

# Investing in Bulgaria

The strategic business destination in Central and Eastern Europe



## Government Keynote Address

**Delian Dobrev,**  
Minister of Economy, Energy and Tourism

*Investing in your future*



EUROPEAN UNION  
European Regional  
Development Fund




OP "Development of  
the Competitiveness  
of the Bulgarian  
Economy" 2007-2013



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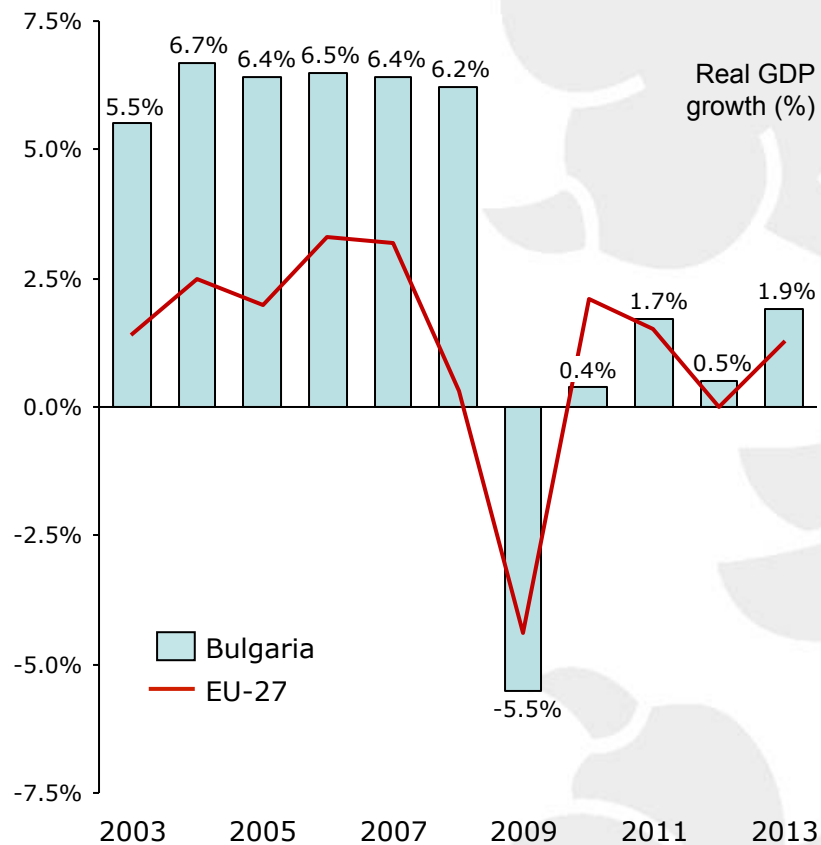
# Bulgaria – Your Investment Destination in Europe

Munich  
4 December 2012

Mr. Delian Dobrev  
Minister of Economy, Energy and Tourism  
Republic of Bulgaria

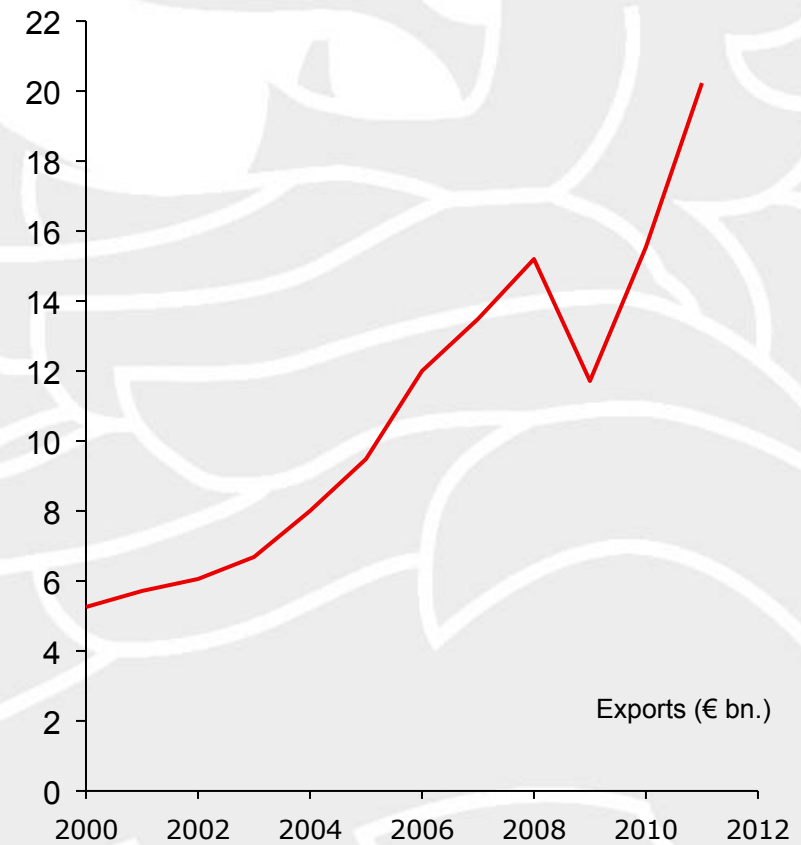
# Bulgarian economy has kept on growing despite the financial and economic difficulties in Europe and worldwide

**Bulgarian economy has outperformed EU average for the last 10 years**



Source: Eurostat

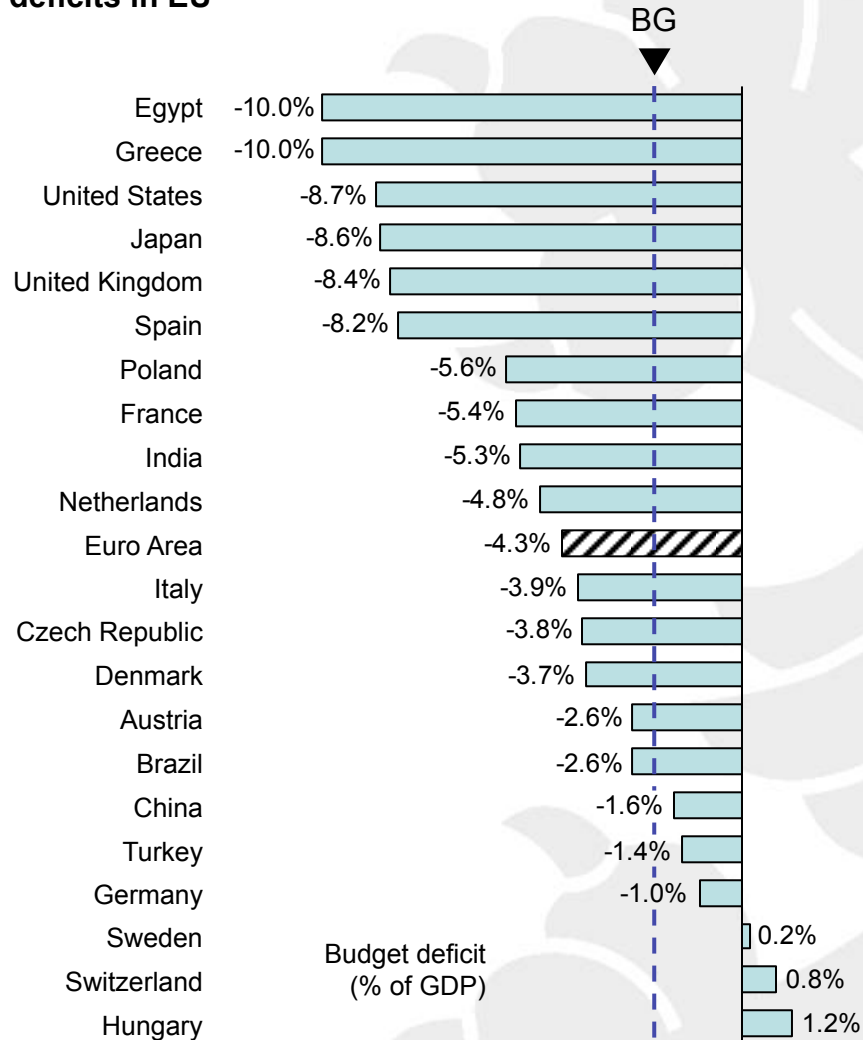
**In absolute terms, exports have grown about 4 times since 2000**



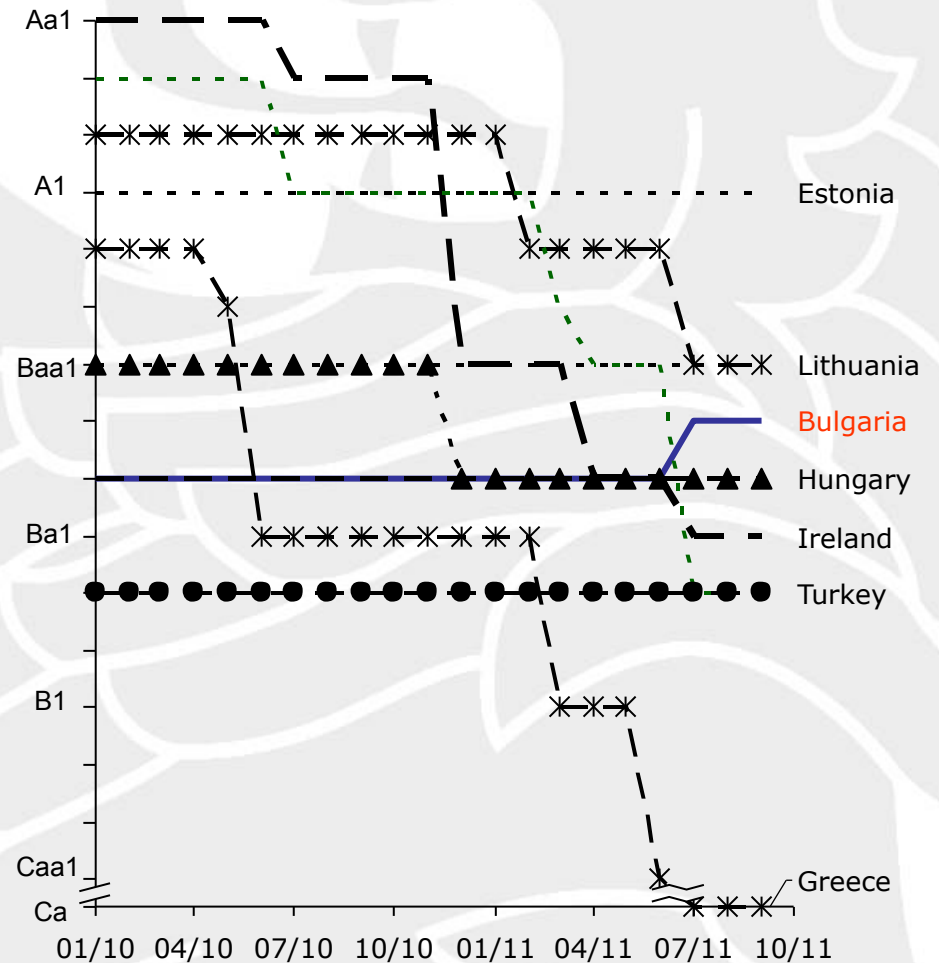
Source: Bulgarian National Bank

# Bulgaria's exemplary financial stability has continued after the crisis

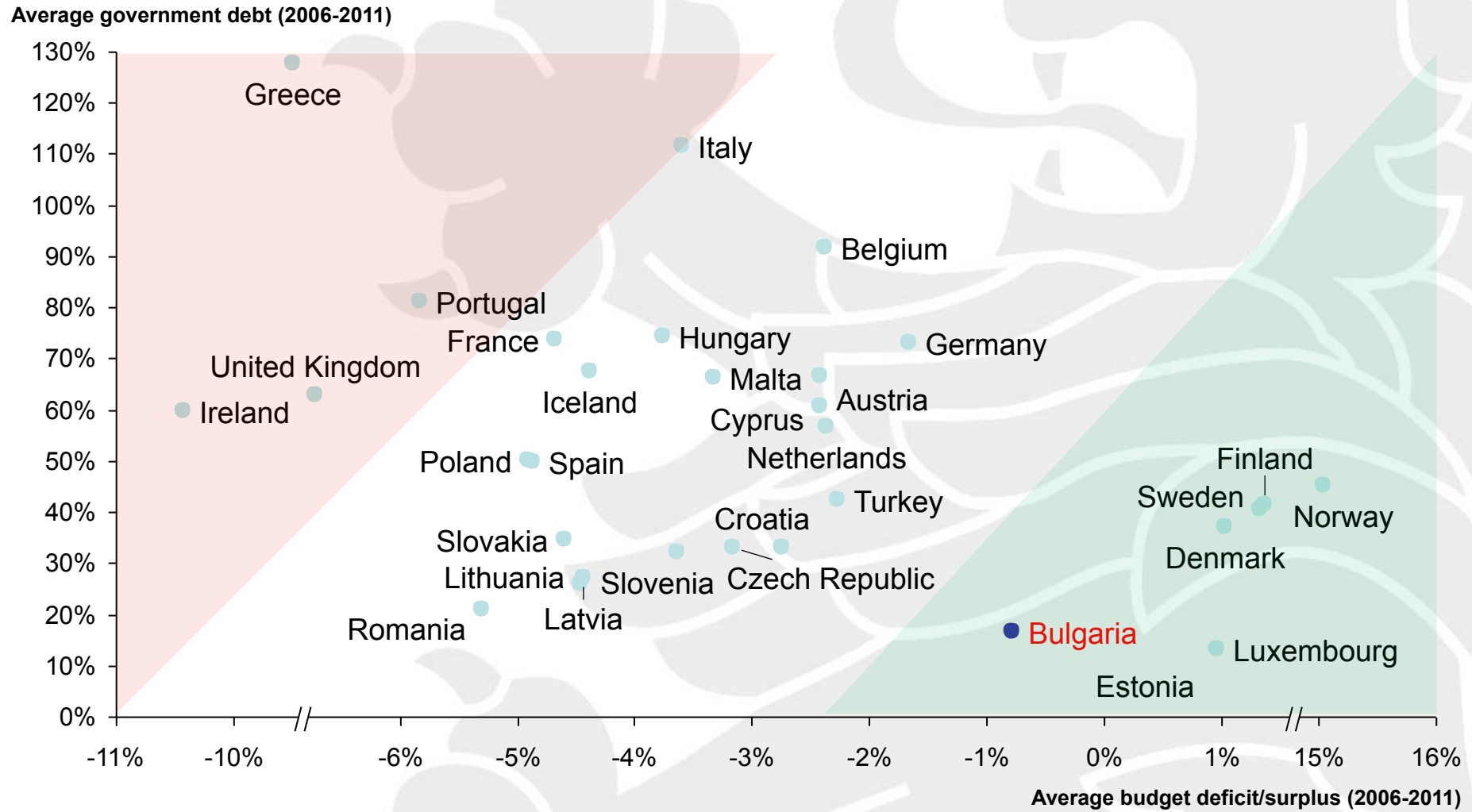
In 2011, Bulgaria had one of the lowest budget deficits in EU



Bulgaria was the only European country with increased credit rating by Moody's in 2010 and 2011

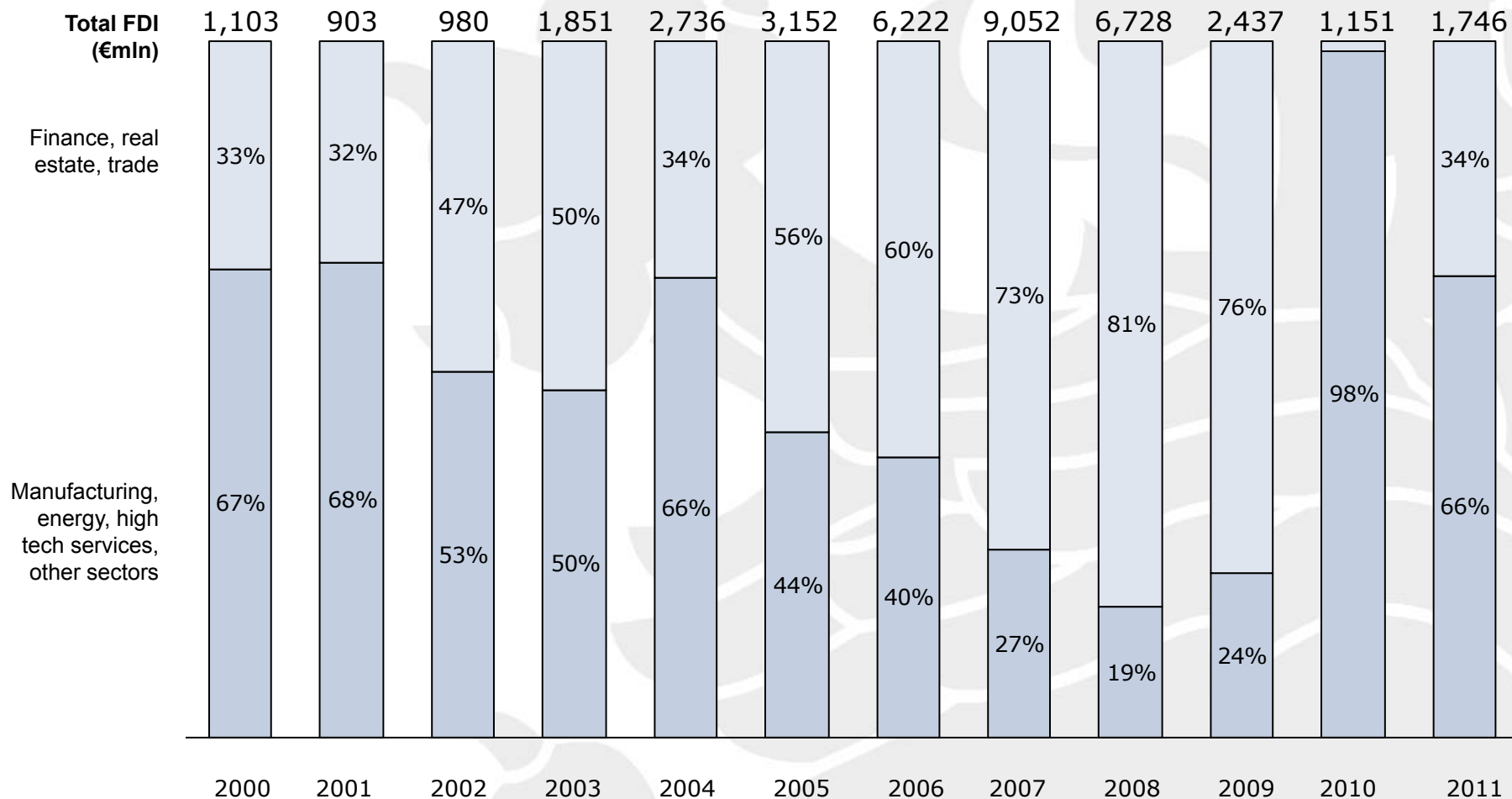


# Government financial indicators are remarkable not only in the region, but on a pan-European scale



Source: Eurostat

# The composition of FDI in Bulgaria has changed lately towards manufacturing and other sustainable sectors



□ FDI in Bulgaria for January-August 2012 amounts to EUR 873.1 mln. (2.2% of GDP)

□ FDI in Bulgaria from Germany – EUR 2.5 billion for the period 1996-2011

Source: Bulgarian National Bank

# Why invest in Bulgaria

- **Political and business stability**
  - EU member since 2007
  - NATO member since 2004
  - WTO member since 1996
  - Currency board backed by IMF
  - Among the lowest budget deficits and government debts in the EU
- **Low cost of doing business**
  - Favorable tax regime
  - Lowest operational costs within the EU
- **Access to markets**
  - European Union / European Free Trade Association
  - Russia and CIS
  - Turkey / Middle East
- **Educated and skilled workforce**
- **Government Incentives**
  - Shortened administrative procedures
  - Preferential acquisition of state or municipal land
  - Financial support for professional training / education
  - Infrastructure subsidies
  - Individual administrative services

The  
Economist

**“the culture of impunity that once plagued Bulgaria has largely gone“**

May 27, 2010

THE WALL STREET JOURNAL.

**„While governments across the euro-zone periphery are on the ropes or have been felled by the economic crisis, Prime Minister Boyko Borisov's government has drawn international accolades for cutting spending while maintaining high levels of public support.“**

September 10, 2011

# Why invest in Bulgaria

## Advantages

### Taxes

- 10 % effective corporate income tax rate
- 10 % effective flat personal income tax rate
- Equipment imports for projects over € 5 M exempted from VAT
- 5% withholding tax on dividends and liquidation quotas (0% for EU tax residents)
- 68 Double Taxation Avoidance Treaties including EU, China, Russia and USA; 66 Agreements on mutual protection and promotion of foreign investments

### Labor

- Skilled labour
- Lowest labour cost per hour in EU
- Employer-friendly labour laws
- Standard labor contracts with 1-month severance and 20 days vacation

### Government policies

- Stable and independent government policies
- Bulgaria is not subject to current Eurozone legislation
- Financial stability pact ensuring continued low taxation and stable fiscal policy

### Customs & visas

- 24-hour customs at the warehousing locations
- Virtual consulate (online visa approval and issue of travel documents)
- Visa-free transit to non-EU countries

### Infrastructure

- Focus on development of infrastructure – 7 highways currently under construction
- 70% of allocated road, rail and industrial zone infrastructure development funds still available



# Investment incentives under the Investment Promotion Act (IPA)

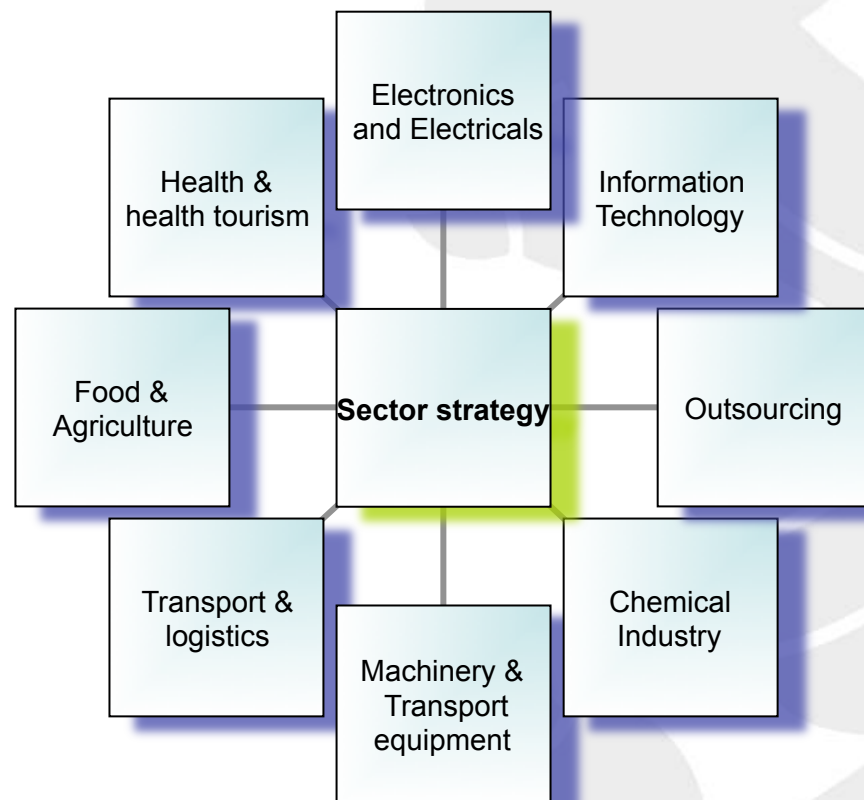
- **Equal treatment of Bulgarian and foreign investors**
- **The investment has to be related to the setting up of a new establishment, expansion, output diversification into new additional products or a fundamental change in the overall production process of existing establishments**
- **The investment to be made in the following sectors:** Manufacturing; Research & development; Education; Healthcare; High-tech services; Warehousing and Logistics
- **Investment classes A and B** depending on the value, region and sector allocation of the investment; **Priority projects**, depending on the value, jobs created and region allocation of the investment

Region or Sector	Euro m	
	Class B	Class A
General	5 - 10	>10
In municipalities with unemployment rate equal or more than the country average	2 – 3.5	>3.5
In high-tech activities in the manufacturing industry for the whole country	2 – 3.5	>3.5
In high-tech activities in the services, computer technologies and R&D sectors for the whole country	1 – 2	>2

# New Measures in the Investment Policy

## Sector Strategy- adopted in 2011

### □ Eight priority sectors



### □ Amendments anticipated in IPA in 2012:

- Decentralization of the certification process - issuing of investment certificates by the municipal council and the mayor of the municipality in which the investment project is implemented;
- Financial support for reimbursement of social security payments expenditure for newly created jobs for 2 years – 17,4% labour costs due by the employer;
- Opportunity for certifying projects in the service sector (in particular outsourcing), where a significant employment is generated

# Many leading multinational companies have chosen Bulgaria as a location for their production and high-tech services

IT & BPO	Mechanical and Electrical Engineering	Construction Materials	Telecom and Media	Energy	Finance
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The following logos are displayed in the image, organized by industry sector:

- IT & BPO:** SAP, hp, IBM, Johnson Controls, vmware, 60K
- Mechanical and Electrical Engineering:** LIEBHERR, Schneider Electric, ABB, EPIQ, YAZAKI
- Construction Materials:** Holcim, SAINT-GOBAIN, Italcementi Italcementi Group, Aurubis, SOLVAY
- Telecom and Media:** AIG, TELEKOM AUSTRIA, MTG, COSMOTE
- Energy:** ENERGO-PRO, EVN, Enel, AES
- Finance:** Raiffeisen BANK, UniCredit, citi, BNP PARIBAS, Eurobank EFG

# Which economic sectors have the highest potential for attracting German investors?

- Services:

- Transport and Logistics
- Information technologies
- Outsourcing of business processes
- Health and tourism related to healthy lifestyle



- Industry:

- Transport equipment and machine building
- Electronics and Electrical engineering
- Chemical industry
- Food and Agriculture



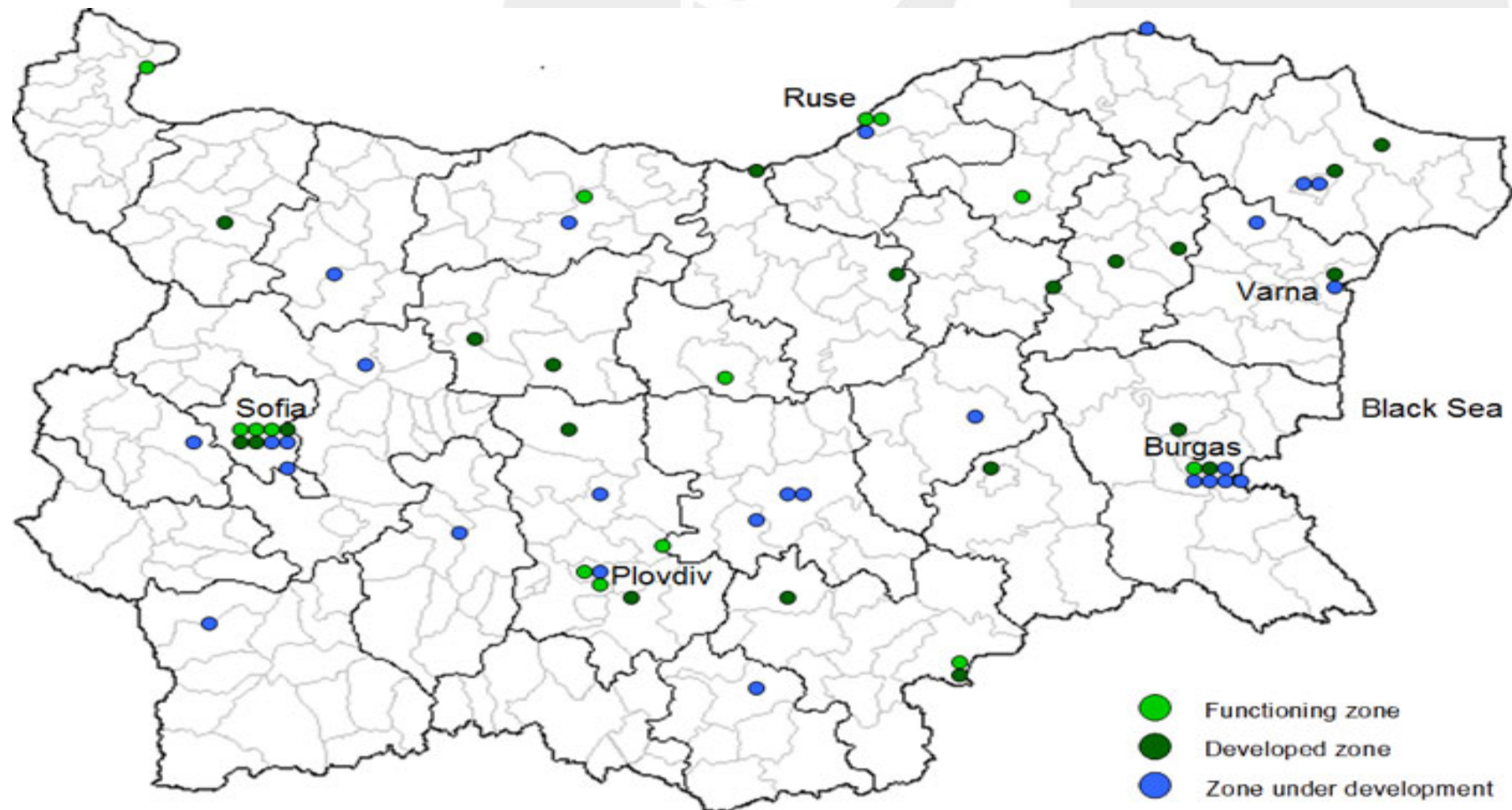
- Resources:

- Mining
- Oil
- Alternative energy



# Potential investment locations in Bulgarian industrial zones

The industrial zones in Bulgaria offer attractive conditions for establishing production, warehousing, logistics and other activities at a very competitive prices



- 14 functioning zones, with active local and foreign investors
- 21 zones, either with fully or mostly developed infrastructure and ready to be invested in
- 27 zones under development

# National Company Industrial Zones - Strategic partner for investors in Bulgaria

**National Company Industrial Zones “NCIZ”** is a state-owned company specialized in:

- Industrial park development
- Management of Industrial zones and Innovation centers
- Provision of additional services

## Main activities:

- Development of industrial zones in line with the latest standards
- Encouragement of investments in sectors with high added value
- Creation of favourable conditions for investment



## Total of 8 projects

4 969 500 m<sup>2</sup> total area

841 580 m<sup>2</sup> built area

225 500 m<sup>2</sup> open warehouses

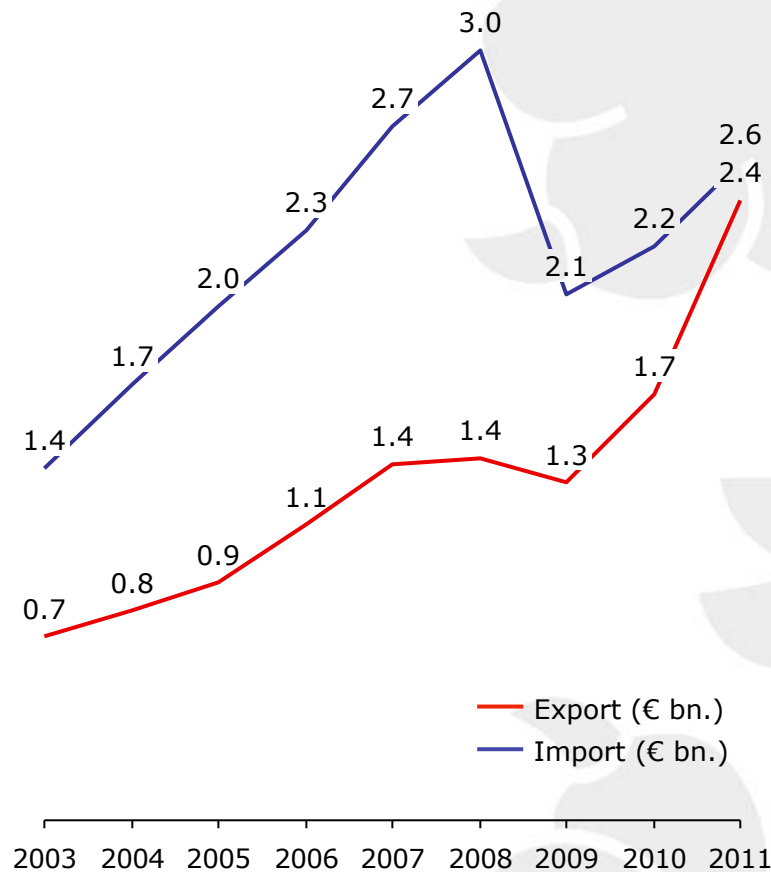
**Three developed industrial zones:** Ruse; Vidin; Svilengrad

**Five zones on early stages of development:** Sofia; Burgas;

Karlovo; Pleven/ Telish; Varna West

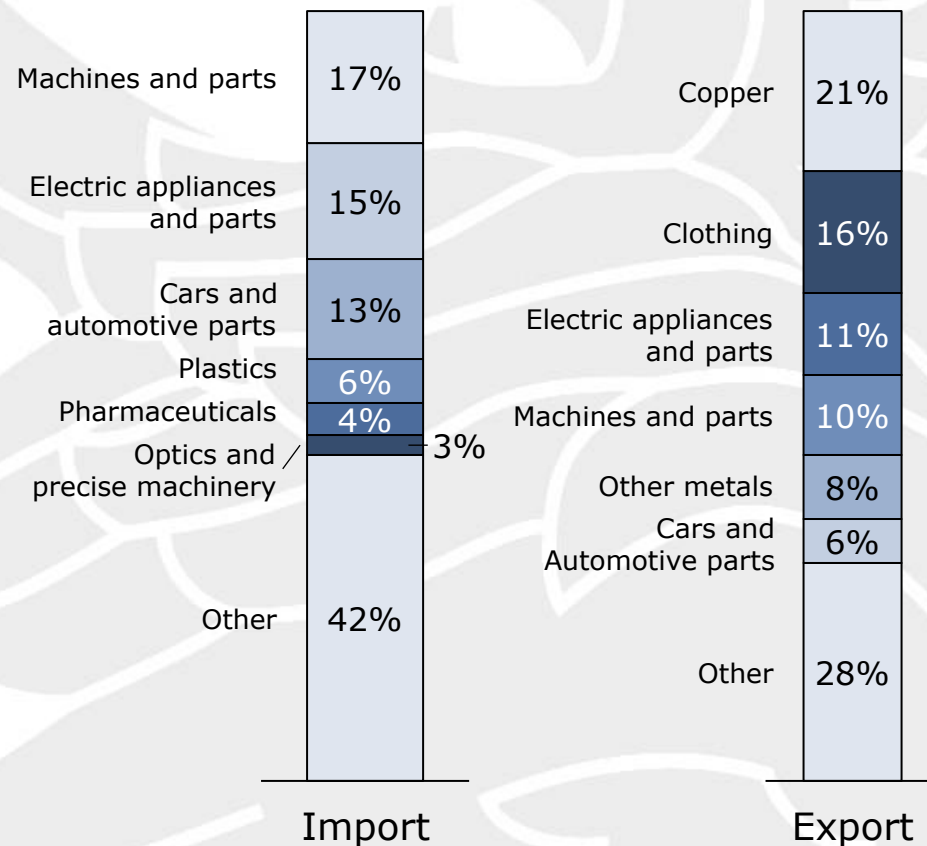
# The role of Germany as a trading partner for Bulgaria has increased significantly for the last ten years

Imports have doubled and exports to Germany have trebled since 2003



Source: Bulgarian National Bank

The structure of imports is very diverse, while six categories form over 70% of exports



Source: Ministry of Economy

# Travel & Tourism – important and growing industry

## Facts and figures:

International and domestic tourism revenues form 10.5 % of GDP

- In 2011 revenues from international tourism totalled 2 852.4 million euros
- 8 712 821 foreign visitors in 2011, of which 6 328 023 tourists
- 4.6 % annual growth in international tourist arrivals in 2011

## What do we offer:

- Excellent climate and environmental conditions
- Unique combination of seaside, mountains and mineral water
- Long lasting tradition in balneology and spa tourism (more than 600 mineral springs)
- Ancient history and unique cultural heritage
- Nine cultural sites in the UNESCO list
- Vivid customs and friendly people
- Bulgaria is well known for its valley of roses; Bulgarian rose oil is one of the main ingredients used in high quality perfumes all over the world
- Unique experiences throughout the whole year
- Affordable prices





# Bulgaria – emerging golf destination

- International Association of Golf Tour Operators’ award in 2012 – “Undiscovered Golf Destination”
- 7 operational golf courses, situated near the Black see coast or in the foot of the mountains, designed by some of the biggest names in golf – Gary Player, Paul McGinley, Ian Woosnam, Peter Harradine
  - excellent leisure, treatment and wellness facilities
  - VIP treat
  - gourmet establishments
  - shopping outlets
- Professional Golfers Association certified instructors
- Residential property and rent





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**Welcome to Bulgaria!**