



ValueScope Bulgaria:

Country positioning in leading expert reports,
investment ratings and world media



Bulgaria ValueScope report monitors Bulgaria's up-to-date positioning in most reputable global sources: reports, ratings, indices, analyses, media, in terms of its economic development, investment performance and overall competitiveness along world's dynamic trends. Over 25 sources have been used, together with some quotes from executives and analysts related to Bulgaria. All reports listed are the latest accessible issues and cover latest available data. Full reports and articles available upon request.

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I

Reports,
ratings,
indexes,
sources

REPORTS AND RANKING in bulgaria *of economic climate*

UNCTAD: World Investment Report 2005, Transnational Corporations and the Internationalization of R&D

Institution/report/source	Report: description/significance
<p>UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD) was established in 1964 to promote the development-friendly integration of developing countries into the world economy. UNCTAD has progressively evolved into an authoritative knowledge-based institution whose work aims to help shape current policy debates and thinking on development, with a particular focus on ensuring that domestic policies and international actions are mutually supportive in bringing about sustainable development.</p> <p>The annual UNCTAD's publication The World Investment Report focuses on trends in foreign direct investment (FDI) worldwide, at the regional and country levels and emerging measures to improve its contribution to development and is one of the most respected sources and analyses, covering:</p> <ul style="list-style-type: none"> ▪ Analysis of the trends in FDI during the previous year, with especial emphasis on the development implications; ▪ Ranking of the largest transnational corporations in the world; ▪ In-depth analysis of a selected topic related to FDI; ▪ Policy analysis and recommendations; ▪ Statistical annex with data on FDI flows and stocks for 196 economies. <p>www.unctad.org</p>	<p>WIR05 covers the following areas:</p> <ul style="list-style-type: none"> ▪ Global and regional foreign direct investment (FDI) trends and prospects ▪ National and international policy developments related to FDI and transnational corporations (TNCs) ▪ The global picture with respect to the research and development (R&D) capabilities of countries, the growth of FDI and TNC networks in R&D as well as the emergence of developing countries as locations for FDI in R&D ▪ Implications of FDI in R&D for developing countries ▪ Key issues in national and international policies related to FDI in R&D. <p>The UNCTAD Inward FDI Performance Index is a measure of the extent to which a host country receives inward FDI relative to its economic size. It is calculated as the ratio of a country's share in global FDI inflows to its share in global GDP.</p> <p>In order for countries to benefit from the current trend of R&D internationalization, they need to have certain innovative capabilities. In order to illustrate the wide gaps that prevail in this area, UNCTAD has developed the new UNCTAD Innovation Capability Index. It is a composite measure of the human resource capabilities and the technological activity of countries.</p>

BULGARIA'S PRESENCE:

"FDI inflows to South-East Europe and the CIS, a new group of economies under the United Nations reclassification, recorded a fourth year of growth in 2004, reaching an all-time high of \$35 billion. This was the only region to escape the three-year decline (2001-2003) in world FDI flows, and it maintained robust growth in inward FDI in 2004 (more than 40%). In South-East Europe, FDI inflows started to grow only in 2003. Led by large privatization deals, these inflows nearly tripled, to \$11 billion in 2004."

"The two European Union candidate countries of Bulgaria and Romania were the main recipients of FDI inflows to South-East Europe and together accounted for more than one fifth of the regional total FDI inflow and for more than 70% of the South-East European subtotal."

"Five countries: the Russian Federation, Romania, Azerbaijan, Kazakhstan and Bulgaria, in that order, together accounted for 81% of the flows to the region in 2004."

"Among individual economies, Romania made the largest tax cut, from 25% to 16%, followed by Uruguay (35 to 30%) and Bulgaria (19.50 to 15%)."

Graph/chart:**Rankings by the Inward FDI Performance Index, 2004**

1	Azerbaijan
5	Ireland
7	Hong Kong
12	Bulgaria
16	Estonia
25	Slovakia
28	Czech Republic
33	Croatia
35	Romania
45	China
46	Hungary
60	Slovenia
75	Poland

Note: Three-year moving average for 140 countries

The UNCTAD Innovation Capability Index

High		
Rank	2001	Score
1	Sweden	0.979
2	Finland	0.977
5	Norway	0.923
11	Japan	0.885
21	Ireland	0.814
22	Israel	0.804
23	Slovenia	0.801
31	Poland	0.732
33	Ukraine	0.705
36	Czech	0.69
38	Bulgaria	0.665
39	Slovakia	0.626
Medium		
47	Romania	0.554
74	China	0.358
Low		
83	India	0.285

COMMENT

In the Matrix of inward FDI performance and potential, 2003, Bulgaria is classified in the High FDI performance group of Front runners (highest FDI potential), together with China, Finland, Israel, Czech Republic, Hungary, Slovakia, Slovenia and Estonia. Romania is in the low FDI potential group. For 2003 and 2004 Bulgaria is also positioned among the top 10 recipients of FDI inflows in South-East Europe and CIS (ranks 5th). In South-East Europe and the CIS, the Russian Federation and Bulgaria were the only target economies mentioned by 68 respondents as current locations of their foreign R&D efforts in developing countries. The rest of South-East Europe and the CIS did not appear on the investment map for R&D. As for the number of greenfield FDI projects, by destination, 2002-2004, in 2002 Bulgaria attracted 77, in 2003 – 96 and in 2004 – 109. In the Human Capital Index, Bulgaria is classified in the group of highest 40 (among 120) ahead of Czech Republic, Slovakia, Romania, etc.

Credit rating agencies: Moody's, Standard and Poor's, Fitch

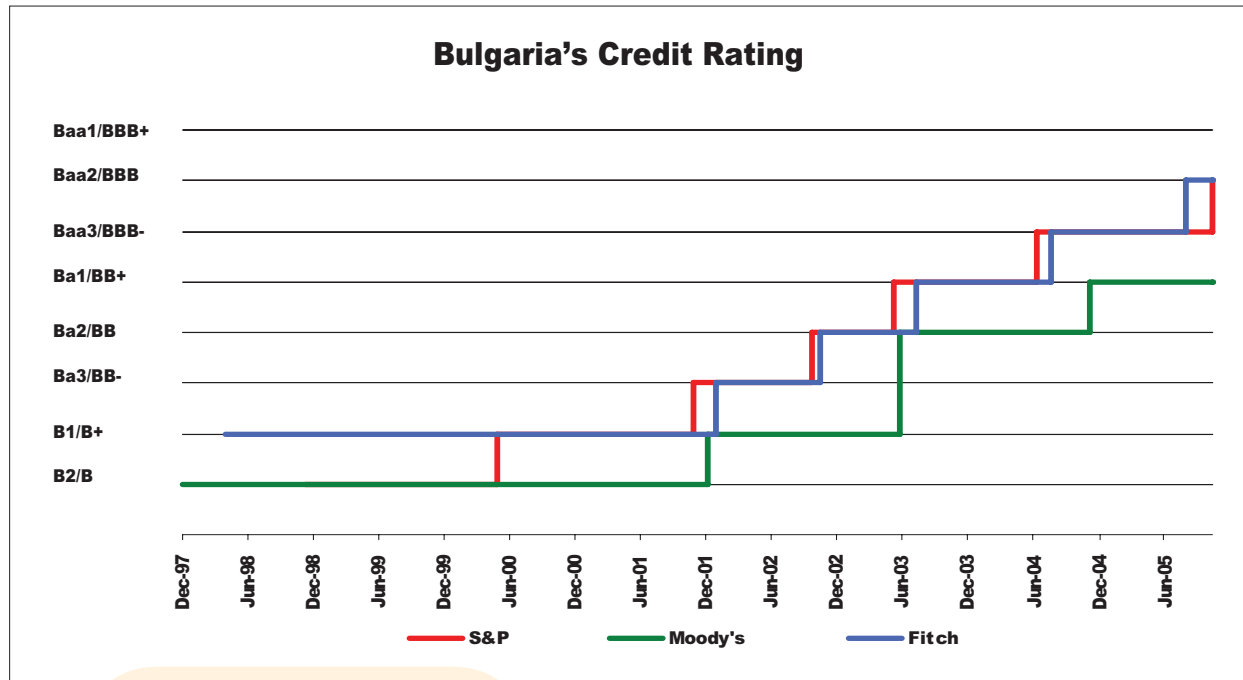
Institution/report/source	Report: description/significance
<p>The leading credit rating agencies recognized worldwide assign domestic and external ratings at the borrower's request through fixed scales.</p> <p>Moody's www.moodys.com</p> <p>Standard and Poor's www.standardandpoors.com</p> <p>Fitch www.fitchratings.com</p>	<ul style="list-style-type: none"> Standard & Poor's agency's founding principle is "the investor has the right to know". The company provided independent financial analysis and information worldwide. Scale: D-AAA Moody's Investor Service: A leading global credit rating, research and risk analysis firm that publishes credit opinions, research and ratings on fixed-income securities, issuers of securities and other credit obligations. Scale: C-Aaa Fitch Ratings Agency provides credit ratings to corporate, municipal bonds, preferred stocks, commercial paper, and to non-commercial organizations. Scale: D-AAA

BULGARIA'S PRESENCE:

Standard & Poor's: "Bulgaria's improved creditworthiness is supported by its high growth potential, prudent fiscal policies, and European integration."

"Bulgaria's sovereign credit fundamentals are underpinned by sound fiscal policy and falling government debt, large foreign direct investment inflows, as well as rapid and sustainable growth. They are also supported by the good prospects for economic policy continuity with the government that has emerged from the June elections," says Nick Eisinger, Fitch Analyst for Bulgaria.

Graph/chart:



COMMENT

For the last 5 years, credit rating of Bulgaria improved 5 times. In 2004, Bulgaria managed to climb in the Investment Rating Level ranking in S&P's and Fitch scales. Moody's has been relatively conservative on Bulgaria's credit rating since awarding the country a "Ba1", one notch below investment grade, in November 2004, lower than the ratings awarded by Standard and Poor's and Fitch. S&P gave Bulgaria an investment grade rating "BBB" in October 2005, while Fitch raised the country's credit rating to "BBB" earlier this year, in August.

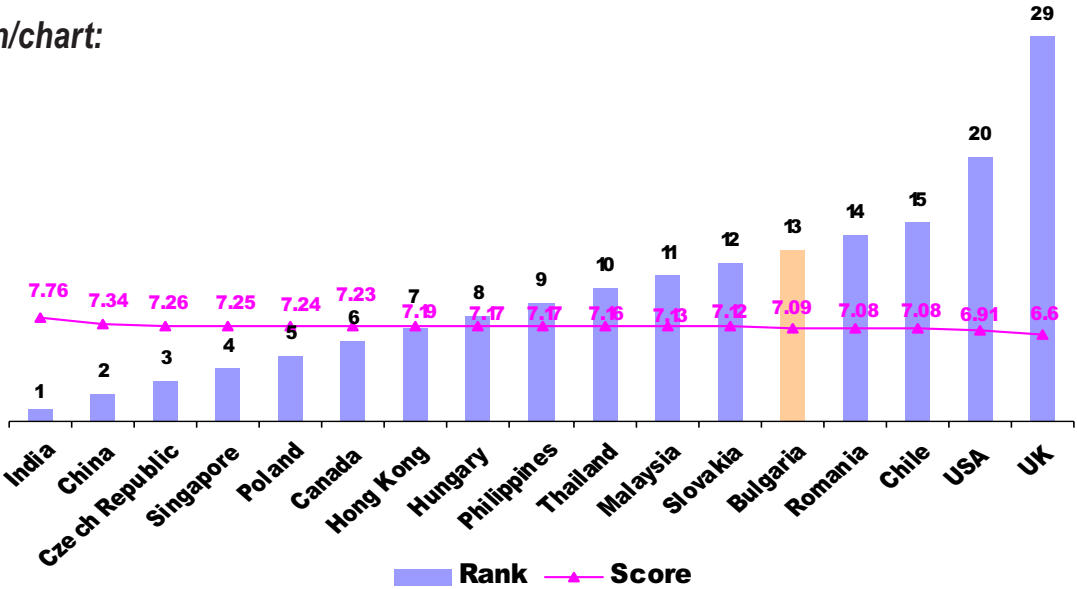
Economist Intelligence Unit: Global ranking of top locations for offshoring 2005

Institution/report/source	Report: description/significance
<p>The Economist Intelligence Unit (EIU) provides a constant flow of analysis and forecasts on more than 200 countries and eight key industries. EIU helps executives make informed business decisions through dependable intelligence delivered online, in print, in customized research as well as through conferences and peer interchange.</p> <p>www.eiu.com</p> <p>CEO Briefing is available at www.eiu.com/CEO_Briefing2005</p>	<p>The Economist Intelligence Unit's Offshoring Environment Rankings measure the attractiveness of 60 countries as locations for offshoring. The methodology is based on that of well-established Business Environment Rankings, and scores each country across 37 indicators divided into nine overall categories.</p> <p>Economist Intelligence Unit report, includes a new ranking of 60 global offshoring environments and a survey of senior executives from around the world in December 2004. In total, 500 senior executives, including 219 chief executives, took part. The survey captured the views on a range of management issues, shows companies that are now offshoring a wide range of service functions including IT, payroll, finance and accounting, logistics and manufacturing, as well as customer services.</p> <p>The Economist Intelligence Unit's ranking model measures the attractiveness of 60 countries as destinations for offshoring, scoring each country on nine criteria commonly used by companies when deciding where to offshore. Countries were scored on labour costs, labour skills, labour regulation, proximity to major sources of investment, political and security risk, macroeconomic stability, regulatory environment, tax regime, and infrastructure.</p>

BULGARIA'S PRESENCE:

Bulgaria ranks 13 with a score of 7.09. "Eastern Europe will also benefit. Although Eastern Europe currently attracts only a small number of offshoring projects, the ranking indicates that the region will become a major offshoring centre in the future. The Czech Republic leads the way, taking third place behind India and China because of its relatively low-cost skilled labour force, an attractive regulatory environment, as well as close proximity and cultural ties to Western Europe."

Graph/chart:



COMMENT

Bulgaria has achieved a good position ranking 13, ahead of Romania. This should reflect and pursue more the image of doing business in Bulgaria among top executives around the world than real urge for outsourcing activities.

World Economic Forum: The Global Competitiveness Report 2005-2006

Institution/report/source	Report: description/significance
<p>The World Economic Forum is an independent, international organization incorporated as a Swiss not-for-profit foundation committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas. The World Economic Forum has been a catalyst for concrete action in the global public interest. Among WEF's key initiatives and programs is the Global Competitiveness Program.</p> <p>WEF's members represent the world's 1,000 leading companies, along with 200 smaller businesses, many from the developing world, that play a potent role in their industry or region. WEF works closely with communities of leaders from academia, government, religion, the media, non-governmental organizations and the arts.</p> <p>Each year the WEF conducts its annual meeting in Davos where top prominent global leaders from 100 countries share agendas and opinions.</p> <p>http://www.weforum.org/</p>	<ul style="list-style-type: none"> ▪ The Global Competitiveness Report 2005-2006 ▪ Growth Competitiveness Index <p>For over two decades the World Economic Forum has been trying to shed light on the question of why some countries are able to grow on a sustained basis for prolonged periods of time, in the process pulling large segments of the population out of poverty, while others remain stagnant or, worse, actually see an erosion of living standards. Through its flagship publication, The Global Competitiveness Report, the World Economic Forum has led the way in assessing the competitiveness of nations. The 25th edition of the annual report 2004-2005 provides the most comprehensive assessment of 117 developed and emerging economies. The methodology used by the Forum to assess national competitiveness has evolved to the latest thinking on the factors driving competitiveness and growth. The Forum first introduced the Growth Competitiveness Index (GCI) in 2002.</p> <p>GCI is composed of three component indexes: the technology index, the public institutions index, and the macroeconomic environment index. Higher scores are more desirable.</p> <p>The Business Competitiveness Index (BCI) is a complement to the medium-term, macroeconomic approach of the Growth Competitiveness Index. It evaluates the underlying microeconomic conditions defining the current sustainable level of productivity in each of the countries covered.</p> <p>The Global Information Technology Report series of the World Economic Forum aims to monitor the progress of networked readiness in more than 100 countries, highlighting the policy, institutional, and structural obstacles that prevent countries from fully capturing the benefits of ICT. It is thus a benchmarking tool that also gauges the extent to which best practices are spreading all over the world. The Report uses the Networked Readiness Index (NRI), covering a total of 104 economies in 2004-2005, to measure "the degree of preparation of a nation or community to participate in and benefit from ICT developments".</p> <p>The NRI is composed of three component indexes which assess: the environment for ICT offered by a given country or community; the readiness of the community's key stakeholders - individuals, business and governments; and the usage of ICT among these stakeholders</p>

BULGARIA'S PRESENCE:

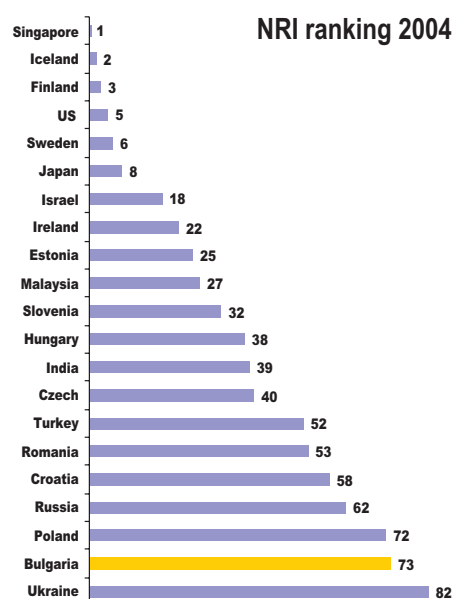
"We are not puzzled by the significant improvement in the rankings of Bulgaria and Romania, for instance. These countries have an appointment to keep with the EU in 2007, and are gradually gearing up to meet EU accession criteria."

Graph/chart:

GCR	2002	2003	2004 (rank&score)	2005 (rank&score)
Bulgaria	58	64	59 (3.98)	58 (3.83)
Czech Republic	36	39	40 (4.55)	38 (4.42)
Romania	67	75	63 (3.86)	67 (3.67)
Slovakia	46	43	43 (4.43)	41 (4.31)

COMMENT

As for the components of the GCR, Bulgaria has achieved better results in Public institution (4.36), and less in Microeconomic Environment (3.77) and in Technology (3.98). Bulgaria ranks 78th in 2005's BCI among 116 countries.



The Fraser Institute, Canada: Economic Freedom of the World, 2005 Annual Report

Institution/report/source

The annual Economic Freedom of the World Report, published by The Fraser Institute in conjunction with members of the Economic Freedom Network, ranks countries on their level of economic freedom. This comprehensive index, constructed under the leadership of The Fraser Institute and Nobel Laureate, Milton Friedman, is the most objective and accurate measure of economic freedom published to date by any organization.

The Economic Freedom Network, is made up of public policy institutes from around the world who are dedicated to the study and advancement of economic freedom.

www.fraserinstitute.ca/economicfreedom/
www.freetheworld.com

Report: description/significance

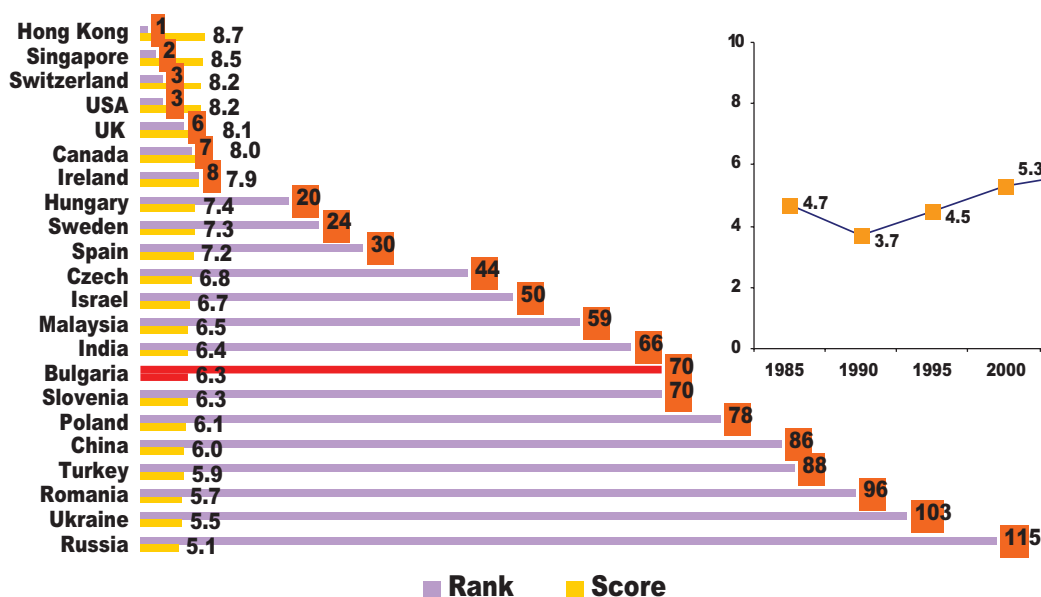
The index published in Economic Freedom of the World measures the degree to which the policies and institutions of countries are supportive of economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of privately owned property. Thirty-eight components and sub-components are used to construct a summary index and to measure the degree of economic freedom in the areas: (1) size of government; (2) legal structure and protection of property rights; (3) access to sound money; (4) international exchange; and (5) regulation. Higher scores indicate better performance.

BULGARIA'S PRESENCE:

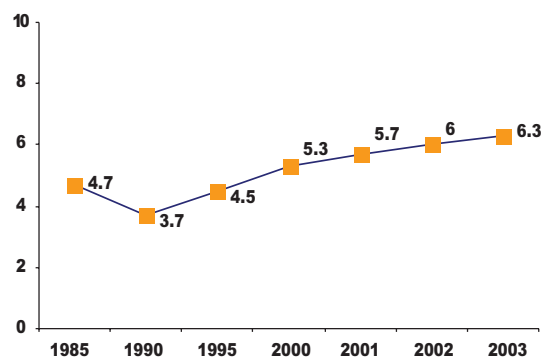
Bulgaria's position in the upper middle of the ranking is defined by lower scores in Size of Government: Expenditures, Taxes and Enterprises, Legal Structure & Security of Property Rights while score is very good in Access to Sound Money, Freedom to Trade Internationally, Credit, Business and Labor Market Regulations, where Bulgaria scores almost as high as the Czech Republic. Bulgaria ranks 70-th among 127 countries.

Graph/chart: Economic Freedom ratings, 2003 (report 2005)

Summary Economic Freedom ratings, 2003 (report 2005)



Bulgaria's score improving (1985-2003)



COMMENT

In the alternative Index of Economic Freedom (The Heritage Foundation/Wall Street Journal), Bulgaria ranked 52 among 155 countries.

The Heritage Foundation/Wall Street Journal: Index of Economic Freedom 2005

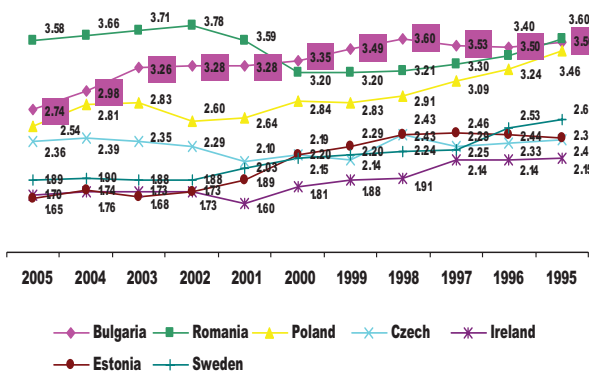
Institution/report/source	Report: description/significance
<p>For 11 years the Heritage Foundation produces a user-friendly "index of economic freedom" as a tool for policymakers and investors. The goal is to develop a systematic, empirical measurement of economic freedom in countries throughout the world. A set of objective economic criteria have been used to study and grade various countries for the annual publication of the Index of Economic Freedom.</p> <p>www.heritage.org</p>	<p>The Index is more than just a dataset based on empirical study; it is a careful theoretical analysis of the factors that most influence the institutional setting of economic growth. The 2005 Index of Economic Freedom measures 161 countries against a list of 50 independent variables divided into 10 broad factors of economic freedom. Low scores are more desirable. The higher the score on a factor, the greater the level of government interference in the economy and the less economic freedom a country enjoys. These 50 variables are grouped into the following categories:</p> <ul style="list-style-type: none"> ▪ Trade policy, ▪ Fiscal burden of government, ▪ Government intervention in the economy, ▪ Monetary policy, ▪ Capital flows and foreign investment, ▪ Banking and finance, ▪ Wages and prices, ▪ Property rights, ▪ Regulation, and ▪ Informal market activity

BULGARIA'S PRESENCE:

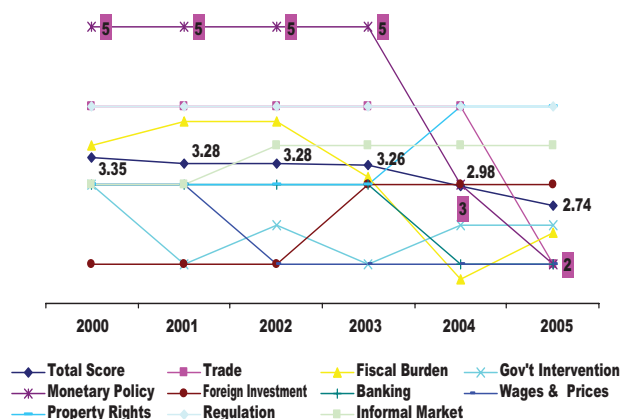
"Bulgaria and Iceland both improved strongly with overall scores that are 0.24 point better this year. Bulgaria's improvement solidifies its status as a mostly free economy. Bulgaria is among the top ten improved: Poland, Iceland, Hungary, Malaysia and Indonesia."

Graph/chart:

1995-2005 score change



Bulgaria: Last 5 years performance, score sections



COMMENT

With respect to score subsections, for the last 5 years Bulgaria has shown robust improvement in monetary policy, trade and investment. Bulgaria ranks 52 among 155 countries.

UNDP: Global Human Development Report 2005

Institution/report/source

United Nations Development Program is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience and resources to help people build a better life.

www.undp.org

www.undp.bg

<http://hdr.undp.org>

Report: description/significance

- Global Human Development Report 2005
- Human Development Index

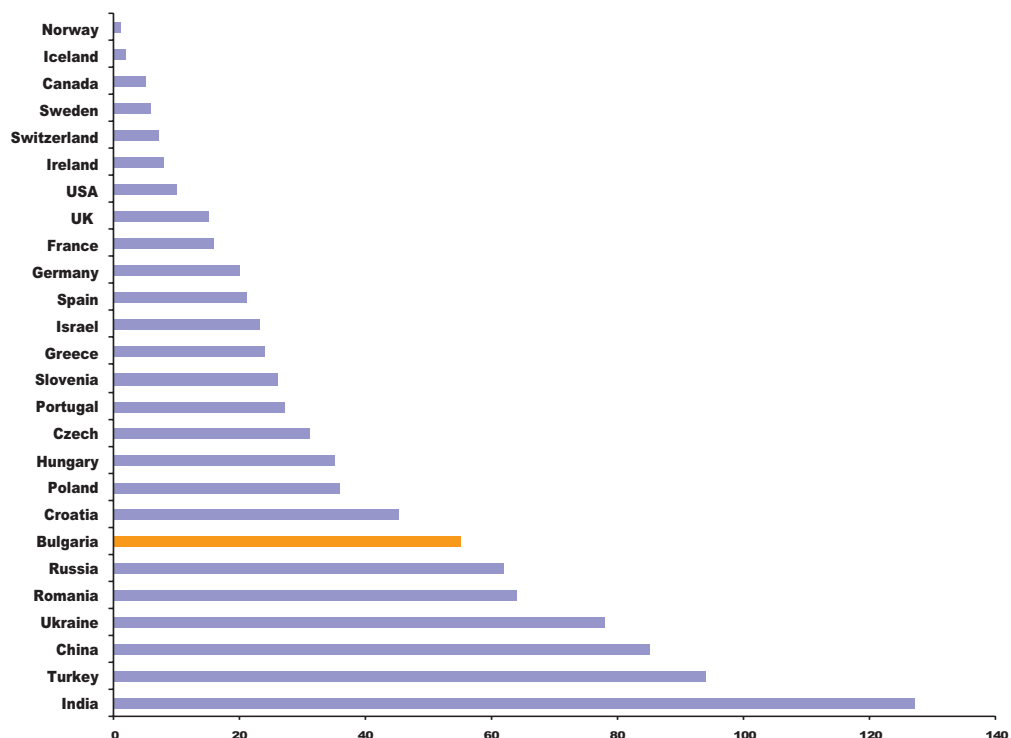
The issues that the HDR2005 touches are on top of the international agenda. The annual report surveys a total of 177 countries worldwide examining the progress made towards the Millennium Development Goals as set by the United Nations, and advocates for strengthening three interrelated pillars of the international cooperation: aid, trade and security.

The human development index (HDI) focuses on three measurable dimensions of human development: living a long and healthy life, being educated and having a decent standard of living. The HDI measures achievements in terms of life expectancy, educational attainment and adjusted real income. Thus it combines measures of life expectancy, school enrolment, literacy and income to allow a broader view of a country's development than does income alone.

BULGARIA'S PRESENCE:

Bulgaria is ranked 55th in the 2005 Human Development Report, with an HDI value of 0.808.

Graph/chart:



COMMENT

HDI 2005 is the highest score received by Bulgaria for the last 30 years (so far) and positions the country into the group of highly developed societies. Macedonia, Russia and Romania are in the lower score group of medium human development.

World Bank: World Development Report and Doing Business 2004-2005

Institution/report/source	Report: description/significance
<p>The World Bank is not a “bank” in the common sense. It is one of the United Nations’ specialized agencies, and is made up of 184 member countries. The World Bank Group’s mission is to fight poverty and improve the living standards of people in the developing world. The Bank promotes growth to create jobs and to empower poor people to take advantage of these opportunities.</p> <p>The World Bank’s annual World Development Report (WDR) is an invaluable guide to the economic, social and environmental state of the world today. Each year the WDR provides in depth analysis of a specific aspect of development.</p> <p>http://econ.worldbank.org</p>	<ul style="list-style-type: none"> World Development Report 2005 Doing Business 2004 <p>World Development Report 2005 (‘A Better Investment Climate for Everyone’), the 27th in the World Bank’s flagship series, looks at what governments can do to create better investment climates for their societies, drawing on new research, including surveys of nearly 30,000 firms in 53 developing countries, other new data, and country case studies.</p> <p>Doing Business is an annual report by the World Bank investigating the scope and manner of regulations that enhance business activity and those that constrain it.</p> <p>The Doing Business Database provides objective measures of business regulations and their enforcement. The Doing Business indicators are comparable across 145 economies. They indicate the regulatory costs of business and can be used to analyze specific regulations that enhance or constrain investment, productivity and growth.</p>

BULGARIA’S PRESENCE:

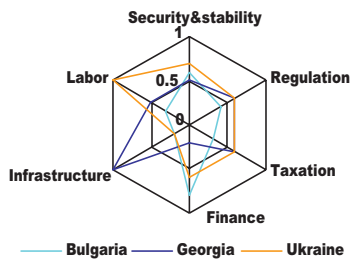
“Strong political commitment is essential, and without it schemes can disintegrate in any country. Technical capacity can be more of a constraint in low-income countries, although drawing on the expertise of local universities or other entities can often augment this. For example, Bulgaria’s regulatory review processes benefited from collaboration with a not-for-profit think tank”.

Graph/chart:

Investment Climate Indicators: World Bank Investment Climate Surveys
 % of managers interviewed that find as a major constraint to business (surveys 2002):

	Policy uncertainty	Corruption	Courts	Tax rates	Tax admin.	Skills
Bulgaria	59.5	25.4	17.9	33.1	13	10.2
Romania	20.2	34.9	20.9	51.6	33.2	10.8
Czech	20.2	12.5	11.1	25.6	19.8	9.1

Constraints reported by firms



World Bank’s Doing Business (surveys 2004)

	Starting a Business			Hiring and Firing Workers			Registering Property		Getting Credit		Protecting Investors	Enforcing Contracts		Closing a Business	
	Nº of procedures	Time (days)	Cost (% of income per capita)	Difficulty of Firing Index	Rigidity of	Firing costs (weeks of wages)	Nº of procedures	Time (days)	Legal Rights Index	Credit Information Index	Disclosure Index	Nº of procedures	Time (days)	Time (years)	Cost (% of estate)
Bulgaria	11	32	10.3	10	28	30	9	19	6	4	2	34	440	3.3	8
Czech	10	40	10.8	20	28	22	4	122	6	5	6	22	300	9.2	18
Romania	5	28	7.4	50	63	98	8	170	4	3	2	43	335	4.6	8
Slovakia	9	52	5.7	10	10	17	5	22	9	3	6	27	565	4.7	18
Regional avg	9	42	15.5	42.3	41.8	38.3	6	133	5.4	2	3.6	29	412	3.3	13,1
OECD average	6	25	8	26.8	34.4	40.4	4	34	6.3	5	5.6	19	229	1.7	6,8

COMMENT

For the Doing Business indexes of regulations, rights, etc., higher values represent higher rigidity. Considering this, Bulgaria shows good results in rigidity of employment and legal rights, better or around the OECD average.

IMF: World Economic Outlook 2005

Institution/report/source

The International Monetary Fund (IMF) is an international organization of 183 member countries, established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment.

www.imf.org

Report: description/significance

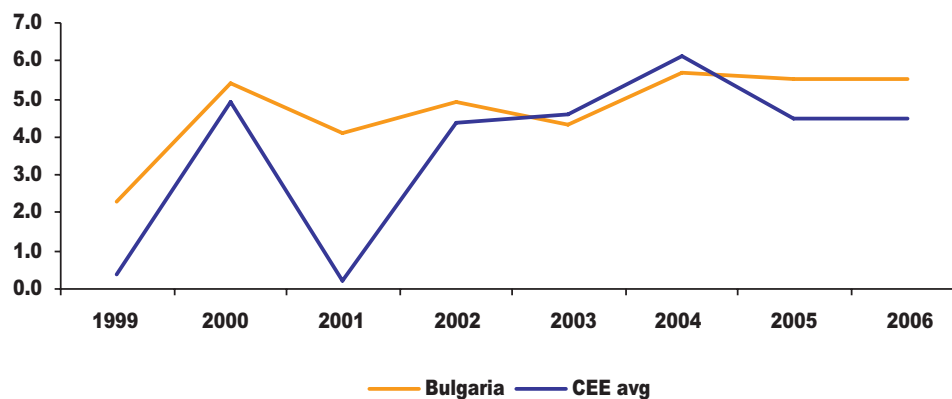
The World Economic Outlook presents the IMF staff's analysis and projections of economic developments at the global level, in major country groups (classified by region, stage of development, etc.), and in many individual countries. It focuses on major economic policy issues as well as on the analysis of economic developments and prospects. It is usually prepared twice a year, as documentation for meetings of the International Monetary and Financial Committee, and forms the main instrument of the IMF's global surveillance activities.

BULGARIA'S PRESENCE:

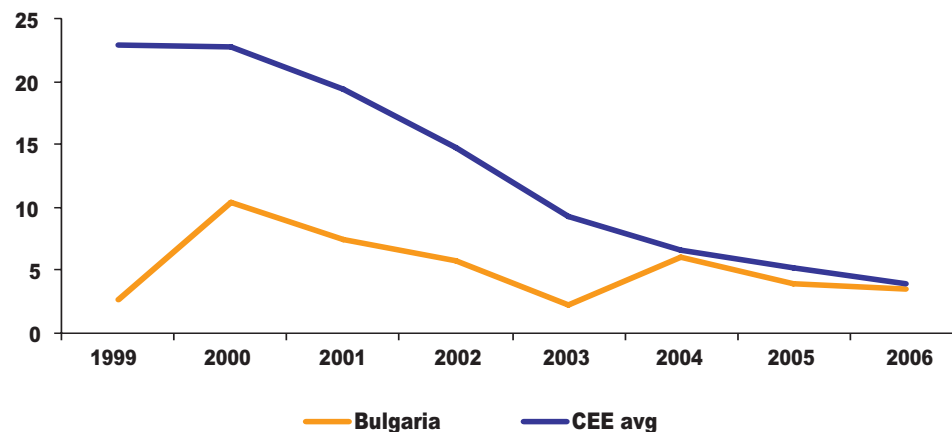
"Growth in Bulgaria and Romania continues to be strong, fueled by rapid credit growth. As a result, current account deficits remain high and underscore the need to maintain tight fiscal policies and contain wage and credit growth going forward. Structural reforms to improve the investment climate would help boost foreign direct investment."

Graph/chart:

Emerging and Developing Countries - by Country: Real GDP
(Annual percent change)



Emerging Market and Developing Countries - by Country: Consumer Prices
(Annual percent change)



WIIW: special issue on economic prospects for Central, East and Southeast Europe, Jul 2005

Institution/report/source	Report: description/significance
<p>Established in 1973 as an independent research institute, The Vienna Institute for International Economic Studies (WIIW) is a non-profit organization. The primary emphasis of WIIW research activities is on: analysing and forecasting economic developments in the countries of Central, East and Southeast Europe, sectoral patterns of growth, labour market trends and industrial competitiveness, supplemented by industrial branch studies; reviews of foreign direct investment and assessments of foreign trade specialization.</p> <p>www.wiiv.ac.at</p>	<p>WIIW Research Reports: special issue on economic prospects for Central, East and Southeast Europe, Jul 2005</p>

BULGARIA'S PRESENCE:

- "The prospects for further EU enlargements have taken a turn for the worse in the wake of the recent EU 'constitutional' and budget crises. That notwithstanding, the accession of Bulgaria and Romania is beyond dispute – even if they should join a year later than initially planned."
- "Quarterly GDP growth rates are falling in Romania while accelerating in Bulgaria. The expected 5.5% economic growth in 2005, identical in both countries, is the result of rapid structural change and improved export competitiveness."
- "Gross fixed capital formation grew most rapidly in Bulgaria, Romania and Turkey, at double-digit rates in 2004, promising rapid economic growth and structural change in the future"
- "Domestic demand and export expansion fuelled the increase in industrial output in Romania and Bulgaria both in 2004 and in the first quarter of 2005"
- "Relatively low euro wages are the advantage of Bulgaria when it comes to attracting labour-intensive manufacturing."
- "On the whole, unemployment is stubborn in the whole region but prospects are not altogether bad. The examples of Bulgaria and Romania, to some extent also of Albania, show that employment can increase in the presence of very high rates of economic growth."
- "The exports to GDP ratio, an indicator of openness, is low, except for Bulgaria; the lowest in Albania, 8% in 2004."
- "FDI could be a non-debt creating way of financing the current account deficit. This was achieved in Albania, Bulgaria and Romania in 2004 (Table 10). But inflows fluctuate year-by-year according to the availability of major privatization deals, and a high level of deficit financing is possible only as long as there are state assets to be sold. Export oriented greenfield investments are confined to Bulgaria and Romania."
- "The European Commission is expected to provide the next screening of Bulgaria and Romania in November 2005 and will detail the most sensitive aspects of the current situation. This report is expected to determine whether Bulgaria and Romania should join in 2007 or 2008."
- "The accession treaty refers to a list of policy areas (11 for Romania and 7 for Bulgaria) in which the two countries must make significant progress before accession. In Romania, the main issues are corruption, border controls, the enforcement of state aid controls and the implementation of environmental laws. In Bulgaria, the concerns center upon judicial reforms, agriculture, environment (including the closure of the Kozloduy nuclear power plant), intellectual property rights and the free movement of services."
- "Accession delayed by one year would not do much economic harm to Bulgaria and Romania. It could in fact be used for further preparation and increasing competitiveness."
- "Bulgaria: The economic rebound, underpinned by an export-led surge in manufacturing, reflects a virtuous cycle of strong growth and accelerating reforms in the run-up to full EU membership."
- "Bulgaria: a lasting upswing: The economic upswing in Bulgaria continued in the first quarter of 2005 with a healthy GDP growth of 6% over the same period of 2004. Economic activity remained buoyant across the board and even gained further momentum in sectors such as manufacturing, construction and market services. Both the robust domestic demand (in particular private consumption) and the strong export performance provided solid support to domestic economic activity; nevertheless the foreign trade deficit increased."
- "Consumer demand remained buoyant, with real retail sales increasing by nearly 13% year on year in the first quarter. Consumer spending was underpinned by a renewed surge in household credit: in April 2005 the stock of outstanding bank claims on households was 81% higher than a year earlier."
- "In any case, the expected change in government after the elections is unlikely to affect the shortterm outlook for the Bulgarian economy, which remains generally positive. The curbing of bank lending may result in some moderation in the pace of aggregate output growth in the second half of the year but nevertheless GDP is expected to increase by more than 5% in 2005 as a whole, and the macroeconomic fundamentals are set to remain stable. Strong growth should support further improvements in the labour market. While the current account deficit is likely to remain high, its financing should not pose major problems, as the surge in FDI continues."

Bank Austria Creditanstalt (BA-CA): CEE Report Xplicit 2005; CEE Commentary Xplicit Aug 2005

Institution/report/source

Bank Austria Creditanstalt Group is responsible for the promising future markets in Central and Eastern Europe within the HVB Group. BA-CA Group regards the region as its core market, and thus in its newly-designed and expanded series of publications, it reports extensively on CEE.

www.ba-ca.com

<http://economicresearch-e.ba-ca.com>

Report: description/significance

CEE Report Xplicit 2005: BA-CA Economists analyse each country of the region in the latest study "South-Eastern Europe – on the right track". CEE Commentary Xplicit Aug 2005: CEE Commentary is an addition to BA-CA existing publications on Central and Eastern Europe. It analyses and comments on current developments in the CEE countries.

BULGARIA'S PRESENCE:

CEE report 2005:

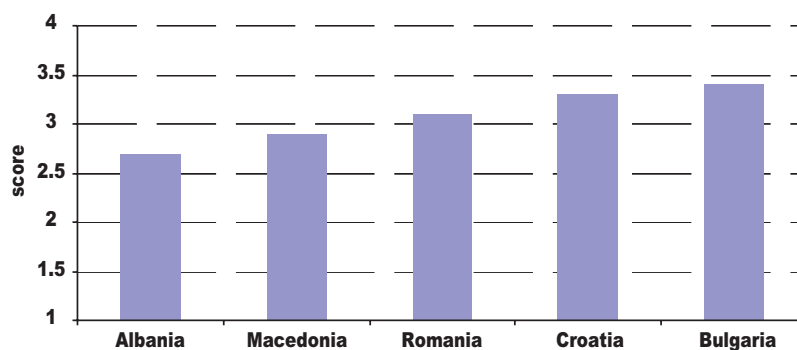
- "The catching-up achieved by Bulgaria and Romania in recent years has been very impressive. The stability of those two countries has straightened markedly and both countries have become a growth pool in the region."
- "Bulgaria, Romania and Croatia are the countries in the region whose economic structure most resembles that of the new EU member states."
- "In Croatia and Bulgaria the banking market is already well developed too, while Bulgaria has also essentially completed the process of privatizing large corporations."
- "Bulgaria, Romania and Croatia have become the preferred targets for foreign investors."

CEE Commentary Aug 2005:

- "Besides the continued impressive development of the Baltic countries, Hungary, Bulgaria and Croatia are conspicuous with their high rates of industrial growth totaling an average of almost 10%..."
- "Thanks to the cumulated budget surpluses and significant privatization revenues some countries (first and foremost Bulgaria) are working actively to manage their debt obligations, with the goal to early repayment of their debts."

Graph/chart:

Transition indicators 2004



COMMENT

Unweighted average of EBRD transition indicators (infrastructure, capital markets, banking, interest rate, liberalization, competition policy, privatization, governance & restructuring, price liberalization) where 4 (highest score) corresponds to the standard set by industrial nations and 1 (lowest score) reflects the status of a centrally planned economy.

Deloitte: Report on Foreign Direct Investment in Bulgaria 2005

Institution/report/source	Report: description/significance
<p>Deloitte Touche Tohmatsu (“DTT”) and each member firm are global leaders providing top consulting services to global leaders.</p> <p>www.deloitte.com</p>	<p>Deloitte’s report Foreign Direct Investment in Bulgaria, April 2005, Phase 2</p> <p>The overarching purpose of the project was to conduct an analysis of the international investment climate and determine Bulgaria’s potential in attracting larger amount of foreign direct investment. Phase 2 of the project identifies and analyses the factors making Bulgaria competitive in terms of attracting investment projects. The team performed a targeted investor survey that covered both present and potential investors. The survey was designed to discover the reasons why foreign companies do and do not invest in Bulgaria. The survey also ascertained the negative factors experienced by foreign companies that have already invested in Bulgaria.</p>

BULGARIA’S PRESENCE:

- “Competitive analysis with other CEE countries and especially Romania and Croatia – Bulgaria’s major competitors for FDI – highlights Bulgaria’s generally advantageous position. The country’s main competitive disadvantage is the investment climate – the business environment, infrastructure and the informal economy are all relatively weak compared with neighboring countries. The lack of infrastructure is a particular disadvantage considering the relatively far distance between Bulgaria and Western Europe.”
- “Bulgaria’s competitive advantage comes from two main sources: its endowments and its labour force. When the country’s central position in the South Eastern Europe region is also taken into account, we can conclude that Bulgaria’s comparative advantage lies in: 1) lower volume niche products; 2) mid-value added goods and services and 3) products and services where distance-to-market is important.”
- “EU accession has been an important factor driving FDI flows to the recent EU members. The harmonisation of laws and regulations with EU standards and elimination of tariffs have improved the investment climate of these countries and made them more attractive to efficiency-seeking FDI. However, the recent EU entrants are likely to lose their competitive advantage in low wage production as incomes rise. Bulgaria is well-placed in the middle ground between these two situations, as its laws and regulations are approaching EU standards in preparation for accession, but wages and costs still remain low.”
- “The German-Bulgarian Chamber of Industry and Commerce recently polled German companies in Bulgaria on their perception of the business climate in the country. The survey highlighted Bulgaria’s rich human resources as one of its strongest points. German investors rated the supply of unqualified labour as very good to good. The supply of qualified labour and productivity was considered good to satisfactory. 77.3% of respondents rated the condition of their business as good and over 60% expected the value of their investment to increase. These results are a positive endorsement of the benefits of doing business in Bulgaria and the importance the labour market reveals the depth of the competitive advantage the country holds.”
- “The stable social and political environment is a newly recognised positive for Bulgaria. In the 2004 survey, investors cited political and macroeconomic stability and EU candidacy as important positive factors affecting their decision to invest in Bulgaria.”
- “The level of corruption in Bulgaria, and found it to be equivalent to the CEE-5 countries, and less than Croatia and Romania. The business environment was also reviewed, and though it was viewed to be worse than in the CEE-5, it was viewed to be equivalent to Romania and Croatia.”

Graph/chart:

Competitor Analysis			
	CEE-5	Croatia	Romania
Macro Environment			+
Market Characteristics		+	
Investment Climate	-		
Labour		+	+

A blank cell indicates that Bulgaria has a balanced performance on subindicators compared with comparables; a “+” sign means Bulgaria has superior performance in that category, whilst a “-” sign indicates inferior performance.

Ernst & Young's European Investment Monitor (EIM); Ernst & Young's European Attractiveness Survey 2005

Institution/report/source

Ernst & Young is one of the leading global consulting companies.

www.ey.com

Report: description/significance

Ernst & Young's European Investment Monitor (EIM) is the most comprehensive source of information on foreign direct investment projects announced throughout Europe, tracking results from 1997 to date. Details include: parent company undertaking the investment and country of origin; city, region and country receiving the investment project; mode of investment (new, expanding or co-locating); industry sector and activity type (eg head office, contact centre); and employment created.

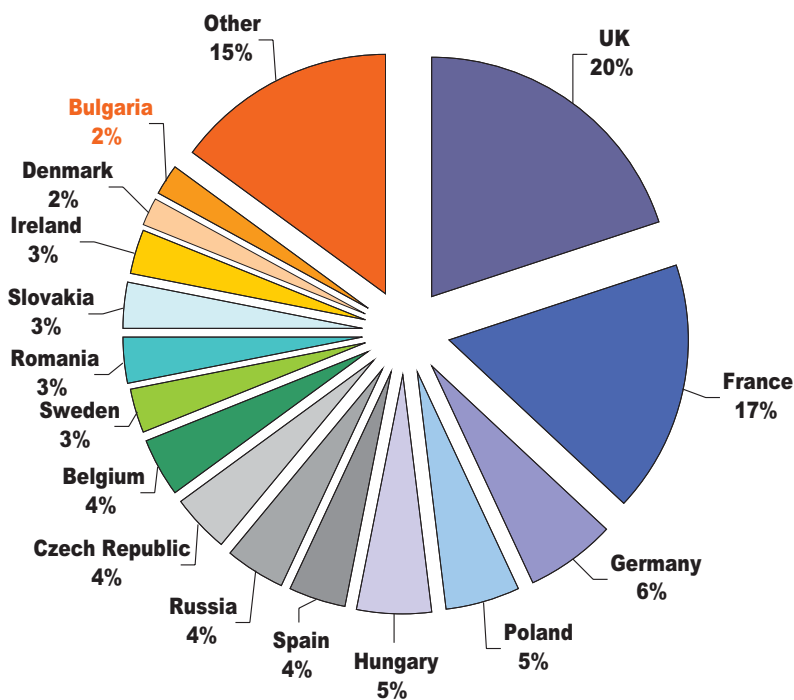
Ernst & Young's European Attractiveness Survey. This survey evaluates, on a year-by-year basis, the attractiveness of Europe and the attractiveness of countries within Europe. The originality of this survey resides in a twofold approach: firstly, the survey is based on opinions expressed by several hundred executives. Secondly, the survey compares the perceptions of these decision-makers with their actual investments, which have been analysed in the European Investment Monitor. The 2005 European Attractiveness Survey was carried out by CSA. This market research company surveyed 672 international business executives by telephone (using CATI – Computer Assisted Telephonic Interviews) between March and April 2005 in the following languages: English, German, French, Italian, Spanish and Dutch.

BULGARIA'S PRESENCE:

EAS: "Encouraged by the economic expansion of the ten additional countries into the European Union in 2004, international decision makers appear to have anticipated the future incorporation of Romania and Bulgaria, with the latter ranking seventh among Eastern European countries...Central and Eastern Europe attracts 31% of FDI, i.e. more than France, Germany, Spain and Belgium combined."

Graph/chart: European Investment Monitor

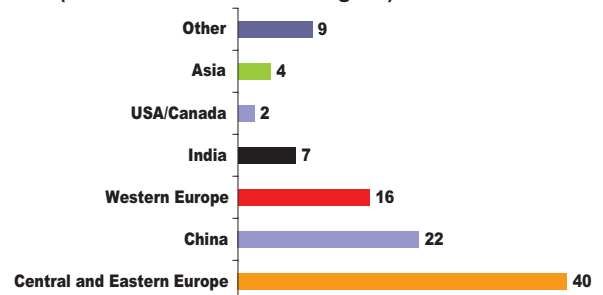
Destination of FDI across Europe 2004



Top 15 European countries as investment destinations 2003-2004

Rank 2004	Country	Market share 2003 %	Number of FDIs 2004	Market share 2004 %	Evolution in market share %
1	UK	23,5	563	19,5	-17
2	France	16,2	490	17	5
3	Germany	5,7	164	5,7	-1
4	Poland	2,4	148	5,1	115
5	Hungary	4,4	139	4,8	9
6	Spain	6,2	121	4,2	-32
7	Russia	5,6	116	4	-29
8	Czech	4,7	112	3,9	-17
9	Belgium	3,9	107	3,7	-6
10	Sweden	3,8	97	3,4	-12
11	Romania	1	91	3,2	205
12	Slovakia	1,2	83	2,9	131
13	Ireland	2,4	76	2,6	11
14	Denmark	2,3	70	2,4	6
15	Bulgaria	1,5	64	2,2	48

The relocation sites considered (% of citation for each region)



A.T. Kearney: The 2004 FDI Confidence Index; The 2005 Global Retail Development Index; Global Services Location Index 2005

Institution/report/source	Report: description/significance
<p>A.T. Kearney is a leading global management consulting firm with a broad range of capabilities and expertise in all major industries—capabilities across the spectrum from strategy through implementation. A.T.Kearney focuses on CEO-agenda concerns—issues such as growth, operations excellence, merger integration, supply chain management, technology strategy and more. A.T. Kearney’s research papers and indexes are some of the most credible country risk value assessment studies, e.g.: the FDI Confidence Index, Location Attractiveness Index, The Globalization Index, The 2005 Global Retail Development Index</p> <p>www.atkearney.com</p>	<p>The 2004 FDI Confidence Index survey tracks the impact of likely political, economic and regulatory changes on the foreign direct investment intentions and preferences of the leaders of the world’s top companies. For the past 7 years A.T. Kearney has surveyed CEOs and top decision makers of global 1000 firms (responsible for about 70% of global FDI flows) about their opinions of various FDI destinations and their investment intentions on 65 countries.</p> <p>Global Services Location Index 2005: A.T. Kearney’s annual ranking (previously known as the Offshore Location Attractiveness Index) positions the most attractive locations for “offshoring” of service activities such as IT, business processes and call centers in 40 measurements analyzed.</p> <p>The 2005 Global Retail Development Index: For the last 4 years, A.T. Kearney has published this survey to help retailers prioritize their global development strategies. The index ranks 30 emerging countries based on more than 25 macroeconomic and retail-specific variables, the general of which: Business Country Risk (25%), Market Attractiveness (25%), Market Saturation (30%), Time Pressure (30%). The rank is on a 100 point scale – the higher the ranking, the bigger the urgency to enter a country.</p>

BULGARIA’S PRESENCE:

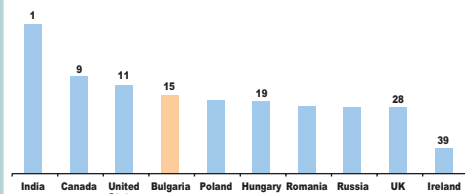
Andrej Vizjak, Vice President, A.T. Kearney:

- “Offshore attractiveness in Europe continues to migrate eastward as Bulgaria, Slovakia and Romania all enter the Index for the first time.”
- “At the same time, strong performances by three new entrants in the Index (Bulgaria at 15th, Slovakia at 16th and Romania at 24th) reflect what many on the ground have observed - as costs in the most advanced Central European countries converge toward EU-levels, companies are moving farther East in their search for high-skill, low-cost solutions.”
- “...with the changes brought about by the EU accession, investor friendly regional climate in the Balkans will benefit Bulgaria, which will capitalize on this potentially positive investor sentiment and also be able to offer a relatively skilled but cheaper labor. Bulgaria has, in fact, increased its attractiveness as an FDI destination over the years, from an annual average of \$149 million between 1992 and 1997 to \$813 million in 2001 to a record \$1.4 billion by 2003 according to UNCTAD reports.
- Looking forward, the FDI Confidence Index 2004 reveals that FDI may continue to grow as 13% corporate investors from the world’s largest companies expressed a more positive outlook on the Bulgarian market. Among investors based in Eurozone countries, Bulgaria is considered their 24th most attractive FDI location globally - behind Slovakia (14th), Slovenia (19th) and Romania (20th). Nevertheless, about one in five (23%) of these same Eurozone investors view Bulgaria with a more positive outlook.
- What may drive home even more in Bulgaria’s case is that investors are especially weary of a business-friendly environment in the ten new members of the EU, with 60% of those surveyed citing lack of transparency, 41% citing macroeconomic stability and 28% management of market reform as the most serious threats to competitiveness in this region.
- EIU’s comparative infrastructure risk barometer, gives Bulgaria a rating of 44, compared to 50 for Romania, 31 for Hungary and the Czech Republic, where 100 is most risky.”

COMMENT

Bulgaria does not participate in The Globalization Index of A.T.Kearney for the moment.

Graph/chart: Bulgaria: Rank 2 in Europe. A.T.Kearney Global Services Location Index 2005



Graph/chart:

2005 Global Retail Development Index

1	India	100
2	Russia	99
3	Ukraine	87
4	China	83
5	Slovenia	82
6	Latvia	81
7	Croatia	80
8	Vietnam	79
9	Turkey	78
10	Slovakia	77
11	Chile	76
12	Thailand	75
13	Bulgaria	73
14	South Korea	72
15	Tunisia	71
16	Macedonia	70
17	Lithuania	68
18	Malaysia	67
19	Hungary	66
20	BiH	64

Deutsche Bank - EU Monitor: Reports on European integration Jul 2005

Institution/report/source

DB is one of the world's leading international financial service providers with roughly EUR 964 billion in assets and ranks among the global leaders in Corporate Banking and Securities, Transaction Banking, Asset Management & Private Wealth Management, and has a significant retail banking franchise in Germany and other selected countries in Continental Europe.

www.db.com

Deutsche Bank Research's focus is on the analysis of economic, social and financial-market trends, i.e. the environment in which Deutsche Bank operates. DB Research stands for high-quality, independent analysis. It actively promotes public debate on economic, fiscal, labour-market and social-policy issues.

www.dbresearch.com

Report: description/significance

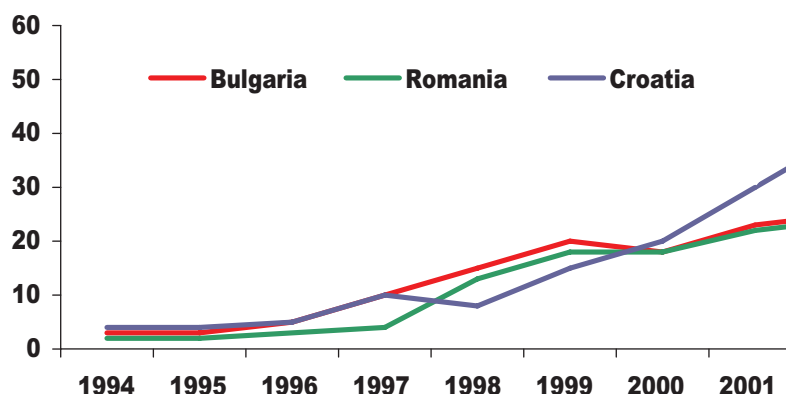
EU Monitor: Reports on European integration Jul 2005
As part of Deutsche Bank's regular EU Monitor, the chapter 'FDI: The growth engine in Central and Eastern Europe' studies foreign direct investment as a major driver of the transition process in Central and Eastern Europe with the outlook for the next few years the EU accession candidates to increasingly become the focus of attention of foreign investors.

BULGARIA'S PRESENCE:

- "Foreign direct investment is seen as a major driver of the transition process in Central and Eastern Europe. It helps to improve the institutional environment and stimulates growth via capital accumulation and technological progress. Its actual importance is documented by the latest empirical research findings, which state that foreign direct investment has on average generated three-quarters of economic growth in the region since the start of the transition process."
- "Foreign direct investment (FDI) has been a widely discussed topic in the description of the successful transition process of many Central and Eastern European countries (CEECs) into market economies. Foreign direct investment in the CEECs¹ rose almost tenfold between 1994 and 2003 – from USD 20 bn to USD 197 bn. In terms of FDI in relation to GDP, there was an impressive increase from 6.9% to 33.2%."
- "Foreign direct investment accounts for three-quarters of economic growth in the CEECs "
- "In Romania, Bulgaria and Croatia the FDI stock has, on average, grown twice as fast as that in the Czech Republic, Slovakia and Slovenia. "
- "There were very high inflows to Bulgaria in 2004 (around EUR 2 bn, or 10.9% of BIP)"
- "The prospect of entering the EU in the near future should attract continued high levels of FDI to Bulgaria, Romania and Croatia and in combination with a rapid absorption ability lead to large growth contributions."
- "While clothing production declined, in some cases quite considerably, between 2000 and 2004 in Poland (-17%), the Czech Republic (-12%) and Hungary (-3%), it has expanded strongly in Romania (+18%) and especially in Bulgaria (+91%)."

Graph/chart:

FDI stock: Bulgaria, Romania & Croatia (UNCTAD 2005), % of GDP



POLITICAL STABILITY *and quality* of life

Deutsche Bank and Eurasia Stability Index (DESIX)

Institution/report/source

Deutsche Bank and Eurasia Stability Index (DESIX)
Eurasia Group is a research and consulting firm that focuses on political-risk analyses and industry research for global markets. Eurasia Group has expertise on 65 countries in Asia, Latin America, Europe & Eurasia, and Middle East & Africa. It offers analytical research publications and tailored consulting, as well as direct access to Eurasia Group analysts, on political trends and their impact on business, financial markets and the foreign investment climate.

<http://www.eurasiagroup.net>

Report: description/significance

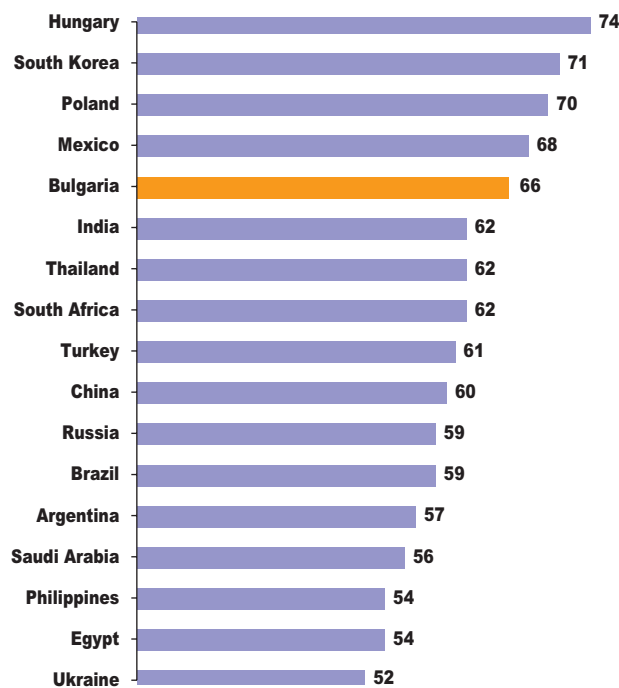
The Deutsche Bank Eurasia Group Stability Index (DESIX) is a joint offering of Deutsche Bank and Eurasia Group. By leveraging the intellectual capital of Deutsche Bank's economic expertise and EG's political analysts, Deutsche Bank Eurasia Group produces comprehensive forward-looking risk analysis and an index on relative stability for emerging market countries. The Stability Index currently covers 24 countries.

Stability Index products include Country Reports, monthly four-page reports per country that feature the Stability Index and analysis compiled using Stability Index methodology to analyze underlying risks and trends affecting political stability, and Stability Index Update, a concise, forward looking weekly news bulletin that analyzes recent and upcoming political events in indexed countries. The research provides an "early warning" system which helps anticipate critical trends and provides a measure for country capacity to withstand political, economic, security, and social shocks.

BULGARIA'S PRESENCE:

Bulgaria has gained relatively high rank of 66, ahead of India and other emerging markets.

Graph/chart:



The Transparency International: Corruption Perceptions Index (CPI) 2005

Institution/report/source

Transparency International, the only international non-governmental organisation devoted to combating corruption, brings civil society, business, and governments together in a powerful global coalition.

TI, through its International Secretariat and more than 85 independent national chapters around the world, works at both the national and international level to curb both the supply and demand of corruption. In the international arena, TI raises awareness about the damaging effects of corruption, advocates policy reform, works towards the implementation of multilateral conventions and subsequently monitors compliance by governments, corporations and banks. Each year TI publishes Global Corruption Report 2005 and ranks countries according to Corruption Perceptions Index (CPI).

www.transparency.org

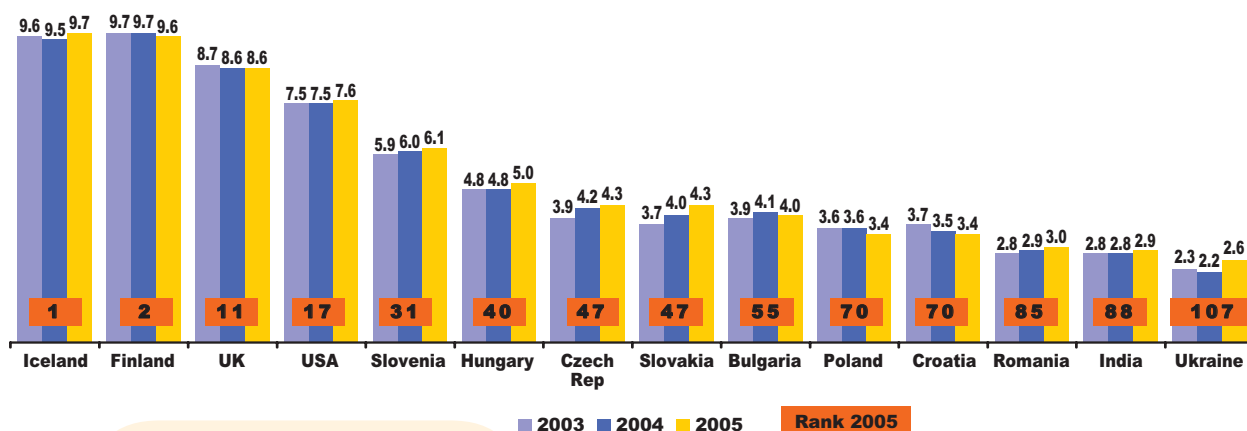
Report: description/significance

The year 2005 marks the 11th publication of Transparency International's Corruption Perceptions Index (CPI). The index assembles expert perceptions vis-à-vis corruption. In an area where objective data is not available, such an approach helps our understanding of real levels of corruption. The CPI aggregates the perceptions of well-informed people with regard to the extent of corruption, defined as the misuse of public power for private benefit. The extent of corruption reflects the frequency of corrupt payments and the resulting obstacles imposed on businesses. The TI Corruption Perceptions Index is a composite survey, reflecting the perceptions of business people and country analysts, both resident and non-resident. Altogether 18 data sources were used in the 2005 CPI, from 12 different institutions: (1) the World Economic Forum; (2) the Institute of Management Development (in Lausanne); (3) the Economist Intelligence Unit; (4) Information International from Beirut (Lebanon); (5) the World Markets Research Centre (in London); (6) Gallup International, on behalf of Transparency International; (7) Freedom House's Nations in Transit; (8) the Merchant International Group Limited (in London); (9) the Political and Economic Risk Consultancy (in Hong Kong); (10) Columbia University; (11) a multilateral development bank; and (12) the Business Environment and Enterprise Performance Survey of the EBRD and the World Bank.

BULGARIA'S PRESENCE:

Bulgaria has a favourable position, ranked 54-th among 146 countries.

Graph/chart: Transparency International CPI 2003-2005 10 is lowest corruption



COMMENT

Bulgaria's CPI rank shows better position in terms of corruption than competitors, peers and out-runners in other rankings like Poland, Slovakia, Romania, India and other.

The Economist Intelligence Unit: Quality-of-life Index 2005

Institution/report/source

The Economist Intelligence Unit provides a constant flow of analyses and forecasts on more than 200 countries and eight key industries. We help executives make informed business decisions through dependable intelligence delivered online, in print, in customised research as well as through conferences and peer interchange.

The Economist Intelligence Unit has developed a new "quality of life" index based on a unique methodology that links the results of subjective life-satisfaction surveys to the objective determinants of quality of life across countries. The index has been calculated for 111 countries for 2005.

www.eiu.com

Report: description/significance

Worldwide quality-of-life index, 2005 (Score on a scale from 1 to 10)

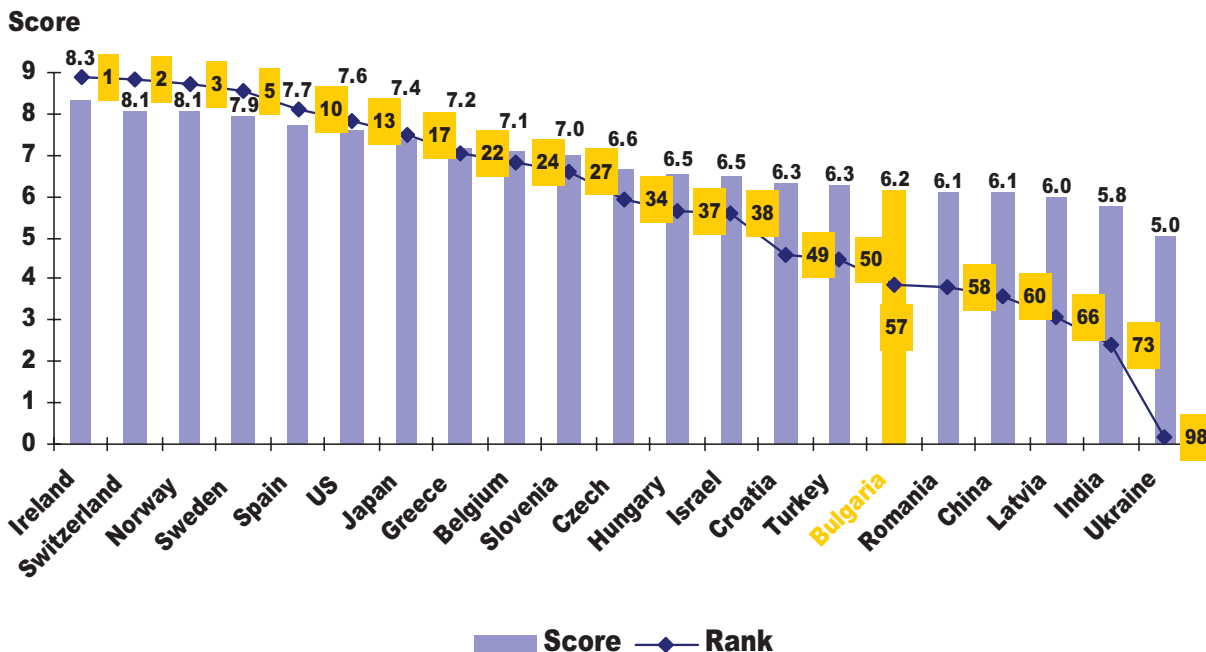
The nine quality-of-life factors, and the indicators used to represent these factors, are:

1. Material wellbeing GDP per person, at PPP in \$. Source: EIU
2. Health Life expectancy at birth, years. Source: US Census Bureau
3. Political stability and security Political stability and security ratings. Source: EIU
4. Family life Divorce rate (per 1,000 population), converted into index of 1 (lowest divorce rates) to 5 (highest). Sources: UN; Euromonitor
5. Community life Dummy variable taking value 1 if country has either high rate of church attendance or trade-union membership; zero otherwise. Sources: ILO; World Values Survey
6. Climate and geography: Latitude, to distinguish between warmer and colder climes. Source: CIA World Factbook
7. Job security: Unemployment rate, %. Sources: EIU; ILO.
8. Political freedom: Average of indices of political and civil liberties. Scale of 1 (completely free) to 7 (unfree). Source: Freedom House
9. Gender equality: Ratio of average male and female earnings, latest available data. Source: UNDP Human Development Report

BULGARIA'S PRESENCE:

Bulgaria ranks 57 among 111 countries covered and 59 in terms of GDP per person (\$ PPP).

Graph/chart: Quality of Life Index 2005



COMMENT

GDP per capita ranking positions Bulgaria ahead of Romania and Ukraine.

TECHNICAL *environment* and skills

3

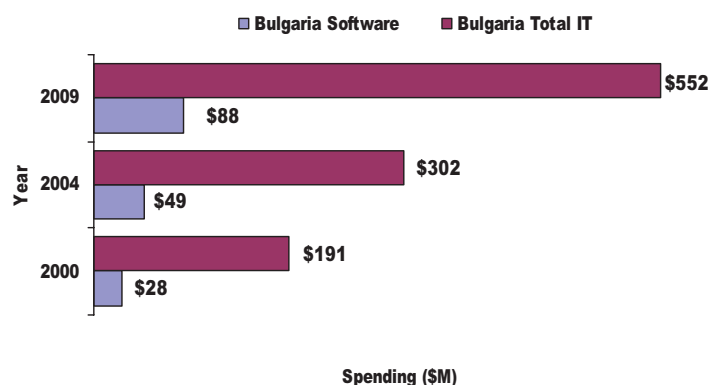
IDC: ICT Economic Impact Model on country development

Institution/report/source	Report: description/significance
<p>IDC is the premier global provider of market intelligence, advisory services, and events for the information technology and telecommunications industries. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. Over 775 IDC analysts in 50 countries provide global, regional, and local expertise on technology and industry opportunities and trends.</p> <p>www.idc.com</p>	<p>In early 2002, IDC completed a project (“The National Economies Project”) for Microsoft assessing the impact information technology (IT) has had on 28 countries. This impact was felt in job creation, company formation, increased IT spending, and tax revenues. In the course of this project IDC developed an Economic Impact Model (EIM), which ties local IT spending to the impact metrics. The model output – jobs, tax revenues, etc. – was validated with local government sources, and through this process the model was calibrated. Since the project has been constantly expanded to include new countries and geographies and recently 6 South East European countries were added to it: Bulgaria, Croatia, Macedonia, Romania, Serbia & Montenegro and Slovenia. The study is an update of the Economic Impact Model (EIM) and an extension to look at the specific economic impact from software in general and Microsoft software in particular.</p>

BULGARIA’S PRESENCE:

- Software spending today represents 16% of the total IT Spending market in Bulgaria and is growing by more than 12% annually.
- More than 42% of all IT employees in Bulgaria are engaged in creating, distributing, or servicing software – for external customers or internal corporate users – and half of all IT tax revenues come from the software-related sector.
- More than half of 2004 IT employment and tax revenues stemmed from the vast Microsoft ecosystem.
- For every dollar of Microsoft revenue in Bulgaria in 2004 another \$8.24 were generated by other companies selling hardware or software that works on Microsoft operating systems or servicing that software.
- In Bulgaria, the IT market is growing at a rate of 12.4% and will reach \$552M by 2009. Overall IT market in South East Europe will grow at 10.4% CAGR.
- By 2009, the software market will account for 16% of the total IT market in Bulgaria and is growing at 12.2% while SEE software market is growing by 12.8%.
- In Bulgaria, software related employment currently accounts for above 42% of all IT employment and will grow to almost 48% by 2009, while software represents only 16% of total IT spending.
- General IT employment opportunity will increase from 27,837 jobs today to more than 35,700 jobs in 2009, which means almost 7,900 new IT employees in next 5 years. IT employment in Bulgaria grows at 5.1% CAGR by 2009, while South East Europe IT employment is growing by 4.9%.

Graph/chart:



ITU: Digital Access Index (DAI) 2004

Institution/report/source	Report: description/significance
<p>ITU is a world-wide organization which brings governments and industry together to coordinate the establishment and operation of global telecommunication networks and services; it is responsible for standardization, coordination and development of international telecommunications including radiocommunications, as well as the harmonization of national policies.</p> <p>www.itu.int</p>	<p>Specially prepared for the World Summit on the Information Society the ITU has published the 2003 World Telecommunication Development Report: Access Indicators for the Information Society. The World's First Global ICT Ranking – the Digital Access Index (DAI): The ITU's Digital Access Index (DAI) measures the overall ability of citizens to access and use information and communication technologies (ICTs). It is based on eight variables, covering five areas, to provide an overall country score. The areas are: availability of infrastructure, affordability of access, educational level, quality of ICT services, and Internet usage. The results of the Index point to potential stumbling blocks in ICT adoption and can help countries identify their relative strengths and weaknesses. It covers a total of 178 economies, which makes it the first truly global ICT ranking.</p> <p>The index classifies countries into one of four digital access categories: high, upper, medium and low. The DAI is a vital reference for governments, international development agencies, non-governmental organizations and the private sector to assess national conditions in information and communications technology.</p>

BULGARIA'S PRESENCE:

Bulgaria ranks in the group of countries that has upper access to technology and is on the 50th place among 178 covered economies.

Graph/chart:

HIGH ACCESS	UPPER ACCESS	ITU, 16 Sept 2004 /data on 2003 (02)						
		Internet				PCs		
		Hosts Total	Hosts per 10,000 inhab.	Users (k)	Users per 10,000 inhab.	Total (k)	Per 100 inhab.	
Sweden 0.85	Ireland 0.69	Bulgaria	49,969	66.57	1,545	2,058	405	5
Denmark 0.83	Cyprus 0.68	Croatia	29,644	67.77	1,014	2,318	760	17
Iceland 0.82	Estonia 0.67	Czech Republic	276,186	274.41	2,700	2,683	1,800	18
Korea (Rep.) 0.82	Spain 0.67	Ireland	158,832	394.58	1,260	3,130	1,654	42
Norway 0.79	Malta 0.67	Finland	1,271,634	2,436.55	2,650	5,089	2,300	44
Netherlands 0.79	Czech Republic 0.66							
Hong Kong, China 0.79	Greece 0.66							
Finland 0.79	Portugal 0.65							
Taiwan, China 0.79	Hungary 0.63							
Canada 0.78	Poland 0.59							
United States 0.78	Slovak Republic 0.59							
United Kingdom 0.77	Croatia 0.59							
Switzerland 0.76	Barbados 0.57							
Singapore 0.75	Malaysia 0.57							
Japan 0.75	Lithuania 0.56							
Austria 0.75	Latvia 0.54							
Germany 0.74	Dominica 0.54							
Belgium 0.74	Argentina 0.53							
Italy 0.72	Trinidad & Tobago 0.53							
France 0.72	Bulgaria 0.53							
Slovenia 0.72	Mauritius 0.50							
Israel 0.70	Russia 0.50							

Digital Access Index	Poland	Bulgaria
Subscriber lines per 100 inhabitants	29.5	36.8
Mobile subscribers per 100 inhabitants	36.3	33.3
Internet tariff as % of GNI	4.1	8.3
Adult literacy	99.7	98.5
Infrastructure	43	47
Affordability	96	92
Knowledge	96	91
Overall	0.57	0.53

COMMENT

Bulgaria's score is good, considering how CEE-5 countries and EU members like Poland rank in the study.

Datamonitor: Profiting From European Nearshore Outsourcing, 2004

Institution/report/source	Report: description/significance
<p>Datamonitor specializes in producing detailed premium data and analysis on a wide range of industries and current market issues.</p> <p>Datamonitor's reports combine primary data and research, forecasting and expert analysis generated by team of 300+ global industry analysts. Datamonitor experts produce detailed forecasts and actionable recommendations, helping new business opportunities and ideas.</p> <p>www.datamonitor-market-research.com</p>	<p>DataMonitor, Profiting From European Nearshore Outsourcing, July 2004): the report provides a comprehensive guide to each major market and sub-region in Eastern Europe and North Africa, as well as strategies on picking the optimal venue for companies to house outsourced contact center services.</p>

BULGARIA'S PRESENCE:

- Bulgaria's presence: Data Monitor forecasts the call center agent positions number to triple in less than 2 years, driven by Bulgaria's cost and geographic zone advantages aided by technological capabilities, labour availability and EU accession stability and economic performance.
- "Stability – Political and Economic: To date, Bulgaria has held several democratic elections, and has in place a pro-Western, pro-EU government. The fears of either communist-throw backs or ultra-nationalists obtaining power are now minimal, meaning that large-scale investments in Bulgaria can be made free of political upheaval. From the economic standpoint, growth in Bulgaria has been manageable and sustained through 1998 onward, and inflation is relatively low. As well, the current government is pursuing a policy of free market development, which includes telecom deregulation and privatization.
- "Language skills and education: The fact that Bulgaria has attracted contact centers from Ireland and Belgium is a testament to its potential as a nearshore destination. In terms of European languages, it has placed an emphasis on English, French, and German instruction. Several universities have also instituted partnerships with contact centers to refine agents' commercial fluency in particular languages. From the standpoint of general education, the Bulgarian government has placed an emphasis on learning not only languages, but IT skills as well. Approximately 90 higher education facilities are located throughout Bulgaria major centers."

Brainbench: 2005 Global Skills Report

Institution/report/source	Report: description/significance
<p>With more than 6 million registered users and more than 600 different assessments, Brainbench is the global leader in measuring the individual skills, abilities and personality traits that drive a company's bottom-line success. Brainbench helps clients test, track, and improve their employees' vital job characteristics, using the industry's largest ISO 9001:2000 library of tests.</p> <p>www.brainbench.com</p>	<p>Brainbench's 2005 Global Skills Report provides a snapshot of the most popular skills in the United States and around the globe. Drawing on the employment skills certifications of over 300,000 people from 179 countries, Brainbench reveals the location of concentrations of skilled workers throughout the world. Tests are conducted in English and cover skills, knowledge, and aptitude in over 400 areas covering a range of Information Technology specialties as well as areas of Finance, Sales and Marketing, Health, Administration, Call Center, Written and Verbal Skills, and General Business Applications. Although certifications are offered in hundreds of skill areas, Brainbench is best known for its information technology assessments amongst employers using Brainbench for pre-employment testing purposes; therefore, the IT rankings include 6 subsections:</p> <ul style="list-style-type: none"> ▪ Database Development and Administration ▪ Programming and Development ▪ Systems and Network Administration ▪ Technical Support ▪ Telecommunications ▪ Web Development and Administration

BULGARIA'S PRESENCE:

"MARCH 28, 2005: global knowledge testing program on a global scale (Brainbench) finds high concentration of technical skills in CEE

- Surprising results that challenge commonly-held views about concentrations of the world's technical talent pools:

Eastern European nations such as Romania, Latvia, Bulgaria and Belarus lead Western countries such as the U.K., Australia, Germany and France in total certifications.

- As a percentage of total population, Latvia, Estonia and Bulgaria lead the world.

The map of global skills is not singularly dominated by the U.S. or the Indian subcontinent. Six of the top 11 countries are from Eastern Europe (Russia, Ukraine, Romania, Bulgaria, Latvia and Belarus). The development and sourcing of skills, particular in the IT world, has tremendous potential in Eastern Europe. Bulgaria, Latvia, and Belarus scale, definitely made their presence known. They were strong in all IT categories, particularly PHP (Latvia), C++ (Belarus

and Linux (Bulgaria). As detailed above, Latvia ranked highest among all countries in certifications per population. However, each of these countries appears to be active in most programming and network administration categories.

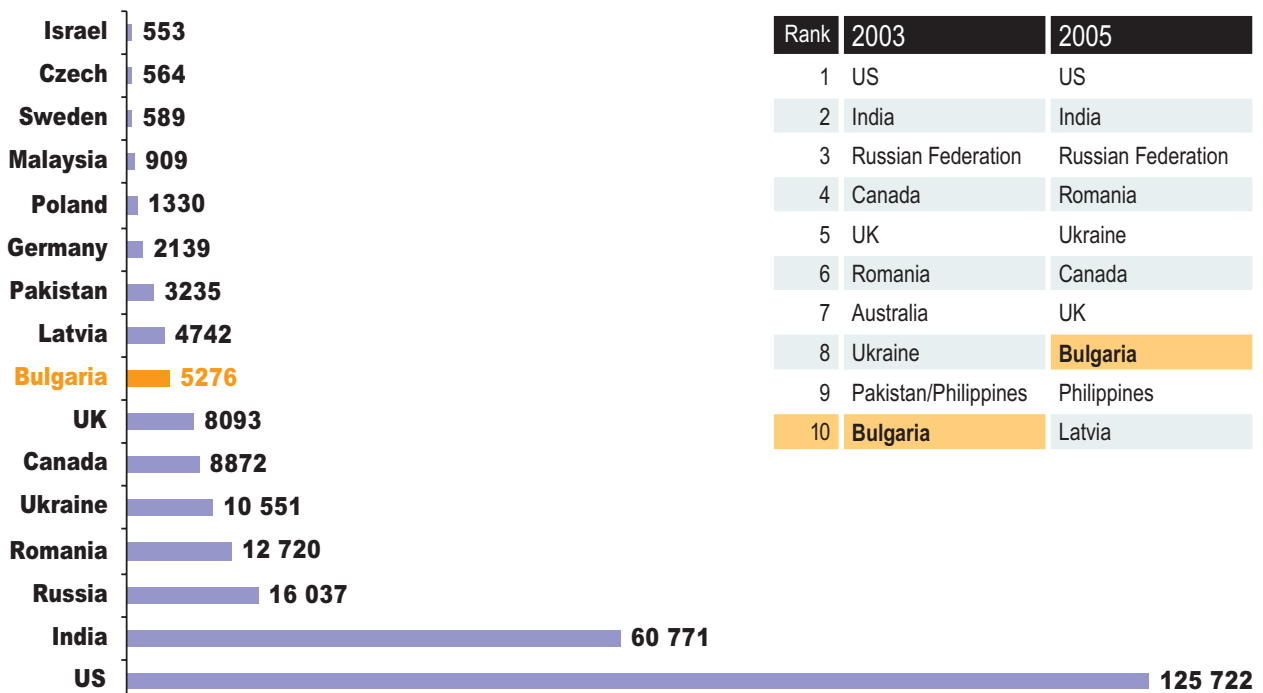
- Romania, Ukraine, and Bulgaria – as well as the United Kingdom – were also centers of Linux and UNIX certification. Bulgaria ranks 8 with 5276 certifications received which is 0.071% of the population. Romania has 0.057% certified specialists of the population.

- We're used to hearing in the press about technology skills being outsourced and concentrated in Asia, primarily India but considering how relevant English is to things like programming languages, the strong results across nearly all of Eastern Europe are fascinating. Looking at the numbers makes you rethink some of the usual assumptions about the global workforce skills pool." Mike Russiello, Brainbench's President and Chief Executive Officer"

Graph/chart:

The top 10 countries, based on total skill certifications, are listed below, along with the 2003 rankings.

Country ranking based on number of certifications received Brainbench Global Skills Report 2005



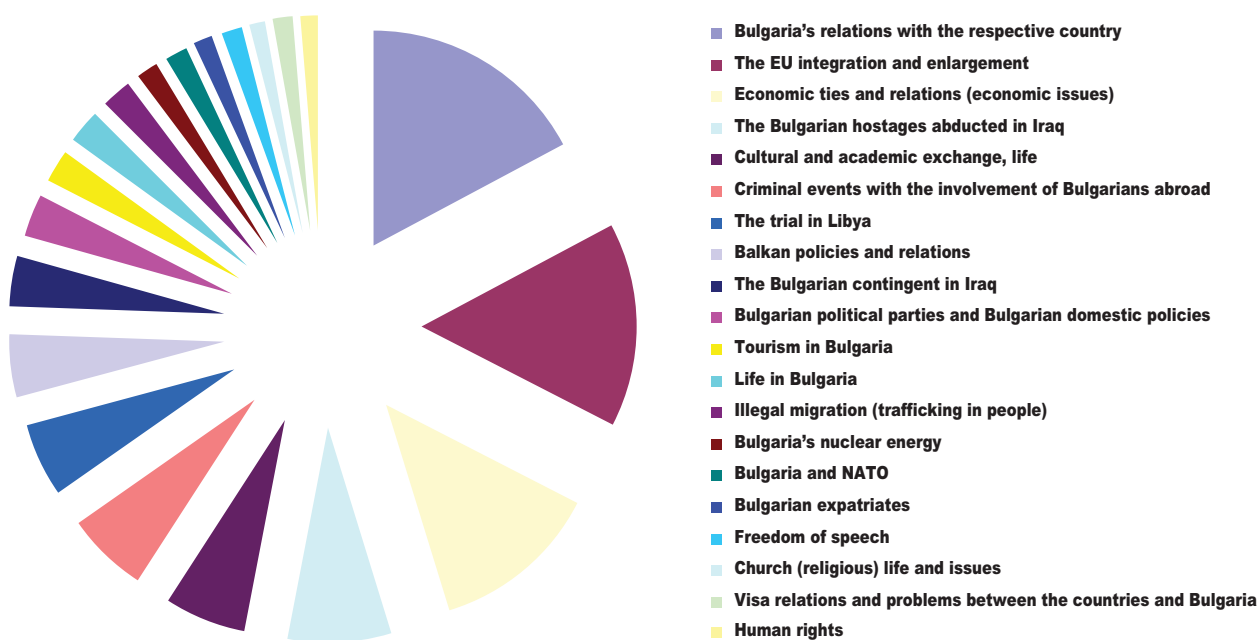
Rank	2003	2005
1	US	US
2	India	India
3	Russian Federation	Russian Federation
4	Canada	Romania
5	UK	Ukraine
6	Romania	Canada
7	Australia	UK
8	Ukraine	Bulgaria
9	Pakistan/Philippines	Philippines
10	Bulgaria	Latvia

III

Bulgaria in the foreign media

BULGARIA'S IMAGE IN THE FOREIGN MEDIA (Source: Market Links). The survey analyzed a total of 3,272 publications which appeared over the period May-November 2004 in 339 media of 54 countries. The average daily number of publications on Bulgaria in the period under review was 18. The survey established a clear upward trend in the number of articles as well as in positive attitudes to this country.

Major topics for Bulgaria in international media, May-Nov 2004



Source: BusinessWeek, December 12/19, 2005, Special Report: Central Europe

Quotes on Bulgaria:

“Based in New Jersey, Thriving in Bulgaria

Sevlievo, a city of 25,000 tucked into a valley beneath the Balkan range in central Bulgaria, is about the last place you would expect to find a bastion of American enterprise... Yet this is where American Standard, the Piscataway (N.J.) maker of bathroom fittings and toilet bowls, manufactures more of them than it does anywhere in the world. Indeed, Sevlievo is very much an American Standard company town deep inside Eastern Europe, with three factory complexes and 3,700 people on the payroll. American Standard's investment, which began with the purchase of a state-owned fittings maker in 1992, has helped show other foreign investors the potential lurking in Bulgaria's rugged hills. It's a case study of how kind of foreign investment is helping Eastern Europe grow.

Nowadays, Bulgaria is hot. With European Union membership likely as soon as 2007, the country has been luring U.S. high-tech companies such as AMI Semiconductor, which makes chips for auto makers, medical uses, and Tumbleweed Communications Corp., a maker of security software. Both companies have opened development centers in the Bulgarian capital of Sofia to take advantage of the nation's highly regarded technical-school graduates. Foreign direct investment more than doubled in 2005, to \$2.7 billion, from \$1.2 billion, according to estimates by the European Bank for Reconstruction and Development.”

“This is a good environment for setting up a business. You can get anything you need,” says Anelia Mladenova Pergoot, managing director for AMI Semiconductor in Bulgaria. A Balkan tiger? It looks like Bulgaria has the potential.”

Source: *The Deal: Eyes on world markets: Europe*

Quotes on Bulgaria: Summer 2005:

"Indeed, with foreign direct investment of €45 billion, equal to domestic levels and representing a quarter of its GDP, Bulgaria is arguably the most successful of the region's economies."

"...on the Bulgarian Black Sea, the success of resorts like Sunny Beach and Golden Sands has led realtors to dub that Balkan country the "new Spain"

"Bulgaria – a 'Black Box' No Longer Bulgaria has capitalized on the good macroeconomic performance and strong financial discipline it

achieved after adoption of a currency board regime back in 1997 and the implementation of a tight fiscal policy thereafter to become one of the Balkan region's most stable economies."

"Investors from Berlin to Beijing are pouring in, snapping up opportunities in industries as diverse as food and agriculture, IT and electrical engineering. Access to both assets and people remains good, despite rising prices in some sectors, notably real estate, and there's no indication that the prospect of European Union accession is diminishing investor appetite."

Estimated number of publicly disclosed transactions

	2004
Bulgaria	26
Croatia	21
Czech	185
Hungary	115
Poland	293
Romania	42
Russia	457
Slovakia	85
Slovenia	32

Estimated value of publicly disclosed transactions (US mlns)

	2003	2004	%change
Bulgaria	317	830	161,8
Croatia	300	230	-23,3
Czech	7420	6213	-16,3
Hungary	2617	3248	24,1
Poland	2835	6221	119,4
Romania	549	1412	157,2
Russia	23703	30379	28,2
Slovakia	653	1650	152,7
Slovenia	249	786	215,7
TOTAL	38643	50969	32

Source: *Financial Times*

Quotes on Bulgaria:

May 2005:

“Economy overview: The economies of central and eastern Europe and the former Soviet Union are set to see a slowdown in economic growth, mainly because of the decline in global economic conditions. However, even with a predicted drop in growth rates from last year’s 7 per cent to about 5 per cent, the region will remain one of the world’s most buoyant. Central Europe’s exports have been boosted by accession, notably in farm products. Far from being swamped by west European supplies, local farmers are being inundated by buyers. However, given the weakness of the euro zone economy - which is expected to grow by about 1.6 per cent in 2005 - east European exporters could struggle to maintain the momentum of sales growth. In south east Europe, the most significant macro-economic development is the continuing strong growth of Bulgaria and Romania as they prepare for EU accession in 2007. In spite of these differences, the region faces many challenges in improving the investment climate, notably fighting corruption. The EU has focused attention on bribery in Romania and Bulgaria to boost anti-corruption efforts before 2007 when the two plan to join

the union. But similar problems exist everywhere.

Portfolio investment: Strong growth boosts region

East Capital last year also expanded into the Balkans, where it has allocated about one-fifth of assets under management. The driving force of investment into the region is the EU accession of Romania and Bulgaria, scheduled for 2007 and expected to fuel the union’s further expansion east of the Adriatic. That will come atop overall growth rates of 5.6 per cent in Bulgaria and 8.3 per cent in Romania last year. As important, each country is enjoying a consumer credit boom connected to the falling inflation rate - about 5 per cent in Bulgaria and 9 per cent in Romania - and heavy competition in the banking sector that is benefiting retailers directly and indirectly. Hypermarkets and cash and carry chains have upped sales of home appliances and electronics by partnering local banks on consumer credit deals. Predictably, local shopping habits are changing, with outdoor markets and small urban shops taking the biggest hits. But the change is happening slowly and, especially in Bulgaria, some local players are fighting back.”

Source: *Economist - EIU ViewsWire, “Bulgaria economy: Quick View - GDP growth accelerates”*; *“Bulgaria economy: Market opportunities”*, Sept 2005

“Bulgaria’s economy grew by 6.4% year on year in the second quarter, up from 6% in January-March, according. Strong growth in final consumption, as well as a double-digit rise in gross fixed capital formation, underpinned the best year-on-year quarterly performance since the second quarter of 1998.”
“Final consumption rose by 5.9% year on year in the second quarter, down from 7.3% in the first quarter, because of a dip in private consumption growth—which rose by 5.7% after having expanded by 7.3% in January-March.”
“The stronger than expected GDP data are out of line with industrial output figures that point to a slowing economy. The very strong contribution to GDP growth from government spending is also at odds with the good fiscal performance reported by the government in the first half of the year. Nevertheless, it is

clear that very strong retail sales and a construction boom are propelling Bulgarian economic growth at the fastest rate seen in over six years.”
In the light of the second quarter data, we have upgraded our full-year real GDP growth forecast to 5.7%. We still expect a slowdown in the second half, as a result of flooding in August and September as well as a slowdown in lending growth that is likely to take some of the steam out of the consumption boom. Growth in the second half will be further impeded by net trade, as imports are now growing faster than exports. The current-account deficit is now equal to more than 10% of GDP and as a result the government is likely to come under pressure from the IMF to adopt an even more restrictive fiscal policy in the 2006 budget.”
“Bulgaria’s score in the Economist Intelligence Unit’s business

environment rankings for market opportunities rises marginally from 4.2 (out of 10) for the historical period (2000-04) to 4.5 for the forecast period (2005-09). This reflects stability in those variables for which the scores are defined mostly by Bulgaria's size and natural endowment (GDP, share of world trade and natural resources), and a generally good performance in the variables reflecting economic growth (an improvement in GDP per head and export growth). However, it also reflects a drop in the efficiency of investment, as the large gains available from new investment in the period following the currency crisis of 1996-97 fall to more conventional levels. Given the improvements expected elsewhere in the world and the small size of its domestic market,

Bulgaria rises only from 58th to 57th place for this category out of the 60 countries surveyed in the rankings."

"GDP per head in Bulgaria is forecast to rise by 45% in purchasing power parity (PPP) terms between 2004 and 2009, and, boosted by the fall in the US dollar against the euro, by 60% in nominal US dollar terms, but the country will still be well behind the more advanced east-central European countries on both measures at the end of the forecast period. However, the current gap is probably overstated, as Bulgaria's "grey" economy is one of the largest in the region - it is generally estimated at 20-30% of GDP. The share of the grey economy in the total will probably decline over time as the economy develops and tax administration improves."

Source: Outsourcing Center <http://www.outsourcing-center.com/>

OutsourcingCenter is the publishing and marketing channel of Everest Group that provides strategic advisory services that help companies worldwide harness the power of outsourcing. Since it was founded in 1991, Everest has completed over 530 major outsourcing transactions across all major business processes, all centered around providing long-term benefits to both buyers and providers of services. Everest makes outsourcing knowledge available to the broader public through Outsourcing Center - the largest online educational resource on outsourcing. Founded in 1997, the Outsourcing Center attracts more than 400,000 different users each year and publishes the monthly Outsourcing Journal with more than 40,000 subscribers.

in mathematics, according to The World Bank and The Economist.

Ranking second in the world in IQ tests (MENSA International),

Bulgaria also ranks second in the world in SAT scores.

If you listen to the Bulgarians promote themselves, they have the advanced coding skills of the Soviet techies and don't have many of the most difficult personality traits of their former parents. This makes Bulgaria a very attractive geography for Western businesses with an important need in the software, innovative IT, or general technology areas.

SAP did not send unimportant work to Bulgaria; to the contrary, SAP is placing a big bet by having its Bulgarian counterparts work with laser-like focus on the all-important Java software development area for its worldwide product line. Currently, SAP has 270 people based in Sofia and plans to "double that in two years" The company is moving to a bigger building at the end of the year. "SAP loves Bulgaria," Plamen Tilev, General manager says.

Quotes on Bulgaria:

August 2005: **Bulgaria: Eastern Europe's Newest Hot Spot?** By Bill Robinson, Business Writer

"Why Bulgaria?"

Bulgaria has an unusually well-developed educational system specializing in electronics, engineering, and computer sciences. There are more than 47 universities in Bulgaria, located in 26 different towns. At any one time, there are more than 5,000 Bulgarian students majoring in computer science and another 5,000 majoring in electrical engineering, mathematics, physics, and biotechnology.

Bulgaria's advanced education is right up with the top countries in the world, ranking fifth amongst all countries in sciences and eleventh

Will Bulgaria Win Additional Business?

What is Bulgaria's real strength? These young Bulgarians are very technically aware; they speak English predominantly; and they can program extremely well.

Already established as an Eastern European destination, Bulgaria is still somewhat mysterious to those facing a steep learning curve about the region. But owing to SAP and others taking a keen interest and the Bulgarian programmers' unique ability to reverse engineer complex software code, this is slowing fading away."

III

Quotes: CEOs,
analysts

EU Commission Regular Report 2004

"In spite of the global economic slowdown, the Bulgarian economy continued to benefit from high growth and stability...The Bulgarian economy has achieved a high degree of macroeconomic stability due to a good policy-mix brought about by the currency board arrangement, a tight fiscal stance and wage moderation."

Dr. Peter Kürpick, Senior Vice President NetWeaver Foundation SAP AG on why SAP chose Bulgaria Bulgaria?

"Very well educated, talented and committed workforce, large talent pool, very competitive cost structure, European culture, good English skills, short flight times and almost no time difference from Western Europe..."

Bloomberg, Nov 18, 2004

"SAP plans "heavy" investment in research and development by boosting its workforce in countries such as India, China and Bulgaria and increasing sales and marketing efforts as SAP seeks a larger piece of the market for small to mid-sized companies."

John Gladwish, Executive Director of MoneyGram outsourced transaction center in Sofia on competitive advantages of Bulgaria:

"MoneyGram reduced operational costs by 50% and maintained a higher than the agreed service level of 95%+ calls answered within 15 seconds handling 80,000 calls per month – 10% more than MoneyGram's initial forecast. Enhanced Customer Service generating more business for MoneyGram."

Nelly Pergoot, Managing Director, AMI Semiconductor (USA) on why Bulgaria:

"The combination of existing and proven local expertise, the excellent academic facilities and the strength of the Bulgarian economy, made Sofia an ideal choice for further investment in our global mixed-signal engineering capabilities."

Gilles Bernard, Executive Director of EPIQ (Belgium) on the three reasons to choose Bulgaria:

"Political and economic stability, the qualified labor force and the cost structure."

Declan Murphy, director of OECD's investment compact for Southeast Europe, July 2005:

"Southeast Europe should push for more foreign direct investments and may see the yearly FDI inflow doubling in five years from more than eight billion euro in 2004, on expansions and greenfield investments. We should all expect that the doubling will happen in three to four years, that's a good target to strive for... There are areas like automotive components, engineering, the food sector - these sectors are not growing that fast worldwide, but nonetheless because this region is more cost competitive, because it could have better productivity levels, and because it has certain skilled people, it could be very competitive in attracting investments in these sectors as well."

Didier Crozet, Vice President of Montupet (France) for choosing Bulgaria for a EUR 35 mln automotive parts plant construction:

"The [Bulgarian] authorities came very close to our needs very rapidly. They agreed to sell Montupet the necessary land with all the utilities, upfront, while Romanian officials asked the company to first initiate the investment process. Positive feedback from other foreign companies operating in Bulgaria also influenced the decision... Most importantly, however, were currency considerations: one of the most important points is the stability of the lev against the euro."

IV

Bulgarian statistics sources:

indexing, forecasts,
reports – useful links

Bulgarian Stock Indices (Bulgarian Stock Exchange):	
SOFIX	www.bse-sofia.bg
BG40	
ESTAT Business climate index	www.estatbg.com
National Statistics Institute	www.nsi.bg ; www.stat.bg ; www.econ.bg
Bulgarian National Bank	www.bnb.bg
Bulgarian Agency for Economic Analysis and Forecasting	www.aeaf.minfin.bg

V

Summary
on Bulgaria's
positioning

Agency	Report/index/ranking	Web
UNCTAD	World Investment Report 2005	www.unctad.org
Credit rating agencies	Moody's Investors Service Standard and Poor's Fitch	www.moody's.com www.standardandpoors.com www.fitchratings.com
Economist Intelligence Unit	Global ranking of top locations for offshoring 2005	www.eiu.com
World Economic Forum	The Global Competitiveness Report 2004-2005 Growth Competitiveness Index The Global Information Technology Report 2004-2005	www.weforum.org/
The Fraser Institute, Canada	Economic Freedom of the World, 2005 Annual Report	www.fraserinstitute.ca/economicfreedom/ www.freetheworld.com
The Heritage Foundation/Wall Street Journal	Index of Economic Freedom	www.heritage.org
UNDP	Global Human Development Report	www.undp.bg hdr.undp.org
World Bank	World Development Report 2005 Doing business 2004	www.econ.worldbank.org
International Monetary Fund	World Economic Outlook Apr 2005	www.imf.org
WIIW	WIIW Research Reports: special issue on economic prospects for Central, East and Southeast Europe, Jul 2005	www.wiiv.ac.at
Bank Austria Creditanstalt (BA-CA)	CEE Report Xplicit 2005 CEE Commentary Xplicit Aug 2005	www.ba-ca.com
Deloitte	Foreign Direct Investment in Bulgaria	www.deloitte.com
Ernst&Young	European attractiveness survey 2005: Emerging Economies Stake Their Claim European Investment Monitor	www.ey.com www.eyeim.com/ey_report.htm www.eyeim.com
A.T. Kearney	A.T. Kearney: The 2004 the FDI Confidence Index; The 2005 Global Retail Development Index; The 2005 Global Services Location Index	www.atkearney.com
Deutsche Bank	EU Monitor: Reports on European Integration Jul 2005	www.dbresearch.com
Deutsche Bank and Eurasia Group	Stability Index (DESIX)	www.eurasiagroup.net
Transparency International	Global Corruption Report 2005 Corruption Perceptions Index (CPI)	www.transparency.org www.globalcorruptionreport.org www.transparency.org/surveys/
Economist Intelligence Unit	Quality-of-life index	www.economist.com
IDC	Economic Impact Model (EIM) 2005: The Economic Impact of IT, Software Industry and Microsoft	www.idc.com
ITU	Digital Access Index	www.itu.in
Datamonitor	Profiting from European Nearshore Outsourcing 2004	www.datamonitor-market-research.com
Brainbench	2005 Global Skills Report	www.brainbench.com

Bulgaria is the 5th-largest recipient of FDI inflows in South-East Europe and CIS, according to UNCTAD's World Investment Report 2005. Bulgaria also gained high recognition in terms of the ratio of a country's share in global FDI inflows to its share in global GDP (Inward FDI Performance Index) and was classified at the remarkable 12th position, ahead of Estonia, Slovakia, and the Czech Republic. In the same report in the Matrix of Inward FDI Performance and Potential, 2003, Bulgaria is classified in the high FDI performance group of front runners (highest FDI potential), together with China, Finland, Israel, Czech Republic, Hungary, Slovakia, Slovenia and Estonia, while Croatia and Romania are far behind Bulgaria in the FDI Performance Index. In South-East Europe and CIS, the Russian Federation and Bulgaria are the only target economies mentioned by 68 respondents as current locations of their foreign R&D efforts in developing countries. The rest of the region does not appear on the investment map for R&D. The number of greenfield FDI projects in Bulgaria is also growing according to the statistics of the report, namely: 77 in 2002, 96 in 2003 and 109 in 2004. The Human Capital Index classifies Bulgaria in the group of top 40 (among 120) ahead of the Czech Republic, Slovakia, and Romania.

Since 1997, FDI inflows to Bulgaria have increased by an estimated 11% per annum, according to the Economist Intelligence Unit (EIU), equivalent to 11% of GDP. FDI is boosted by macro-economic stability, EU accession and incentives framework. Investors from EU to Bulgaria are pouring in, leveraging opportunities in industries as diverse as food and agriculture, IT and electrical engineering.

The 2005 Index of Economic Freedom ranks Bulgaria as one of the top economies in the region and among the top ten improved in the world (The Heritage Foundation/Wall Street Journal). Low risk and predictability of the political and business environment, together with a large highly skilled labor pool position Bulgaria as "a front runner for offshoring deals" (EIU) not only in the Balkan region but in the whole Central and Eastern Europe. Bulgaria offers a cost-efficient model for development of high value added businesses competing giants like India in China. Bulgaria's FDI performance are supported by positive analyses by the IMF's World Economic Outlook, the WIIW and Bank Austria Creditanstalt's (BA-CA) CEE 2005 Reports.

Robust investment climate in Bulgaria is a key precursor to the investment grade ratings granted by the accredited credit rating institutions. For the last five years, the credit rating of Bulgaria improved five times. In 2004 Bulgaria managed to climb in the Investment Rating Level ranking in Standard & Poor's and Fitch scales. Moody's has been relatively conservative on Bulgaria's credit rating giving the country a "Ba1", one notch below investment grade, in November 2004. S&P gave Bulgaria an investment grade rating "BBB" in October 2005, while Fitch raised the country's credit rating to "BBB" earlier this year, in August.

In global competitiveness rankings concerning stability, investments and innovation potential, Bulgaria is generally either among the top 15 or in the middle of the scale (positions 35-55) among around 150 countries screened.

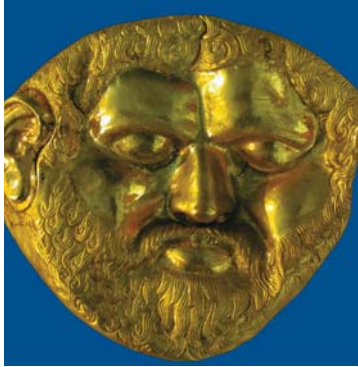
In EIU's Global Ranking of Top Locations for Offshoring Bulgaria ranks 13th. In Deloitte's analysis, Romania and Croatia are identified as rivals to Bulgaria in terms of attracting foreign capital. In most of the rankings, Bulgaria leads ahead of Romania: Global Competitiveness Report 2004-2005, Fraser's Economic Freedom and are almost equal in Heritage Foundation's Index of Economic Freedom.

UNDP's Global Human Development Report for 2005 gives Bulgaria the highest score for the last 30 years and positions the country into the group of highly developed societies. In the same report Macedonia, Russia and Romania are in the lower score group of medium human development.

Bulgaria's Corruption Perceptions Index rank shows better position in terms of corruption than rivals, peers and out-runners in rankings that cover different strengths and weaknesses of Bulgaria, such as Poland, Slovakia, Romania and India. In the EIU's Quality-of-life Index, Bulgaria leads ahead of Romania, India and Ukraine. GDP per capita rank positions Bulgaria still ahead as well.

In terms of e-readiness, network infrastructure, connectivity and technical skills Bulgaria, together with Romania and Ukraine is closely following global leaders, such as Sweden, the US, Israel and CEE-5. Ukraine, typically far behind in macroeconomic indicators and stability, out-runs Bulgaria in UNCTAD's Innovation Capability Index and in A.T.Kearney's Global Retail Development Index the Brainbench's Global Skills Report.

In 2005, Bulgaria not only enters for the first time the A.T.Kearney's Global Services Location Index, but is positioned as the best attractive location in Europe after the Czech Republic.

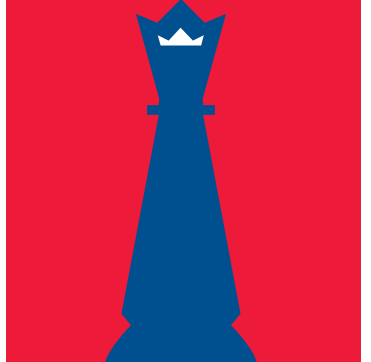


INNOVATION

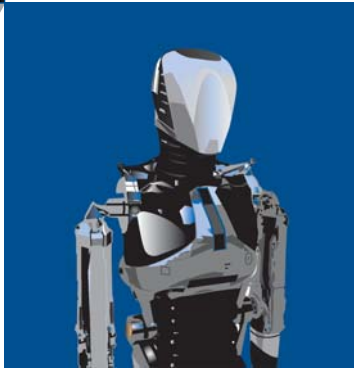
25 CENTURIES OF EXPERTISE IN GOLD TECHNOLOGY



NATO WELCOMES EU AT THE BLACK SEA COAST



A winning move *



INTELLECT

BULGARIAN KIBERTRON OUTPERFORMS SONY QRIO IN 2004 RANKINGS

* Antoaneta Stefanova from Bulgaria wins the Women's World Chess Championship 2004



INVEST BULGARIA. YOUR NEXT MOVE

www.investbg.government.bg



BULGARIA
Investment Information Network

www.iinbulgaria.com The virtual guide - book for investors

