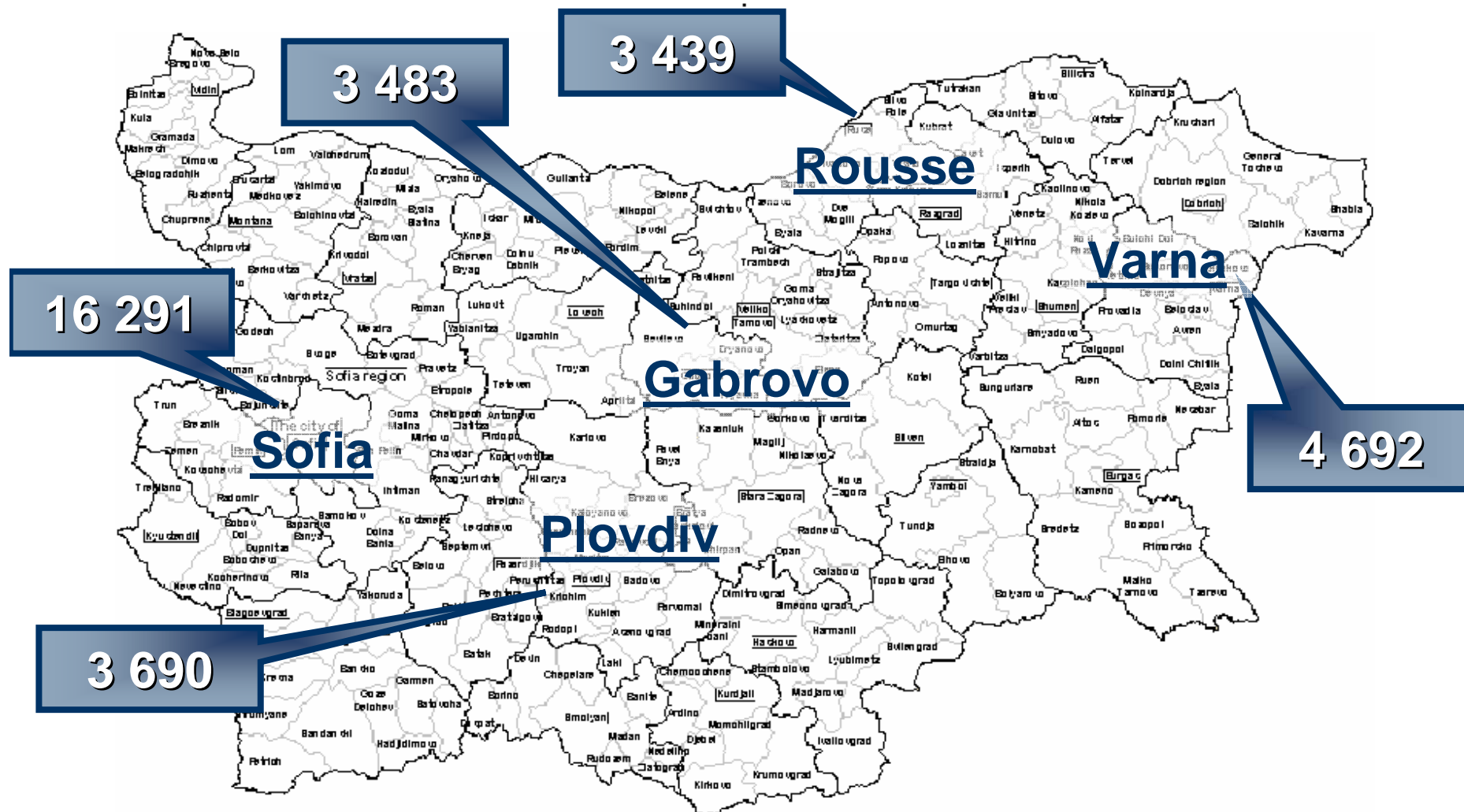


# Language education in upper secondary general schools by city, 2006/2007



Source: National Statistics Institute

# Students enrolment in vocational schools & technical universities for 2006/2007

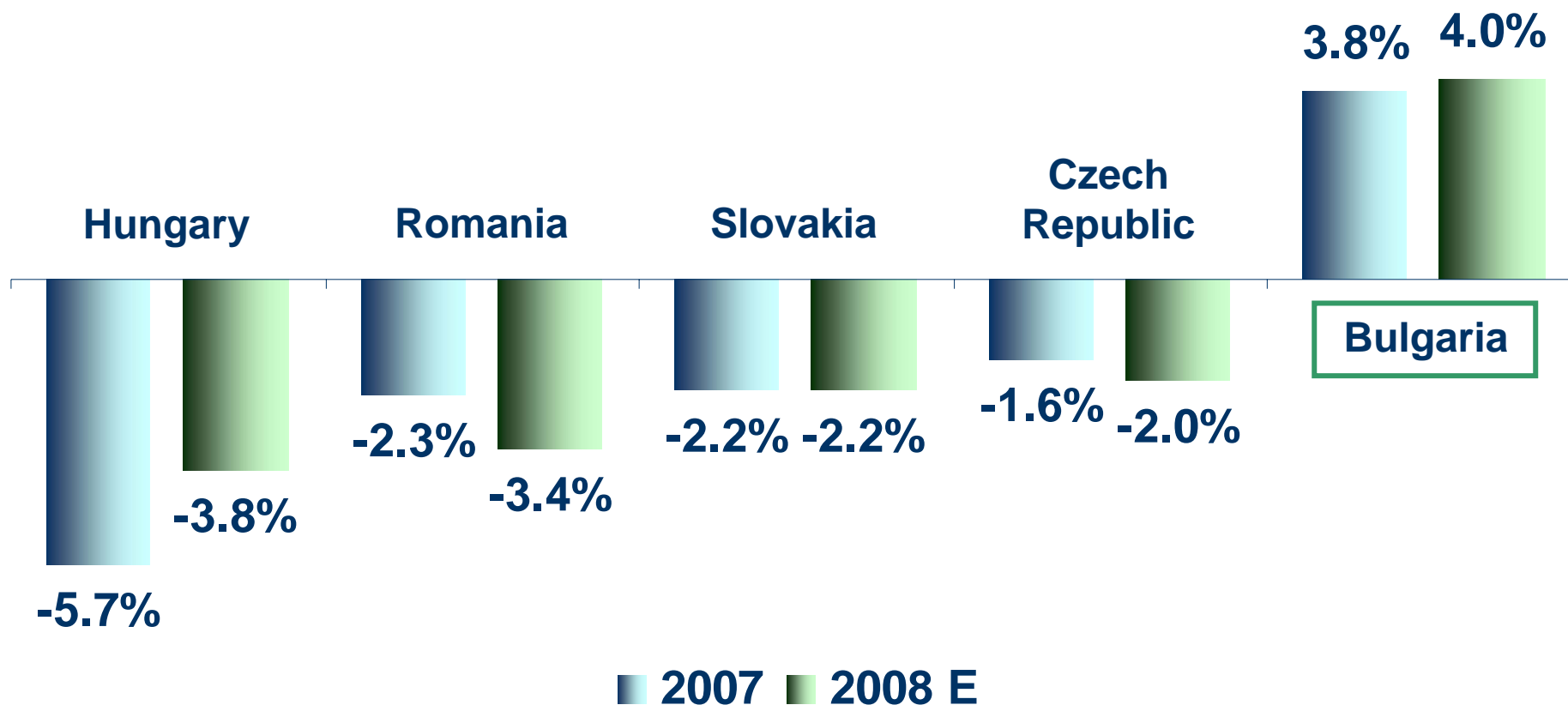


# Comparison between Bulgaria and Europe



## Strong Fiscal Policy and Stable Currency

### General Government Balance, %



Source: Economist Intelligence Unit

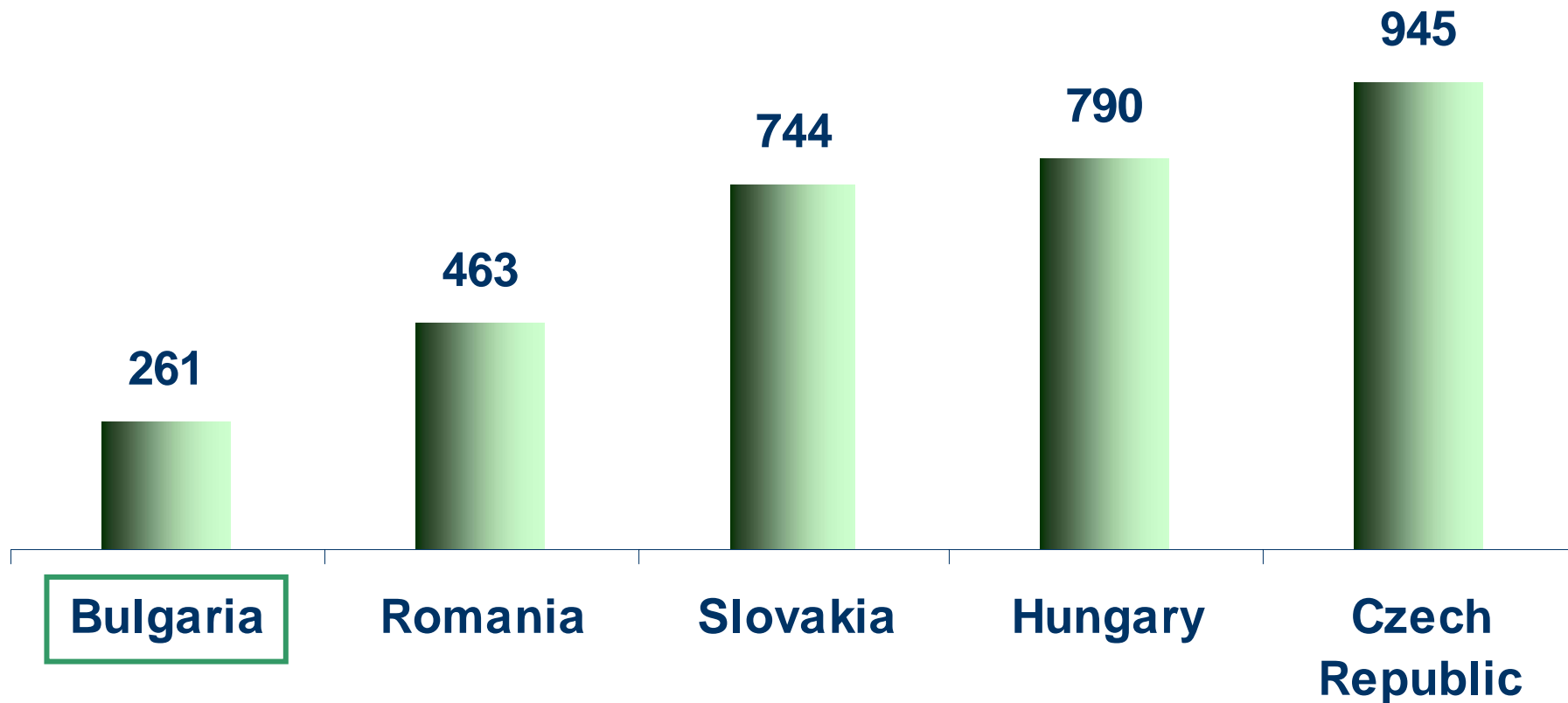


# Comparison between Bulgaria and Europe

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Average monthly wages, Q2 2008, EUR

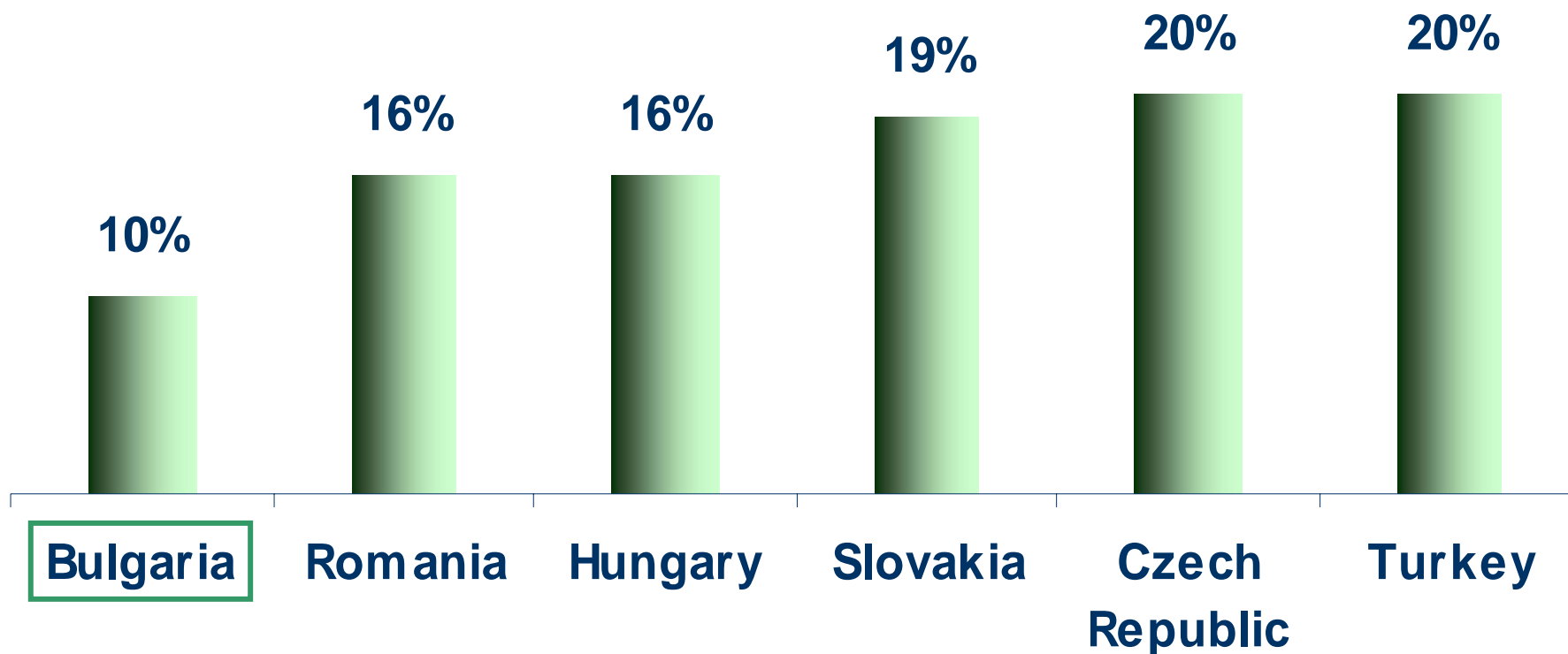


Source: Economist Intelligence Unit

# Comparison between Bulgaria and Europe



## Corporate income tax rate, 2009



\* 0% for manufacturing companies in areas with high unemployment

# Manufacturing

Attractive sectors	Major investors supported by InvestBulgaria Agency
<ul style="list-style-type: none"> <li>✓ Electrical engineering</li> <li>✓ Mechanical engineering</li> <li>✓ Electronics</li> <li>✓ Automotive parts manufacturing</li> <li>✓ Chemical Industry</li> </ul>	<ul style="list-style-type: none"> <li>✓ Solvay (Belgium)</li> <li>✓ NA/Cumerio (Germany, Belgium)</li> <li>✓ Liebherr (Germany)</li> <li>✓ Lufthansa Technik (Germany)</li> <li>✓ Montupet (France)</li> <li>✓ Italcementi (Italy)</li> <li>✓ Sise Cam (Turkey)</li> <li>✓ Stomana Industry (Greece)</li> <li>✓ Miroglio (Italy)</li> <li>✓ Knauf (Austria)</li> <li>✓ Ixetic (Germany)</li> <li>✓ Schneider Electric (France)</li> </ul>
Competitive advantages	
<ul style="list-style-type: none"> <li>✓ Export oriented sectors</li> <li>✓ The lowest operational cost in EU</li> <li>✓ Highly skilled labour force               <ul style="list-style-type: none"> <li>• 7% with engineering degree</li> <li>• EUR 280 total average monthly compensation (Q4 2008)</li> </ul> </li> </ul>	

# Energy Sector

Opportunities	Major projects supported by InvestBulgaria Agency
<ul style="list-style-type: none"> <li>✓ Wind parks</li> <li>✓ Solar plants</li> <li>✓ New nuclear PP</li> <li>✓ Modernization and construction of new TPPs</li> <li>✓ Biomass</li> <li>✓ Biofuel</li> </ul>	<ul style="list-style-type: none"> <li>✓ 7 wind park projects</li> <li>✓ 3 projects for modernization and construction of new TPPs</li> <li>✓ 2 Biomass projects</li> <li>✓ 3 Biofuel projects</li> </ul>
Competitive advantages	
<ul style="list-style-type: none"> <li>✓ Skilled labour force</li> <li>✓ Availability of natural resources</li> <li>✓ Favorable climate conditions</li> <li>✓ Harmonized legislation with the EU's</li> </ul>	<ul style="list-style-type: none"> <li>✓ RES electricity production to double (from 6% to 12%) by 2010</li> <li>✓ Administrative and economic incentives for RES energy production</li> </ul>

# IT & BPO

<b>Opportunities</b>	<b>Main Players in Bulgaria</b>
<ul style="list-style-type: none"><li>✓ Software development</li><li>✓ IT support centers</li><li>✓ F/A shared service centers</li><li>✓ Contact centers</li></ul>	<ul style="list-style-type: none"><li>✓ IT<ul style="list-style-type: none"><li>• Software AG (Germany)</li><li>• Microsoft (USA)</li><li>• Hewlett Packard (USA)</li><li>• IBM (USA)</li><li>• Nemetschek (Germany)</li><li>• Johnson Controls (USA)</li><li>• SAP Labs Bulgaria (Germany)</li><li>• CISCO (USA)</li></ul></li><li>✓ BPO<ul style="list-style-type: none"><li>• 60K (UK)</li><li>• Sutherland (USA)</li><li>• IBM (USA)</li><li>• OPI Global (USA)</li><li>• Hewlett Packard (USA)</li><li>• C3i (USA)</li></ul></li></ul>
<p style="text-align: center;"><b>Competitive advantages</b></p> <ul style="list-style-type: none"><li>✓ Skills availability</li><li>✓ Strong traditions in IT development</li><li>✓ Reliable telecom infrastructure</li><li>✓ Europe's most competitive wages</li><li>✓ Reasonable office prices</li><li>✓ 9.71% share of the GDP for 2008 (second fastest growing sector in the country)</li></ul>	

# Real estate & Tourism

Opportunities	Major projects supported by InvestBulgaria Agency
<ul style="list-style-type: none"> <li>✓ Development of               <ul style="list-style-type: none"> <li>• trade centers</li> <li>• business parks</li> <li>• residential parks</li> <li>• convention centers</li> <li>• winter resorts</li> <li>• balneology and SPA tourism</li> <li>• rural and alternative tourism</li> </ul> </li> <li>✓ Golf tourism</li> <li>✓ Construction of luxury hotels</li> </ul>	<ul style="list-style-type: none"> <li>✓ 23 trade centers projects</li> <li>✓ 6 business park projects</li> <li>✓ 9 golf projects</li> <li>✓ 5 winter resort projects</li> <li>✓ 5 balneology and SPA tourism</li> </ul>
Competitive advantages	
<ul style="list-style-type: none"> <li>✓ Real Estate is the fastest growing sector in the country</li> <li>✓ FDI inflow in Real Estate amounts to EUR 1900 mln. in 2008 (EUR 7409 mln. (22%) for the period 1998 – 2008)</li> </ul>	

# **New Investment Promotion Act**

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- ✓ **Equal treatment for Bulgarian and foreign investors**
- ✓ **Investment classes A and B depending on the value, region and sector allocation of the investment**
- ✓ **Priority sectors and activities:**
  - **Manufacturing industry and production of electricity from renewable energy sources**
  - **High-tech activities in the field of ICT, R&D, as well as education and human health care**

# Investment classifications under the investment promotion act, (€Million)



Region or Sector	Class B	Class A
General	8 - 16	>16
In municipalities with unemployment rate equal or more than the country average	4 - 8	>8
In high-tech activities in the manufacturing industry for the whole country	4 - 8	>8
In high-tech activities in the services, computer technologies and R&D sectors for the whole country	2.8 – 5.6	>5.6



# Incentives under the new Investment Promotion Act

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- All classes (A&B)**
  - ✓ **Information services and shortened administrative services**
  - ✓ **Preferential treatment upon acquisition of a right of ownership and limited real rights over real estate – private state or private municipal property**
  - ✓ **Financial support for vocational training of employees up to 29 years old for the needs of the investment project**
- A class**
  - ✓ **Individual administrative services**
  - ✓ **Infrastructure support to the borders of the investment project site**

# Investment incentives in Bulgaria

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- ✓ **10% corporate income tax;**
  - **0% for manufacturing companies in areas with high unemployment**
- ✓ **10% personal income tax, flat rate**
- ✓ **Opportunity for R&D expenditure write-off**
- ✓ **Depreciation of 2 years for computers and new manufacturing equipment**
- ✓ **2-year VAT exemption for imports of equipment for investment projects over €5 million, creating at least 50 jobs**
- ✓ **5% withholding tax on dividends and liquidation quotas (0% for EU tax residents)**
- ✓ **Up to 1 year minimum salary and reimbursement of social/health care security for employing young people and disadvantaged people through the Employment Agency**

# InvestBulgaria Agency

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*InvestBulgaria Agency is the Government investment promotion arm, part of the Ministry of Economy and Energy.*

## **IBA services:**

- ✓ **Macroeconomic data on Bulgaria**
- ✓ **Legal advice**
- ✓ **Data on operational costs**
- ✓ **Regional information: industrial zones and infrastructure, data on unemployment, skilled labour force and level of education**
- ✓ **Recommendation of investment project sites**
- ✓ **Identification of potential suppliers, contract manufacturers and joint-venture partners**
- ✓ **Personalized administrative servicing**
- ✓ **Liaison with central and local governments**
- ✓ **Liaison with branch chambers and NGOs**

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