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Inward FDI in Bulgaria and its policy context

by
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After the fall of the country's communist regime, Bulgaria faced great political instability, changing prime ministers eight times between 1990 and 1997. Three economic crises were associated with slow economic growth or even recession as well as high inflation rates that weakened the Bulgarian economy and discouraged inward foreign direct investment (IFDI) flows in the 1990s. The establishment of a currency board in July 1997 stabilized the economy and greatly increased foreign participation in the privatization process, leading to a major increase in IFDI flows. The entry of Bulgaria into the European Union (EU) in 2007 was a catalyst for IFDI. Bulgaria received US$ 28 billion of IFDI flows in 2007-2010, compared to only US$ 24 billion during the transition period from 1990 to 2006. A low corporate tax rate (10%) and EU membership have played a decisive role in attracting IFDI to Bulgaria.

Trends and developments

In 1989, Bulgaria was a manufacturing economy that produced low quality products that were distributed to the Council for Mutual Economic Assistance (CMEA) countries, especially the USSR. The collapse of both the CMEA and the USSR in 1991 resulted in a vacuum in Bulgaria's foreign trade. Bulgaria joined the International Monetary Fund (IMF) in 1990, after the collapse of the country's communist regime, and has been a member of the World Trade Organization since December 1, 1996. Bulgaria became a member of the EU in January 2007. In contrast to IFDI flows to the eight Central and Eastern European (CEE) countries that joined the European Union (EU) on May 1, 2004, IFDI to Bulgaria remained low for most of the 1990s due to an inadequate infrastructure and business environment, economic and political instability and a slow privatization process. Nevertheless, IFDI flows grew steadily in importance for Bulgaria's economy, rising from 25% to 50% of gross fixed capital formation in the second half of the 1990s. The growth of the Bulgarian economy continues to depend heavily on the level of FDI inflows. During 2000-2009, IFDI flows as a percentage of gross fixed capital formation ranged from a low of 39% in 2001 to a peak of

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105% in 2007.[1] Economic growth in the first decade of the new century and a strong market potential have enhanced Bulgaria's ability to attract international investors. This is a remarkable development, since Bulgaria used to be a laggard in transition to a market economy for most of the 1990s. After its economic crisis in mid-1997, Bulgaria decided to fix the value of its currency to the Deutsche Mark, and in 1999 to the Euro,[2] a measure that stabilized the Bulgarian economy.

Country level developments

Bulgaria began to receive sizeable FDI inflows in the early 2000s, partly driven by privatizations, as well as important greenfield investments. The pre-EU-accession process gradually transformed the business environment of Bulgaria and had a major impact on IFDI. As a result, Bulgaria's ranking by UNCTAD's IFDI Performance Index moved up from a position of 92 in 1990-1992 to a place among the global top ten in 2004-2007.[3] Competitive labor costs have been an important factor for efficiency-seeking FDI, but higher value-added industries have also attracted IFDI.

Annex table 1 contains data on Bulgaria's IFDI stock in 2000, 2009 and 2010. Although Bulgaria's IFDI stock was very low in the initial transition years compared to that in most other CEE countries, by 2009 Bulgaria's IFDI stock was the 8th largest (after those of Russia, Hungary, Poland, Romania, the Czech Republic, Kazakhstan, and Ukraine, in that order) in the CEE region, where IFDI growth has accelerated. FDI inflows increased strongly after Bulgaria signed the EU Accession Treaty, and then slowed during the recent global financial and economic crisis, with a fairly steep decline in IFDI flows during 2008-2010. This pattern is similar to FDI inflows to other CEE countries (annex table 2).

As annex table 3 indicates, the increase in Bulgaria's IFDI stock during 2000-2009 mainly took place in the tertiary sector, with significant FDI growth in transport, storage and communications, electricity, gas and water, financial intermediation, wholesale and retail trade, and real estate services. FDI in construction and manufacturing also rose substantially, but manufacturing FDI grew at a lower rate than FDI in several services. Within the services sector, FDI in trade and telecommunications played an important role in FDI inflows in the early 2000s as a result of privatization deals.[4] In addition, IFDI played a limited but significant role in business services and research and development (R&D) until 2003.[5] In

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[1] Author's calculations, based on data available at: http://unctadstat.unctad.org.

[2] The value of the Bulgarian currency (Bulgarian Lev –BGL) was fixed to the German D-Mark at a rate of 1,000 BGL for 1 DEM in 1997; on July 5, 1999 the Lev was redenominated at 1,000:1 – 1,000 old levs were exchanged for one new Lev– and one new Lev became equal to 1 Deutsche Mark (DEM). With the replacement of the Deutsche Mark by the Euro, the Lev's fixed exchange rate switched to 1.95583 BGL per 1 Euro.

[3] See UNCTAD, *World Investment Report 2007: Transnational Corporations, Extractive Industries and Development* (New York and Geneva: United Nations, 2002) and UNCTAD, *World Investment Report 2008: Transnational Corporations and the Infrastructure Challenge* (New York and Geneva: United Nations, 2008), p. 62.

[4] See UNCTAD, *World Investment Report 2005: Transnational Corporations and the Internationalization of R&D* (New York & Geneva: United Nations, 2005), p. 76.

[5] Bulgaria was among the largest Central and East European recipients of services FDI projects, including both greenfield investments and cross-border M&As, in 2002-2003, according to UNCTAD analysis. The greenfield projects included in the analysis were in five areas: financial services, telecommunications, headquarters and distribution centers, R&D, and share service call centers. See UNCTAD, *World Investment Report 2004: The Shift Towards Services* (New York & Geneva: United Nations, 2004, p.79). Also, among developing economies and the transition economies of South-East Europe and the CIS, Bulgaria and Brazil were the only countries in

South-East Europe and the Commonwealth of Independent States (CIS), the Russian Federation and Bulgaria were the only target economies for location of R&D, as mentioned by respondents of the 2005 UNCTAD survey on the largest multinational enterprise (MNE) spenders on R&D.[6]

Due to the gradual adoption of EU Law (*acquis communautaire*) Bulgaria has followed an overall policy trend of greater openness to IFDI in its energy/electricity industry and in the services sector generally, resulting, as noted, in a strong increase in IFDI stock in these industries (annex table 3).[7] Bulgaria's entry into the EU resulted in foreign banks taking dominant positions in the Bulgarian economy: 83% of Bulgaria's banking sector was controlled by foreign owners at the time of the country's EU accession.[8] Bulgaria is also included in the group of developed countries receiving sizeable IFDI in agriculture.[9] However, as annex table 3 indicates, although IFDI stock in agriculture has grown considerably in the 2000s, its share in total Bulgarian IFDI stock remains extremely low (0.4% in 2009 compared to 0.6% in 2000). FDI in the manufacturing sector has remained important since the fall of the communist regime but its share has declined noticeably during 2000-2009 as a whole, while that of FDI in the services has risen (annex table 3).[10]

Bulgaria and Romania together accounted for 70% of IFDI stock in South-East Europe during the past decade, compared to a share of 59% in GDP.[11] Bulgaria ranks quite high in the regional preference list as an FDI destination.[12] As annex table 4 indicates, the major increase of Bulgaria's IFDI stock between 2000 and 2009 came from the EU member countries (the main sources of FDI in the country), the United States and Russia.

FDI by MNEs, through cross-border mergers and acquisitions (M&As) as well as greenfield projects, is attracted to EU member countries by the growing size of the EU single market. The location of FDI projects associated with the production of goods directed toward the single market depends mostly on a host country's unit labor costs[13] relative to the rest of the

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which foreign affiliates accounted for more than 20% of all patents assigned during 2001-2003 (UNCTAD, *World Investment Report 2005*, *op. cit.,* p. 134).

[6] See UNCTAD, *World Investment Report 2005*, *op. cit.,* p. 134.

[7] See UNCTAD, *World Investment Report 2007*, *op. cit.*

[8] In addition, the establishment of the currency board in July 1997 brought a significant increase in foreign participation in the privatization of the Bulgarian banking system. See UNCTAD, *World Investment Report 2008*, *op. cit.*

[9] Bulgaria is classified as a developed economy by UNCTAD. Bulgaria is included in the top ten ranking places among the developed countries regarding the production of several agricultural commodities (see Food and Agricultural Organization of the United Nations – http://www.fao.org). Bulgaria is also one of the countries where the relative importance of agriculture was greater than the relative importance of manufacturing during the period 2000-2005, according to a comparison done by UNCTAD. (See UNCTAD, *World Investment Report 2009: Transnational Corporations, Agricultural Production and Development* (New York and Geneva: United Nations, 2009), pp. 115, 236).

[10] According to data from the Bulgarian National Bank (http://www.bnb.bg) covering the period 1998-2008, real estate, renting and business activities ranked first in attracting FDI (22%), followed by financial services (20%) and manufacturing (18%).

[11] See UNCTAD's database, available at: available at: http://stats.unctad.org/fdi/.

[12] See UNCTAD, *World Investment Report 2003: FDI Policies for Development: National and International Perspectives* (New York and Geneva: United Nations, 2003), and UNCTAD, *World Investment Report 2007*, *op. cit.*

[13] Gross wages in Bulgaria are comparable with those of India and China. The skilled workforce and the relatively low cost of labor, and the low social security contributions paid by the employee (13%) and by the employer (18%) are considerable incentives for foreign investments, especially those from labor intensive

EU and not on its local market size.[14] Bulgaria has been an EU member since 2007, endowed with a relatively low-cost and skilled labor force, and therefore harbored expectations of an increase in the number of M&As and greenfield investments by MNEs from EU members after the country joined the EU in 2007. There is also an interest on the part of non-EU corporate players that choose Bulgaria as their location to serve the EU market through outsourcing as a part of their activities, and for IT projects in particular.[15]

The corporate players

Annex table 5 provides information regarding the assets, turnover and number of employees in several major foreign MNEs' affiliates in Bulgaria in 2009-2010. Foreign affiliates with assets worth over US$ 1 billion each are all in the tertiary sector (finance and telecommunications), except for one that is in the secondary sector (petrochemicals). The highest turnover, however, is exhibited by foreign affiliates in the secondary sector. The largest affiliates in terms of the number of employees are found in both the secondary and tertiary sectors. The largest MNE affiliates in Bulgaria in terms of assets come mainly from Austria, Italy and Greece.

Annex table 6 shows the major cross-border M&A deals in Bulgaria during 2003-2010, ranked by their transaction/investment values, and the MNE acquirers, domestic firms acquired and industries involved. Almost all of the 32 deals shown took place in the services sector. Investors from Greece and Austria signed seven deals with a total value of US$ 5.5 billion; another US$ 4 billion (three deals) came from the United Kingdom; US$ 2.6 billion (also three deals) came from the United States. About one third of the deals involved investors from neighboring countries such as Greece, Romania and Turkey. Another third were by MNEs from former CEE countries such as Russia, Hungary, Romania, and the Czech Republic. The biggest deals of around US$ 2 billion each were made by MNEs from the United Kingdom, the United States, Austria, and Greece.

Annex table 7 provides information on the largest greenfield FDI projects in Bulgaria in the more recent period 2008-2010. The biggest greenfield project in 2010 (over US$ 1 billion) is in construction. Earlier projects of similar size were in electricity (2009) and manufacturing (2008). While cross-border M&As were mainly concentrated in the tertiary sector –and especially in telecommunications (see annex table 6)- greenfield projects were mainly in electricity services and construction and manufacturing.[16]

Effects of the recent global crisis

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companies. For the importance of labor costs as determinants of FDI in Bulgaria see Kalman Kalotay, "FDI in Bulgaria and Romania in the wake of EU accession," *Journal of East-West Business*, vol. 14 (2008), pp. 5-40.

[14] See S. Girma, "The process of European integration and the determinants of entry by non-EU multinationals in UK manufacturing," *Manchester School*, vol. 70 (2002), pp. 315-335.

[15] See UNCTAD, *World Investment Report 2004*, *op. cit*. There are also, however, some negative effects on Bulgaria's FDI inflows due to EU accession. From the late 1990s, Turkish textile and apparel manufacturers began investing in South East European countries, such as Romania and Bulgaria, where labor costs were lower than in Turkey. However, following Romania's and Bulgaria's accession to the EU in 2007, and as a consequence of their rising production costs, Turkish investment in these countries stopped. See UNCTAD *World Investment Report 2008*, op. cit.

[16] According to data from the Bulgarian National Bank (http://www.bnb.bg) covering the period 1998-2008, greenfield investments from abroad, joint ventures, reinvestments, and additional investments in already acquired enterprises exceeded the levels of FDI generated from privatization, which had been the main source of FDI in the preceding period.

In Bulgaria, as elsewhere, business cycle-sensitive industries, such as chemicals and other intermediate goods, professional equipment and the automobile industry have been severely affected by the recent financial and economic crisis, while agriculture, food, pharmaceuticals, and services in general seem to have been more resilient.[17] IFDI flows to Bulgaria declined as a percentage of GDP from 20% in 2008 to 9% in 2009,[18] while GDP levels remained relatively stable, suggesting that the decline of FDI that occurred mostly in business cycle-sensitive industries was not fully compensated for by a rise of FDI in others.

The impact of the recent global crisis on FDI and its prospects has differed across Bulgarian industries. The negative effects of the crisis –diminishing capital flows and declining demand– are concentrated in exporting sectors, mainly in manufacturing, construction and trade.[19] However, the situation in the banking sector is different due to adequate levels of liquidity and the independence of foreign affiliates from parent companies.[20]

One of the key uncertainties regarding FDI recovery, in Bulgaria as elsewhere, is regarding the return of cross-border M&As, as they are the major mode of FDI entry to many economies. The uncertainty relates to a wide range of factors, such as the severity or duration of the slowdown in global growth, the efficiency of global policy responses to the crisis (especially of initiatives aimed at stimulating investment), the stabilization and recovery of the financial system and the capacities of emerging countries' MNEs to become a major engine of FDI growth.[21]

In the period 1996-2005, accumulated IFDI flows in Bulgaria totaled US$ 14 billion. In 2006, IFDI flows doubled compared to 2005 reaching US$ 7.8 billion. In 2007, IFDI flows increased again by 158% to reach US$ 12.4 billion.[22] However, due to the global financial crisis, IFDI flows started to decline in 2008, when they fell to US$ 9.9 billion. This negative trend continued in 2009 when they plunged further to US$ 3.4 billion and 2010 to US$ 2.2 billion (see annex table 2). Preliminary data for 2011 indicate that the bottom of the decline was reached that year, with only US$ 1 billion registered over the first 11 months of the year.[23]

Bulgaria experienced a steady increase in IFDI flows and IFDI stock over the pre-crisis years, but now seems to be facing an unstable external environment, as reflected in the

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[17] See UNCTAD, *World Investment Prospects Survey 2009-2011* (New York and Geneva: United Nations, 2009).
[18] See UNCTAD's database, *op. cit.*
[19] Several MNEs, however, avoided closing their affiliates in Bulgaria despite declining demand. For example, Şişecam (the largest Turkish glass manufacturer) stopped production in its Bulgarian affiliate (Trakiya Otocam) in December 2008 due to a shrinking demand in Europe caused by the economic and financial crisis. Sisecam has made the largest greenfield investment ever in Bulgaria in order to serve the European market. (See UNCTAD, *World Investment Report 2008*, *op. cit.*) Şişecam has four plants in Targovishte but none of these was threatened by closure although the parent company had already closed in 2008 three of its plants in Turkey due to the consequences of the global financial crisis.
[20] See S. Totev and G. Sariiski, "Facing the crisis: bitter pills for the transforming Bulgarian economy," in W. Bartlett and V. Monastiriotis, *South East Europe after the Economic Crisis: a New Dawn or back to Business as Usual?* (London: LSEE, 2010).
[21] See UNCTAD, *Assessing the impact of the current financial and economic crisis on global FDI flows* (New York and Geneva: United Nations, 2009), p. 38.
[22] For figures and percentages (current prices and current exchange rates), see annex table 2 and UNCTAD statistics – http://unctadstat.unctad.org.
[23] See UNCTAD, *Global Investment Trends Monitor*, No.8, Geneva, 24 January 2012, available at: http://www.unctad.org/en/docs/webdiaeis2012d1_en.pdf.

decline in IFDI flows mentioned above. Bulgaria's relatively bleak prospects can partly be explained by a decline in opportunities for exports to the most advanced European markets and the precarious condition of many national financial systems.[24]

Bulgaria's economic recovery depends heavily on export growth.[25] Exports in 2010 grew by 33% compared to 2009 and by 2.3% compared to 2008. The latter is because exports such as chemicals and iron and steel still lag behind in comparison to those of 2008.[26] GDP in 2010 decreased by 1.8% compared to 2009 and by 7.6% compared to 2008.[27] As long as domestic demand and exports remain lower than the pre-crisis levels, IFDI will be at low levels.

The policy scene

Bulgaria's EU accession in 2007 led to increased efforts toward the improvement of the business environment[28] and the completion of large privatization deals. By adopting the *acquis communautaire*, Bulgaria is expected to meet "benchmarks" established by the European Commission for compliance with EU standards. These "benchmarks" concern judicial independence, the fight against crime and corruption and mandatory structural reforms to increase transparency and accountability in public administration; their achievement is expected to have a positive effect on competitiveness.[29]

Liberalization of the domestic investment regime to attract foreign investors has been one of the top priorities of the Bulgarian Government. Bulgaria has signed 64 double taxation treaties (DTTs) and 67 bilateral investment treaties (BITs) on the mutual protection and promotion of foreign investment.[30] Investment promotion has been assigned to the Invest Bulgaria Agency (IBA), previously called the Bulgarian Foreign Investment Agency. The IBA was established in April 1995 as an executive agency under the power of the Ministry of Economy, Energy and Tourism to promote foreign investment in Bulgaria. The basic

[24] See UNCTAD, *World Investment Prospects Survey 2009-2011* (New York and Geneva: United Nations 2009), pp. 51f.
[25] See B. Slay, "The macroeconomic and social impact of the global financial crisis on South East Europe," in W. Bartlett and V. Monastiriotis, *South East Europe after the Economic Crisis: a New Dawn or back to Business as Usual?* (London: LSEE, 2010).
[26] See statistics by Bulgarian National Bank at
http://www.bnb.bg/Statistics/StExternalSector/StForeignTrade/StFTExports/index.htm
[27] Author's calculations from UNCTAD data and data from Bulgarian National Bank, *op.cit.*.
[28] Some light is thrown on the improvement of the Bulgarian business environment by the *Ease of Doing Business* Reports (IFC and the World Bank: http://www.doingbusiness.org/Data/ExploreEconomies/Bulgaria). In the 2010 and 2011 Reports Bulgaria was ranked 51st regarding the overall *"*ease of doing business*"* (out of 183 economies). At the same time it ranked 43rd in 2011 and 50th in 2010 on the "starting a business" indicator; in the 6th place on "getting credit" in both years (2010–2011); in the 83rd place in 2011 and 79th place in 2010 on the "closing a business" indicator; in the 44th place in 2011 and the 41st in 2010 on the "protecting investors" indicator; in the 85th place in 2011 and the 95th in 2010 regarding the "paying taxes" indicator: and finally in the 62nd place in 2011 and in the 56th in 2010 on the "registering property" indicator.
[29] Progress in combating corruption, however, is still an issue: Bulgaria's rank on the Corruption Perceptions Index deteriorated from 64th in 2007 to 73rd in 2010, and to 86th in 2011 (see Transparency International, *Global Corruption Report 2011* (London and Washington D.C.: Transparency International, 2011), available at: http://www.transparency.org).
[30] UNCTAD, "Bulgaria: number of double taxation treaties concluded" (New York and Geneva: United Nations, 2011), as at June 1, 2011, available at:
http://archive.unctad.org/Templates/Page.asp?intItemID=4505&lang=1; and, "Bulgaria: number of bilateral investment treaties concluded" (New York and Geneva: United Nations, 2011), as at June 1, 2011, available at:
http://archive.unctad.org/Templates/Page.asp?intItemID=2344&lang=1

function of the Agency has been the encouragement and implementation of the state's investment policy. Its mission is to help potential and existing investors explore investment opportunities in Bulgaria and carry out investment projects, mainly greenfield, in the country. The Privatization Agency (PA), established in 1992, is responsible for the privatization of large enterprises, while divestment of smaller and medium enterprises implemented by line ministries.[31]

Bulgaria is one of the countries that have provided subsidies to infrastructure industries so as to promote the universal provision of services or regional development.[32] Incentives to foreign investors have also been offered in the form of corporate tax cuts. There were many changes to corporate taxation in 2004, when Bulgaria ranked among the top four of developed countries based on IFDI performance, after it cut its average corporate tax rate from 23.5% to 19.5%.[33] In 2005, as a prelude to EU accession, Bulgaria further reduced its corporate tax from 19.5% to 15%.[34] In 2007 it was reduced to 10%. Additional tax incentives were provided as a policy response to the recent crisis.[35]

Bulgaria's 10% corporate tax rate, much lower than the average corporate tax rate of 28% in the EU-27, has proved to be a cornerstone for the attraction of FDI inflows during the crisis. The corporate tax rate in Bulgaria remains the lowest in the EU. The Bulgarian legal framework for FDI comprises the revised Investment Promotion Act (State Gazette, issue 18 of 2010) and the Regulations for Application of the Investment Promotion Act (State Gazette, issue 93 of 2009).[36]

Conclusions

The pre-accession process for EU membership gradually and positively transformed the Bulgarian business environment and had a strong positive impact on IFDI. The entrance of

[31] For details on IBA see http://www.investbg.government.bg. For PA see http://www.priv.government.bg.

[32] See UNCTAD, *World Investment Report 2004*, op. cit, p.198. According to the report, other countries with such subsidies at the time included Canada, Chile, El Salvador, Namibia, and the United States.

[33] See UNCTAD, *World Investment Report 2005*, *op. cit.,* p. 23.

[34] See UNCTAD, *World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development* (New York and Geneva: United Nations, 2006), p. 81.

[35] According to the Bulgarian Corporate Income Tax Act (in force as of January 1, 2008) there is a tax relief when the initial investment is made in municipalities where the unemployment rate for the year of retention is 35% or higher than the national average for the same period. Investors in agriculture, manufacturing (including toll manufacturing), high technology and infrastructure will be 100% relieved from corporate income taxation for five years under certain conditions (the invested amount in each one of the five years exceeds € 5.1 million), or when brand new assets are acquired. In addition, considerable incentives for foreign investors were announced in 2009 regarding the reduction of the labor cost.

[36] The radical changes in Bulgarian FDI laws are reflected in the many different names of the changing laws throughout the transition years. The first Law on the Business Activity of Foreign Persons and on the Protection of Foreign Investments (1991-1992) was adopted by the Parliament of Bulgaria in 1991 and was promulgated in the State Gazette, Issue No. 47 of 1991. In 1992, it was revoked and the Bulgarian Parliament adopted the Law on Promotion and Protection of Foreign Investments, or the Encouragement and Protection of Foreign Investment Act, promulgated in the State Gazette, Issue No. 8 of 1992. Bulgaria adopted the Encouragement and Protection of Foreign Investments Act in 1996 (published in the Official Gazette issue No 109 of December 27th, 1996) and the article 3 on the Right to Make Investments (Amended, Official Gazette issue No 109 of 1996). On 16-24 October 1997, the Parliament of Bulgaria adopted a new Law on Foreign Investments. This Law was revised in 1999 (published in the Official Gazette issue No 97, of 1997; supplemented, Official Gazette issue No 29 of 1998; No 153 of 1998, No 110 of 1999 amended and supplemented) and repealed the Law on Promotion and Protection of Foreign Investments (published, State Gazette, issue 8 of 1992; amended, issues 92 and 102 of 1995, issue 109 of 1996; corrigendum, issue 110 of 1996; amended, issues 55 and 58 of 1997).

Bulgaria into the EU in 2007 was an FDI catalyst and the very low taxation rates have played a decisive role in the attraction of IFDI in Bulgaria ever since. The manufacturing sector remains important for the attraction of IFDI in Bulgaria; the services sector is the largest recipient of FDI, with financial intermediation, banking, and real estate attracting significant IFDI in the last few years.

Bulgaria has experienced a steady increase in FDI inflows and its IFDI stock since the early 2000s, but IFDI flows have declined considerably in 2008-2011. However, Bulgaria is very likely to regain its pre-crisis level of IFDI flows in 2013-2016. Until then IFDI flows will likely remain below pre-crisis levels.

Additional readings

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Useful websites

Bulgarian National Bank – http://www.bnb.bg

Invest Bulgaria Agency (IBA) - http://www.investbg.government.bg

National Statistical Institute - http://www.nsi.bg/indexen.php

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Statistical Annex

Annex table 1. Bulgaria: inward FDI stock, 2000, 2009 and 2010

(US$ billion)

Economy	2000	2009	2010
Bulgaria	2.7	49.2	48.0
Memorandum: comparator economies			
Poland	34.2	186.1	193.1
Czech Republic	21.6	125.8	129.9
Hungary	22.9	98.8	91.9
Romania	7.0	72.0	70.0
Greece	14.1	42.1	33.6
Slovenia	2.9	15.1	15.0

Source: UNCTAD database, available at: http://unctadstat.unctad.org.

Annex table 2. Bulgaria: inward FDI flows 2000-2010

(US$ billion)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bulgaria	1.0	0.8	0.9	2.1	3.4	3.9	7.8	12.4	9.9	3.4	2.2
Memorandum: comparator economies											
Poland	9.4	5.7	4.1	4.6	12.9	10.3	19.6	23.6	14.8	13.7	9.7
Czech Republic	5.0	5.6	8.5	2.1	5.0	11.7	5.5	10.4	6.5	2.9	6.8
Romania	1.1	1.2	1.1	2.2	6.4	6.5	11.4	9.9	13.9	4.8	3.6
Greece	1.1	1.6	0.1	1.3	2.1	0.6	5.4	2.1	4.5	2.4	2.2
Hungary	2.8	3.9	3.0	2.1	4.3	7.7	6.8	4.0	7.4	2.0	2.4
Slovenia	0.1	0.4	1.6	0.3	0.8	0.6	0.6	1.5	1.9	-0.6	0.8

Source: UNCTAD database, available at: http://unctadstat.unctad.org.

Annex table 3. Bulgaria: sectoral distribution of inward FDI stock, 2000 and 2009

(US$ million)

Sector/industry	2000	2009
All sectors/industries	**2,703.7**	**51,126.5**
Primary		
Agriculture, hunting and forestry	15.4	223.2
Fishing	0.9	6.3
Mining and quarrying	23.6	206.6
Secondary		
Construction	73.4	3,626.4
Manufacturing	1,141.1	9,333.2
Services		
Transport, storage and communication	200.5	6,321.5
Electricity, gas and water supply	63.0	1,943.5
Education	0.3	4.2
Public administration and defense; compulsory social security	0.00	0.3
Financial intermediation	493.9	9,256.7
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	402.7	6,825.7
Real estate, renting and business activities	192.4	11,531.9
Hotels and restaurants	53.5	808.46
Health and social work	0.7	17.1
Other community, social and personal service activities	15.4	239.7
Not allocated	**26.8**	**781.5**

Source: Bulgarian National Bank – http://www.bnb.bg

Note: Exchange rates between US$ and Euro (year-end exchange rates) were obtained from http://sdw.ecb.europa.eu/curConverter.do for conversion into US$.

Annex table 4. Bulgaria: geographical distribution of inward FDI stock, 2000 and 2009

(US$ million)

Region/economy	2000	2009
World	**2,703.7**	**51,126.5**
Developed economies	**n.a.**	**n.a.**
Europe	**n.a.**	**n.a.**
Austria	189.9	9,368.1
Belgium	0.00	535.3
Cyprus	272.6	2,367.2
Czech Republic	23.1	659.2
Denmark	2.6	411.9
Estonia	0.0	138.0
France	94.4	1,132.2
Germany	329.3	2,891.9
Gibraltar	7.4	87.2
Greece	217.0	3,789.1
Hungary	6.0	1,495.9
Ireland	11.1	1,127.0
Italy	293.1	704.5
Latvia	0.3	220.1
Liechtenstein	14.5	174.0
Lithuania	0.0	328.5
Luxembourg	0.00	2,060.6
Malta	4.9	427.3
Netherlands	187.8	9,220.4
Norway	6.2	177.2
Poland	0.9	167.8
Slovenia	0.9	81.7
Spain	1.9	1,349.4
Sweden	5.9	169.7
Switzerland	88.7	914.0
Romania	0.6	219.7
United Kingdom	205.0	4,058.5
North America	**n.a.**	**n.a.**
Canada	1.9	19.6
United States	261.9	2,258.7
Other developed countries	**n.a.**	**n.a.**
Australia	0.4	26.7
Japan	8.9	133.7
Developing economies	**n.a.**	**n.a.**
Africa	**n.a.**	**n.a.**
South Africa	1.2	4.0
Asia and Oceania	**n.a.**	**n.a.**
China	0.7	10.1
Hong Kong, China	0.1	12.1
Republic of Korea	0.0	24.4
Saudi Arabia	0.0	28.1
United Arab Emirates	0.0	24.9
Latin America and Caribbean	**n.a.**	**n.a.**
Belize	0.9	107.3
Cayman Islands	30.4	82.4
Panama	4.8	285.1
Saint Vincent and the Grenadines	-	120.3
Transition economies	**n.a.**	**n.a.**
Albania	0.1	7.5
Croatia	0.0	6.5

Serbia	n.a.	18.9
The FYR of Macedonia	2.9	-19.3
Ukraine	1.6	35.0
Others	**n.a.**	**n.a**
Israel	4.8	333.35
Turkey	53.8	308.14

Source: Bulgarian National Bank – http://www.bnb.bg

Note: US $ values were obtained by using exchange rates between US$ and Euro (the end-year exchange rates) obtained from http://sdw.ecb.europa.eu/curConverter.do.

Annex table 5. Bulgaria: major foreign affiliates in economy, ranked by assets, 2009-2010

Year	Name of Bulgarian affiliate	Name of parent MNE	Home economy	Activity	Assets (US$ million)	Turnover (US$ million)	Employees
2010	Bulbank	Unicredito	Italy	Finance	7,725.1	549.4	3,803
2010	Raiffeisen bank Bulgaria	Raiffeisen bank	Austria	Finance	4,495.7	367.2	3,478
2010	SG expressbank	Societe Generale	France	Finance	3,915.5	272.0	1,461
2010	Mobiltel ad	Telecom Austria	Austria	Telecommunications	2,048.9	763.8	2,391
2009	Neftochim, petrol	Lukoil	Russia, Netherlands	Petrochemical industry	1,572.5	3,114.7	2,821
2010	BTC ad	Viva ventures (advent international)	Austria	Telecommunications	1,247.5	754.4	3,141
2009	Globul, Cosmo mobile	OTE	Greece	Telecommunications	1,062.7	649.4	1,300
2009	Aurubis Bulgaria	Aurubis	Germany	Copper smelter	889.9	1,962.7	800
2009	Sodi Devnya	Solvay	Belgium	Chemical industry	453.6	180.0	580
2009	Metro Bulgaria	Metro	Germany	Trade	283.7	676.8	2,571
2009	OMV Bulgaria	OMV	Austria	Trade (petrol)	273.6	924.5	88
2009	Devnya cement a	Italchementi	Italy	Cement industry	256.3	112.3	319
2009	Ideal Standard, Vidima	American Standard	United States, Netherlands	Plumbing, sanity ware	230.4	211.7	1,504
2009	Kraft Foods Bulgaria	Kraft Foods	United States	Food industry	146.9	151.2	688
2009	Epiq Bulgaria	Epiq	Belgium	Electronics	102.2	164.2	2,185
2009	Zagorka	Brewinvest	Greece	Brewery	100.8	112.3	572
2009	Shell Bulgaria	Shell	United Kingdom	Trade (petrol)	93.6	352.8	1,500
2009	Nestle Bulgaria	Nestle	Switzerland	Food industry	90.7	188.6	1,427
2010	Kamenitza	Interbrew	Belgium	Brewery	71.0	76.4	772
2009	Digicom spltd	Siemens	Germany	Electrical engineering	60.5	95.0	360
2009	Somat	Willi Betz	Germany	Transport	54.7	92.2	609
2009	Hyunday Elprom Trafo	Hyundai	Republic of Korea	Power transformers	53.3	76.3	600
2010	Miroglio Bulgaria, Interpred	Miroglio	Italy, Germany	Textile manufacturing	26.8	45.6	1,103
2009	Eko Petroleum	Hellenic Petroleum	Greece	Trade (petrol)	14.4	2.9	98

Source: Author’s research, based on information found in published companies’ profiles and annual reports.

Annex table 6. Bulgaria: top cross-border M&A completed deals by inward investing firm[a]

Date	Acquiring company	Home economy	Target company	Target industry	Value (US$ million)
2010	Central European Media Enterp.	United States	Balkan News Corporation	Television broadcasting	403
2010	Gazprom Neft	Russia	200 gasoline stations; 10 oil storage depots	Gasoline stations	317
2009	CVC Capital Partners	United Kingdom	Kamenitza [b]	Breweries	3,032
2009	Time Warner	United Kingdom	Central European Media Enterprises (CME)	Television broadcasting	243
2009	EQT V Ltd	Guernsey	Eurocom Cable	Telephone communications, except radiotelephone	178
2009	Bulgarian Acquisition Co II	Luxembourg	Korporativna Targovska Banka	Banks	129
2008	Modern Times Group (MTG)	Sweden	Nova Televisia Bulgaria	Periodical publishers; television	967
2008	Groupama International	France	OTP Garancia [d]	Direct life insurance carriers	882
2008	Lukoil	Russia	75 filling stations; Petrolna Baza Iliyantsi	Gasoline stations	374
2008	Advance Properties (KG Maritime Shipping)	Germany	Navibulgar (Navigation Maritime Bulgare)	Deep sea freight transportation	369
2008	Arcapita Bank	Bahrain	Pinnacle Real Estate	General warehousing and storage	345
2008	Alfa Finance Holding	Turkey–Luxembourg	Landmark Property Bulgaria	Real estate	331
2008	Allied Irish Banks (AIB)	Ireland	Bulgarian American Credit Bank (BACB)	Commercial banking	319
2008	Assos Capital	Greece	Carrefour Tsarigradsko (project)	Real estate	316
2008	Miller Developments Ltd	United Kingdom	Mall Varna	Operators of nonresidential buildings	151
2007	AIG Capital Partners	United States	Bulgarian Telecommunications Company (BTC)	Wired telecommunications carriers	1,919
2007	KBC	Belgium	Cibank AD (formerly Economic and Investment Bank AD)	Commercial banking	419
2007	Bridgecorp	Turkey–Luxembourg	Landmark Property Bulgaria	Real estate	308
2007	KBC	Belgium	DZI Insurance	Insurance carriers	240
2007	BNP Paribas	France	JetFinance International	Consumer lending	233
2006	COSMOTE	Greece	Germanos	Electronics stores	2,006
2006	Petrom	Romania	OMV Bulgaria; OMV Romania Mineraloel; OMV Srbija d.o.o.	Gasoline stations	275
2006	CEZ	Czech Republic	TPP Varna	Fossil fuel electric power generation	259
2006	EFG Eurobank Group	Greece	DZI Bank	Commercial banking	200

2006	Panos Germanos – private investor	Greece	non-core assets of Germanos in SEE	Storage battery manufacturing	192
2005	Telekom Austria AG	Austria	MobilTel	Wireless telecommunications carriers	1,952
2005	COSMOTE	Greece	GloBul	Wireless telecommunications carriers	520
2004	3TS Capital Partners [d]	United Kingdom	MobilTel	Wireless telecommunications Carriers	1,452
2004	CEZ	Czech Republic	Elektrorazpredelenie Stolichno, Sofia Oblast and Pleven	Electric power distribution	363
2004	Advent International	United States	Bulgarian Telecommunications Company (BTC)	Wired telecommunications carriers	347
2004	EVN	Austria	Elektrorazpredelenie Plovdiv and Stara Zagora	Electric power distribution	344
2003	OTP Bank	Hungary	DSK Bank	Savings institutions	377

Source: The author, based on DealWatch – http://www.securities.com/dw.

[a] Exchange rates between US$ and Euro for conversion into US$ (on the day of the deal) were obtained from: http://sdw.ecb.europa.eu/curConverter.do
[b] Group of Borsodi Sorgyar; Zagrebacka Pivovara d.d.; Pivovary Staropramen; IPS Trebjesa; Apatinska Pivara; Inbev Romania.
[c] Group of OTP Garancia poistovna; OTP Garancia zivotna poistovna; OTP Garancia Asigurari; DSK Garancia.
[d] Additional companies participating in the deal: ABN AMRO Capital (UK); Citigroup Inc. (United States); Communication Venture Partners (CVP) (UK); Global Finance (Greece); Herbert Cordt (private investor) (Austria); Innova Capital (Poland); Josef Taus (Austria).

Annex table 7. Bulgaria: top greenfield projects announced, by inward investing firm, 2008-2010

Year	Investing company	Home economy	Industry	Business activity	Investment (US$ million)
2010	Equest Investments Balkans	United Kingdom	Hotels and tourism	Construction	1,100
2010	AES Corporation (AES)	United States	Alternative/renewable energy	Electricity	400
2010	Carrefour	France	Food and tobacco	Retail	270
2010	Great Wall Motors (GWM)	China	Automotive OEM	Manufacturing	211[a]
2010	Juwi	Germany	Alternative/renewable energy	Electricity	165[a]
2010	PNE Wind	Germany	Alternative/renewable energy	Electricity	165[a]
2010	Electra de Carbayin	Spain	Alternative/renewable energy	Electricity	165[a]
2010	Electricite de France (EDF)	France	Alternative/Renewable energy	Electricity	133
2010	HortiGreenPower	Netherlands	Food and Tobacco	Manufacturing	121
2010	Siemens	Germany	Alternative/Renewable energy	Electricity	101
2009	General Electric (GE)	United States	Alternative/renewable energy	Electricity	1,002
2009	Mitsubishi Corporation	Japan	Alternative/renewable energy	Electricity	254
2009	Enel	Italy	Alternative/renewable energy	Electricity	201[a]
2009	Enertrag	Germany	Alternative/renewable energy	Electricity	201[a]
2009	Copelouzos Group	Greece	Alternative/renewable energy	Electricity	180[a]
2009	Nobesol Levante	Spain	Alternative/renewable energy	Electricity	179[a]
2009	Preneal	Spain	Alternative/renewable energy	Electricity	155[a]
2009	Rewe	Germany	Food and tobacco	Retail	149
2009	Alpiq (ATEL)	Switzerland	Alternative/Renewable energy	Electricity	103
2009	Lukoil	Russia	Chemicals	Manufacturing	93
2009	Kardan Group	Netherlands	Real estate	Construction	78[a]
2009	Novator	United Kingdom	Pharmaceuticals	Manufacturing	77
2008	Lukoil	Russia	Coal, oil and natural Gas	Manufacturing	1,200
2008	Marivent	Greece	Alternative/renewable energy	Electricity	741
2008	Deutsche Bank	Germany	Alternative/renewable energy	Electricity	693
2008	ELCO Holdings	Israel	Real estate	Construction	473
2008	CEZ Group	Czech Republic	Coal, oil and natural Gas	Electricity	471[a]
2008	Wind Energy Solutions	Netherlands	Alternative/renewable energy	Electricity	407
2008	Italcementi	Italy	Building and construction materials	Manufacturing	389
2008	Tidhar Group	Israel	Hotels and tourism	Construction	360
2008	Immofinanz	Austria	Real estate	Construction	238
2008	Ciccolella SpA	Italy	Food and tobacco	Manufacturing	221
2008	ECE Projektmanagement	Germany	Real estate	Construction	204
2008	ECE Projekt Management	Germany	Real estate	Construction	192
2008	Dundee Precious Metals	Canada	Metals	Manufacturing	161
2008	EVN	Austria	Alternative/renewable energy	Electricity	136
2008	Gruppo Societa Gas Rimini	Italy	Coal, oil and natural Gas	Logistics, distribution and transportation	133

Source: The author, based on fDi Intelligence, a service from the Financial Times Ltd.

[a] Estimated investment amount.