

Bright Lights Bulgaria shines.

By: Claire Quinn

Throughout the noughties the two European Union candidate countries of Bulgaria and Romania were the main recipients of Foreign Direct Investment into South-East Europe. Typical of this was Telekom Austria's acquisition of the telecom operator MobilTel and the US firm, Viva Ventures, who took majority control of the Bulgarian Telecommunications Company.

According to figures from the Bulgarian National Bank in 2009, the Netherlands, Austria and France were Bulgaria's top three FDI providers, with Dutch companies investing an estimated 900 Million Euros. Similar research identifies the top three FDI companies as Solvay (Belgium - Chemical) AES (USA – electricity distribution) and Aurubis (Germany - Cooper smelting). Overall the Dutch have been Bulgaria's largest inward investor since 1999. Bulgarian-Dutch outfit, Club, typifies this trend. Koos Schouten, Chair of the Sofia-based firm explains why his IT business chooses to remain in Bulgaria. "Yes,

we could open up somewhere else, we could go to a provincial city in Russia where the salaries are very low, but the point is that in Bulgaria we are getting great value for our money – a very highly educated workforce relative to the cost. Bulgarians are critical of the quality of their education system at the moment but it is still one of the highest in Europe in my eyes".

Other more prominent Dutch investors include the ING bank working as a wholesaler and Heineken, which took over the Zagorka breweries. The Dutch multinationals also have a presence - such as Unilever – often represented through regional headquarters.

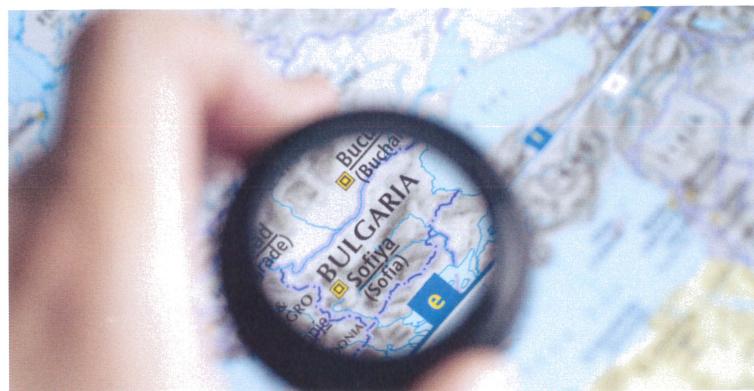
A new growth area is alternative or green energy; here Dutch companies bring a wealth of knowledge and technology with them. This sector is populated mostly by SMEs because the majority of consultancies are small. Then there is carbon trading: at present there are only a few companies operating in this field, again most are small.

Nevertheless because they now deal with large amounts of money and carbon trading has become a serious industry.

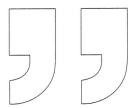
More recently Bulgaria has experienced an influx of tourism by the Dutch with many tourists heading for the capital, Sofia. The capital enjoys generous summer weather, this in combination with the region's historical interests and competitive prices make it an attractive location for European holidaymakers.

This burgeoning tourist market and its bolstered economy have also meant a boom in Bulgarian real estate. Residential properties in big cities along the Black Sea coast have grown notably in value. Over recent years demand was higher than supply, due on one hand to the increased supply of mortgage loans and on the other to consistent migration of workforce from the interior of the country to sea resorts and big coastal urban locations like Varna and Bourgas. Undeveloped plots of land now also prove





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attractive for investment purposes. In 2003 their prices had increased more than 30% on average compared to 2002. Some beachfront parcels for development of leisure properties had reached EUR 35/sq.m compared to similar properties sold at EUR 15/sq.m in 2002. In certain areas close to leading resorts like Albena, Golden Sands, Sunny Beach and others, prices had increased more than double from the previous year and varied between EUR 35-55/sq.m.

During the first quarter of 2004 the REMI index, reflecting real estate trends in the residential, business and land markets, has risen by 4.28 points stimulated by the rising prices at residential areas. According to NSI of Bulgaria, the quarterly real estate prices growth rate is 12.5%. Yet, Sofia is the most expensive real estate market with a 2.8% increase followed by the towns of Varna (23.7%), and Bourgas (16.8%).

Bulgaria has long prided itself on being a hub for software and hardware engineering, shown in its role as a prime supplier to Russian technologies in the 1980s. Today, SAP Labs runs one of its seven largest development teams in Sofia. In response to this authorities are setting new software engineering curricula and shipping PCs to every high school to reflect market demands.

Simultaneously the BPO (Business Process Outsourcing) industries are experiencing their own boom, growing from zero to nearly 1500 positions in just two years. Peter Ryan, a London-based DataMonitor analyst who looks at Central and Eastern European markets, says: "There are excellent prospects for BPO across central and Eastern Europe, and Bulgaria is no exception to this trend". Western investors from Europe and North America appreciate the ongoing emphasis of the Bulgarian government in the areas of commercial and language instruction. Bulgaria's proximity to major Western commercial centers is also a real advantage for any company wishing to locate high-value customer care offshore. "With an abundance of educated and

multilingual prospective employees, Bulgaria is certain to continue to make inroads into global business process outsourcing."

Being on the periphery of the EU, Bulgaria didn't experience the wave of corporate relocations that Hungary, Poland and the Czech Republic did in the late 1990s. As a result, wages have remained low compared with those in central Europe. Skills have outpaced earnings, according to Mrs Marcenac, CEO of Sofica, one of the first Bulgarian BPO providers. She handpicked her first employees with French fluency. She believes Sofica, which serves customers in utilities, banking and marketing is better positioned than Indian BPO firms. "My employees have no accent in English but they can also sell in German, French and Italian". Also proud of their new specialism is Rossen Plevneliev, general manager of Business Park Sofia (BPS) – which is home to the majority of these businesses – she says "Today BPS hosts seven call centres with over 1500 people and we are developing additional space for at least as many within the next 12 months". Also noting "We now have over 160 companies, many of which work on a 3Mb connection to their head offices serving worldwide customers."

When researching relocation many international companies may have several criteria they require from the host country. In Bulgaria it seems that prospective investors can look forward to having their economic, HR, environmental and even social needs fulfilled. Bulgaria is now a well established base for foreign investment and because of this its, legal, financial and educational system all provide tailored services for those establishing new business. Sofia-based Dutch investor, Koos Schouten, gives his impression of living and working in the capital "Nothing here worries me, I live in the centre of Sofia, and I have never felt safer, that has to do with the fact that the Bulgarians are good, hard working people". **NEE**