

Statement by Deputy Minister Evgeny Angelov
Ministerial Round Table
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Dear Ladies and Gentlemen,

I am pleased to have the opportunity to present our investment policy to such a distinguished audience.

In Bulgaria investments have been the **driver of growth** over the last decade. **FDI inflows** over the last 10 years amounted to EUR 37 billion. The high level of foreign investment was instrumental for achieving **GDP growth** of over 6% per year from 2004 until 2008. In 2008 Bulgaria ranked third in the European Union in terms of GDP growth. Most of the FDI was directed in the real estate and financial sectors of the economy which stimulated domestic demand and resulted in large current account deficits.

The global financial crisis started to affect the Bulgarian economy in 2008 and in 2009 GDP declined by 5%. Eurostat forecasts zero GDP growth for Bulgaria for 2010, while EU average growth is envisaged at 1%. Prospects for 2011 are for positive growth of the Bulgarian economy of 2.7%, and 1.7% growth for the EU. In terms of investment inflows, in 2009 Bulgaria was able to attract EUR 3.2 billion FDI, despite the reduction in the global risk appetite.

Bulgaria remains among the most attractive investment destinations in the world based on some of the most established rankings for investment attractiveness:

Bulgaria ranks 19th among 141 economies in the FDI Performance Index prepared by the *World Investment Report* (WIR).

According to *A.T.Kearney*, Bulgaria is the best CEE location for outsourcing of IT, business processes and information centres.

In the 2010 Ernst & Young South Central Europe FDI Attractiveness Survey Bulgaria is the most attractive destination for the establishment of shared service centres.

These statistics are encouraging and motivating for our government. However, in the highly competitive environment for attracting investments the only way to "win" significant projects is to actively target large investors, provide a favourable business environment and assist investors wherever possible.

Bulgaria is a member of the European Union since 1/01/2007. In preparation of its membership our country has gone a long way in putting its legislation in conformity with the European regulations. Important element of it is the trade and investment liberalization. From investor's point of view being part of the common European market means economic stability and predictability.

The **tax rate** level is an important factor for investors in making an investment decision. Bulgaria provides the lowest tax rates in the EU, as well as Europe's lowest operational costs to businesses. These are two very significant competitive advantages which have resulted in large FDI flows over the last ten years. Our corporate tax rate and personal income tax rates are at 10%.

In order to **improve the business climate**, our government implements a programme for continuous reduction of the administrative burden. Working groups comprising representatives from business and government monitor the legislation in force, as well as the draft legislation with the aim to remove the unnecessary regulatory regimes, ease complicated procedures and shorten approval periods.

In addition to an attractive business environment Bulgaria also offers attractive investment incentives. We have chosen to promote investments in high value added products and services. The following incentives are available to both local and foreign investors through measures including:

- one-stop-shop service for investors,
- support for fast and easy land acquisition;
- funding for improvement of public infrastructure near the selected site for investment;
- funding for training of employees.

We have recently introduced additional incentives for high tech investments and for large priority investment projects. For certain priority investment projects in manufacturing financial support of up to 10% of the total investment can be provided and for corporate R&D centres that decide to establish operations in Bulgaria up to 50% of total project costs.

Given the challenging international environment, corporations are forced to apply aggressive and innovative approaches to optimize cost, create flexible structures and utilise technology to maintain and grow their market positions. In this highly competitive world investment decisions are difficult and require adequate support by governments. Companies explore all the incentives offered and rely on institutional assistance in project implementation.

Governments also need to be innovative in maximizing the benefits of investments in order to support sustainable development and increase competitiveness of their economies. A mutually beneficial and tailored support to investors are the key to shared prosperity.

Thank you for your attention!