

# What are the Greek investors looking for when investing in Bulgaria

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# The Hellenic Business Council in Bulgaria

## Who are we?

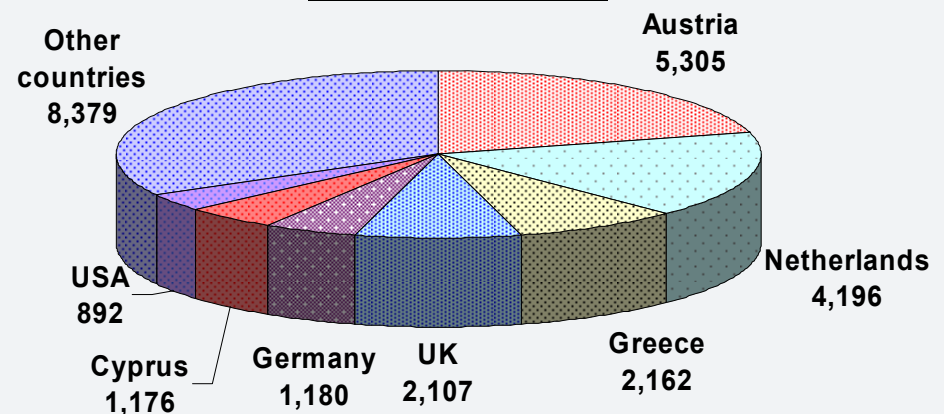
- Private, non-political, non-profit organization
- Established in 2005
- Primary mission is to foster and promote the Greek-Bulgarian business partnership and bilateral dialogue
- Over 100 member companies from various sectors
- Main activities:
  - ❖ Business support service
  - ❖ Policy advocacy and public affairs
  - ❖ Conferences & briefings
  - ❖ Publication and information services

## Greek investments in Bulgaria

### Bulgaria is an attractive place for Greek investments

- In the period 1999 – 2007 Greece ranks 3<sup>rd</sup> in terms of Foreign Direct Investments in Bulgaria
- Two-thirds of Greek investments have been made in the last 3 years
- Numerous projects involving cross-border cooperation between Bulgarian and Greek authorities

**FDI's in Bulgaria per country of origin**  
**1999-2007 (mEUR)**



Source: BNB

### **Bulgaria offers opportunities in almost every sector**

- Telecommunication: Cosmote, Germanos
- Industry: Yioula (Drujba Glassworks), Sidenor, Titan
- Food & Beverages: Vivartia Group (Chipita), Coca-Cola HBC
- Banking: Eurobank, NBG, Piraeus, Alpha, Emporiki
- Insurance & Finance: Interamerican, AIG Life, Global Finance

# Why do Greek companies invest in Bulgaria

Bulgaria is attractive for both market seeking and efficiency seeking investors

## Market seeking investors

- Political and macroeconomic stability
- Strategic location and ease of access as EU member
  - ❖ External and internal EU borders
  - ❖ Proximity to local and EU market
  - ❖ 5 Trans-European transport corridors
- Low regulatory risk – adoption of EU legislation
- Oriented towards greenfield investments

# Why do Greek companies invest in Bulgaria

## Efficiency seeking investors

- Strong macroeconomic fundamentals
  - ❖ One of the highest GDP growth rates in EU
  - ❖ Strong growth potential
  - ❖ Currency board eliminating currency risk
  
- Labor costs
  - ❖ Availability of skilled labor
  - ❖ Increasing labor productivity
  
- Low corporate and personal income taxes
  
- Acquiring local companies or expanding affiliates

### Bulgaria's weaknesses

- Red tape and bureaucracy
- Reform need judicial system
- Institutional difficulty to manage EU funds
- Corruption Perception Index
  - ❖ According to Transparency International's Corruption Perception Index Bulgaria ranks on 72<sup>nd</sup> place, the lowest among all EU members
- Underdeveloped infrastructure
- Energy sector not fully liberalized

# Bulgaria's ranking in the world

## Doing Business (part of World Bank Group)

- ❖ Annual reports on regulations that enhance business activity and those that constrain it based on a series of indicators
- ❖ According to 2009 report Bulgaria is ranked 45<sup>th</sup> among 181 countries

Indicator	Ranking
Ease of Doing Business	45
Starting a Business	81
Dealing with Construction Permits	117
Employing Workers	60
Registering Property	59
Getting Credit	5
Protecting Investors	38
Paying Taxes	94
Trading Across Borders	102
Enforcing Contracts	86
Closing a Business	75

Source: *Doing Business 2009*

## Indicator in focus: Enforcing contracts

Reform need judicial system remains a key issue for the investors

Nature of procedure	Indicator
Procedures (number)	39
Duration (days)	564
Filing and service	105
Trial and judgment	334
Enforcement of judgment	125
<b>Cost (% of claim)</b>	<b>23.81</b>
Attorney cost (% of claim)	10.0
Court cost (% of claim)	5.6
Enforcement costs (% of claim)	8.2

*Source: Doing Business 2009*

*Note: The example is simplified and standardized*

### **The current financial crisis might change the rules of the game**

- Financial crisis and availability of funds
- Decreasing growth rates and high inflation fueled by recession in EU
- Undermining macroeconomic stability
- Negative sentiment towards foreign investors
- High current account deficit and dependency on FDI's

**Thank you**