



BULGARIA
INVESTMENT CLIMATE STATEMENT
2015

Table of Contents

Executive Summary

1. Openness To, and Restrictions Upon, Foreign Investment

- 1.1. Attitude Toward FDI*
- 1.2. Other Investment Policy Reviews*
- 1.3. Laws/Regulations of FDI*
- 1.4. Industrial Strategy*
- 1.5. Limits on Foreign Control*
- 1.6. Privatization Program*
- 1.7. Screening of FDI*
- 1.8. Competition Law*
- 1.9. Investment Trends*
 - 1.9.1. Tables 1 and if applicable, Table 1B*

2. Conversion and Transfer Policies

- 2.1. Foreign Exchange*
 - 2.1.1. Remittance Policies*

3. Expropriation and Compensation

4. Dispute Settlement

- 4.1. Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts*
- 4.2. Bankruptcy*
- 4.3. Investment Disputes*
- 4.4. International Arbitration*
 - 4.4.1. ICSID Convention and New York Convention*
- 4.5. Duration of Dispute Resolution*

5. Performance Requirements and Investment Incentives

- 5.1. WTO/TRIMS*
- 5.2. Investment Incentives*
 - 5.2.1. Research and Development*
- 5.3. Performance Requirements*
- 5.4. Data Storage*

6. Right to Private Ownership and Establishment

7. Protection of Property Rights

7.1. Real Property

7.2. Intellectual Property Rights

8. Transparency of the Regulatory System

9. Efficient Capital Markets and Portfolio Investment

9.1. Money and Banking System, Hostile Takeovers

10. Competition from State-Owned Enterprises

10.1. OECD Guidelines on Corporate Governance of SOEs

10.2. Sovereign Wealth Funds

11. Corporate Social Responsibility

11.1. OECD Guidelines for Multinational Enterprises

12. Political Violence

13. Corruption

13.1. UN Anticorruption Convention, OECD Convention on Combatting Bribery

14. Bilateral Investment Agreements

14.1. Bilateral Taxation Treaties

15. OPIC and Other Investment Insurance Programs

16. Labor

17. Foreign Trade Zones/Free Ports/Trade Facilitation

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

19. Contact Point at Post for Public Inquiries

Executive Summary

Bulgaria is a country located in Southeast Europe, in the northeast part of the Balkan Peninsula. Bulgaria is seen by many investors as having a favorable foreign investment regime which includes government incentives for new investment and low or flat corporate and income taxes. Bulgaria still offers the cheapest labor in the European Union (EU). Domestic business is experiencing a shortage of skilled labor in many sectors due to an ageing population, university education mismatch with labor market needs and migration of many specialists. The IT and business process outsourcing sector has attracted a number of U.S. and foreign companies to Bulgaria and many have set up global and regional service centers here. In this sector, several U.S. companies have expanded operations in 2014 and early 2015. EU funds, which will amount to USD 16 billion over the next seven year period (2014-2020), are a key source of funding for numerous projects to develop Bulgaria's environment and water sectors, energy, technical and social infrastructure, public services, and agriculture.

There are no general limits on foreign ownership or control of firms. However, in April 2014 Parliament overturned a Presidential veto to pass legislative changes that restricts foreign and/or offshore purchase of Bulgarian agricultural land to buyers that have been resident in country for at least five years. This restriction has triggered an EU procedure against Bulgaria for infringing free market principles as the new law would result in discrimination against foreign investors. More generally, however, foreign entities are given the same treatment as national firms and their investments are not screened or otherwise restricted. Under the Offshore Company Act, which came into effect January 1, 2014, offshore companies are banned from doing business in Bulgaria across 28 specific activities, but certain exemptions are available.

In April 2015, Parliament considered granting the Minister of Finance the right to revoke business contracts based on an assessed risk to national interest. If passed, the law may upset investor confidence in rule of law in Bulgaria and the sanctity of contracts. In June 2014, the fourth largest commercial bank went bankrupt. Subsequently, in December 2014, Standard and Poor's downgraded Bulgaria's sovereign credit rating to junk citing banking sector problems, low growth prospects, and political uncertainty. Other problems cited by foreign investors as impeding investment include unpredictability due to frequent regulatory and legislative changes, slow judicial system processes, and limited enforcement of intellectual property rights (IPR).

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Bulgaria is seen by many investors as having a favorable foreign investment regime, which includes government incentives for new investment and low or flat corporate and income taxes. Promising sectors for foreign investors include: business process outsourcing and information technology, telecommunications, environmental technology (including water and waste water infrastructure), healthcare, biomass, and agriculture (including the beverage/processed foods industry). Planned infrastructure projects, which are coming online and may further improve the investment environment, include rail, motorways, tunnels, ports, and tourism resorts. As a member of the EU, Bulgaria has access to significant EU funds, which support numerous projects and contribute to the growth of the economy. EU integration has opened new markets

for Bulgarian-produced goods and services. Bulgaria's workforce is generally well-educated and the cost of labor is the lowest in the EU. At the same time, however, the judicial system suffers from high caseloads and frequent delays. The IPR regime is challenged by widespread online piracy and inadequate enforcement of laws on copyrights, patents, and trademarks. In 2014, the government entered into voluntary agreements with some of the most egregious pirate sites, which marked a step ahead in the fight against online piracy of music and films after many years of little or no results. Together with industry, the government is reducing business software piracy, which while decreasing, is still high. At present, there are no general limits on foreign ownership or control of firms, nor is there screening or restricting of foreign investment in Bulgaria. Foreign firms are not denied national treatment and there are not significant reports of discrimination against foreign investors. The country's geographic position places it at the crossroads of Europe, the Middle East, and the former Soviet Union.

A stable U.S. ally, Bulgaria is a member of North Atlantic Treaty Organization (NATO), the EU, and the World Trade Organization (WTO). Although the government has stated a desire to root out corruption and organized crime, in fact, Bulgaria's corruption record remains a matter of concern for some investors despite some improvement in 2014. Transparency International's (TI) Corruption Perception Index for 2014 ranked Bulgaria 69th out of 175 countries surveyed, an improvement of eight places compared to 2013 and placing it alongside Greece, Italy and Romania. In April 2015, the National Electricity Company (NEC), renegotiated a lower purchase price under its long-term contracts with the two U.S. coal-fired power plants and pledged to pay out all outstanding debt to the two foreign investors. The new prices will only come into effect if all outstanding arrears are paid off. While this is encouraging, the NEC still owes millions of dollars to producers of green energy. Bulgaria has constantly revised renewable energy policies and gradually reduced state compensations for private renewable energy producers, causing many foreign investors concern about an unpredictable regulatory environment. In July 2014, the country's top court ruled as unconstitutional the 2013 Parliament-approved amendment which levied a 20 percent fee on revenues from the production of solar and wind power.

Generally, sound economic performance and relative political stability have enabled Bulgaria to attract leading foreign investors. Gradual convergence with the EU common market, fiscal prudence, and a national currency pegged to the Euro has provided stability and incentives for increased trade and investment. The economy recovered to 1.7 percent year-on-year growth in 2014 after posting minimal growth of 0.8 percent in 2013. Foreign direct investment slid to USD 1.4 billion in 2014 affected by the global financial crisis and turbulence in the Eurozone. Bulgaria has made considerable progress in absorbing EU structural funds under the 2007-2013 programming cycle, distributing more than two-thirds of the funds. However, in 2014, in the first year of the new programming period (2014-2020), Bulgaria failed to dispense any funds due to bureaucratic difficulties and Brussels' late approval of the new Operational Programs (OPs). Consequently, the government is determined to put to use a total of USD 3.7 billion in 2015 following Brussels' approval of all seven OPs in March 2015. In 2015, Bulgaria will focus the funds on: developing its human capital and improving labor productivity and skills; raising economic competitiveness through innovation; enhancing public administrative capacity and good governance; developing small municipalities and rural regions, renovating aging road, water and waste-water infrastructure; and modernizing the agriculture sector. Total EU program

funds and agricultural subsidies for the new seven-year (2014-2020) period amount to USD 16 billion. The World Bank has a Memorandum of Understanding (MoU) with Bulgaria on partnership and support in the implementation of the EU Structural Instruments. In 2013, the government sealed the first contracts with World Bank experts for the project design and implementation of large infrastructure projects in the water sector. In 2014, the Bank expanded its services to include providing expertise on healthcare funding. An IMF study recommended that Bulgaria enhance its administrative capacity further in order to maximize the absorption of EU funds.

Other Investment Policy Reviews

Public-Private Partnerships (PPPs) offer an area with potential for private company involvement in supporting and developing public infrastructure and social programs. The government has revoked the existing PPP Act, which leaders say was too restrictive. They plan to replace it with a new law that will serve as a starting point for the implementation of a PPP strategy that includes cooperation with the private sector to build new parks, parking lots, stadiums, and other public works, as well as to improve healthcare, education, prisons, and other public services. The most common form of PPPs presently is concessions, which include the lease of government property for private use for up to 35 years.

Laws/Regulations of Foreign Direct Investment

The 2004 Investment Promotion Act stipulates equal treatment of foreign and domestic investors. The law encourages investment in manufacturing and high-technology, as well as in education and human resource development. It creates investment incentives by helping investors purchase land, provides state financing for basic infrastructure and for training new staff, and provides tax incentives and opportunities for public-private partnerships with the central and local government.

The most common type of organization for foreign investors is a limited liability company. The required minimum for registering a limited liability company is one Euro. Other typical corporate entities include joint stock companies, joint ventures, business associations, general and limited partnerships, and sole proprietorships.

Foreign investors must comply with the 1991 Commercial Code, which regulates commercial and company law, and with the 1951 Law on Obligations and Contracts, which regulates civil transactions.

The 2003 Law on Special Purpose Investment Companies (SPIC) allows for public investment companies in real estate and receivables, essentially real estate investment trusts (REITs). Since a SPIC is considered a pass-through structure for corporate income tax purposes, at least 90 percent of its net income must be distributed to shareholders as taxable dividends. A SPIC must apply for an operational license from the Financial Supervision Commission within six months of registration.

Industrial Promotion

Bulgaria typically supports small and medium business creation and development through strategies focused on EU co-funded innovation and competitiveness measures and programs. Export promotion takes priority, allowing the domestic economy to take advantage of its relatively low labor costs. However, the increasing need for technology upgrades and for skilled labor in many sectors could increase costs in the mid-to-long term.

Limits on Foreign Control

Foreign investors often cite the following problems: a sluggish government bureaucracy, poor infrastructure, corruption, frequent changes in the legal framework, lack of transparency, and pre-determined public tenders. In addition, a weak judicial system limits investor confidence in the courts' ability to serve as an enforcement mechanism. The 2014 Offshore Company Act lists 28 activities banned for business by companies registered in offshore jurisdictions. The law, however, allows those companies to do business if the physical owners of the parent company are Bulgarian citizens and known to the public, if the parent company's stock is publicly traded, or if the parent company is registered in a jurisdiction with which Bulgaria enjoys a treaty for the avoidance of double taxation (such as the United States). In April 2014, Parliament overturned a Presidential veto and passed legislative changes to the Ownership and Use of Agricultural Land Act that restricts foreign purchase of Bulgarian agricultural land to those residents in country for at least five years. In February 2015, the current Parliamentary majority confirmed these changes by imposing significant fines for non-compliance.

U.S. music, software, pharmaceutical, and other industries report continuing intellectual property rights (IPR) concerns in Bulgaria, particularly with respect to internet piracy, ineffective prosecution of IPR cases, and delays and conflicts of interest in enforcing trademark and patent protection. In 2014, the government brokered voluntary agreements between rights-holders and online pirates, and rights-holders reported an increase in the purchase of rights to broadcast legitimate content. Current Bulgarian legislation effectively bans all biotech crop trials and production. Food legislation imposes voluntary standards that restrict the use of soy protein in processed meat products.

Privatization Program

Bulgaria completed its major privatizations in the 1990s and early 2000s. All state-owned property is eligible for privatization, with the exception of a specific list of companies including water management companies, state hospitals, and state sports facilities. State-owned military manufacturers can be privatized after approval by Parliament. Municipally-owned property is considered for privatization upon decision by a municipal council, or authorized body and upon publication of the municipal privatization list in the State Gazette. Privatization methods include: public auctions, public tenders, and public offerings. Foreign companies, including state-owned ones, may purchase Bulgarian state-owned firms and the privatization process is generally fair and transparent. The 2010 Privatization and Post-Privatization Act created a single Privatization and Post-Privatization Agency which makes privatization decisions regarding: hospitals; equity and shares in companies 50 percent or more owned by the state; state-owned property valued at between 10,000 Bulgarian Leva (BGN) (USD 7,000) and BGN 500,000 (USD 352,000),

following approval from the Minister of Regional Development and Public Works and the Minister of Finance; and state-owned property valued at over BGN 500,000 (USD 352,000), following approval from the Council of Ministers.

The Privatization and Post-Privatization Agency also oversees the implementation of privatization contracts and ensures that non-price privatization commitments (employee retention, technology transfer, environmental liability, and investment) in the privatization selection criteria are honored. In 2012, the government completed the sale of its minority interest in the three regional foreign owned electricity distributors. In February, 2015, the economy minister unveiled an ambitious privatization plan, suggesting some state-owned companies should be taken off the list of companies banned for privatization, including certain military plants. Two privatization deals that could attract significant foreign investor interest are the sale of the government's minority stake in Plovdiv Fair and the long-delayed privatization of the Bulgarian Stock Exchange (BSE). The BSE's privatization is a priority for the government in 2015 but may yet again be held up in favor of bundling it together with the privatization of the Central Depository, which physically holds the stock certificates of companies listed on the exchange.

Screening of FDI

There is currently no screening of FDI.

Competition Law

The 2008 Law on the Protection of Competition (the "Competition Law") is intended to implement EU rules which promote competition and consumer protection. The Competition Law forbids monopolies, restrictive trade practices, abuse of market power, and unfair competition. Companies are prohibited from: direct or indirect abusive pricing practices; distribution of market shares and supply sources; limiting manufacturing development to the detriment of consumers; discriminatory treatment of competing customers; tying contracts to additional and unrelated obligations; and use of economic coercion to cause mergers. The law prohibits certain forms of unfair competition: damaging competitors' goodwill; misrepresentation with respect to goods or services; misrepresentation with respect to the origin, manufacturer, or other features of goods or services; use or disclosure of someone else's trade secrets in violation of good faith commercial practices; and according to Art. 33 in the Competition Law, "unfair solicitation of customers" (i.e., promotion through gifts and lotteries).

Monopolies can only be legally established for certain categories of activities: railway and postal services, atomic energy, production of radioactive materials, and weapons production. The Competition Commission defines market concentration of 15 percent or more as potentially damaging to competition. It also defines market concentration of 25 percent or more as potentially damaging to competition if the companies involved are operating in different markets (and are not competitors). In practice, the Competition Protection Act has been inconsistently applied. In one case, the Competition Committee charged with implementing the law ruled that it did not need to review the sale of Bulgaria's tobacco monopoly, Bulgartabac, to an unknown purchaser and also that the identity of the purchaser did not need to be revealed before the transaction.

Investment Trends

The Bulgarian economy has been under strong influence from local oligarchic interests, which have in recent years come through nontransparent legislative changes and slow and arbitrary court proceedings. An unpredictable and nontransparent political process has exacerbated weak economic growth, which has been affected by the global crisis, turbulence in the Eurozone and low domestic spending. As a result of a combination of internal and external factors, foreign "greenfield" (new "productive" investment, as opposed to "portfolio" investment) direct investment has almost disappeared, and foreign investor confidence has steadily declined. Bulgaria's FDI has dropped precipitously, from just over EUR 9 billion at its peak in 2007 to a mere EUR 1.3 billion in 2014.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	69 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	38 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	44 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 15,210	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

Foreign exchange is freely accessible. The 2011 amendments of the 1999 Foreign Currency Act stipulate that anyone may import or export up to EUR 10,000 (USD 13,750) or its foreign exchange equivalent without filling out a customs declaration. The import or export of over EUR 10,000 or its equivalent in BGN or another currency across the border to or from a third country must be declared to the customs authorities. The import or export of over EUR 10,000 or its equivalent in BGN or another currency across the border to or from an EU member state must be declared if requested by the customs authorities. Exporting over BGN 30,000 (USD 16,500) in cash requires a declaration about the source of the funds, supported by documents certifying that the exporter does not owe taxes. No tax certificate is required for foreigners exporting the cash equivalent of BGN 30,000 or greater provided the amount is equal to or less than the amount declared when imported. Bulgarian law requires all international payments over BGN 30,000 to be executed via bank transfer with supporting documentation detailing the purpose of the transaction. The central bank and commercial banks record every international transaction that is equal to or more than BGN 100,000 (USD 55,000). Bulgaria operates a Currency Board Arrangement (CBA) whereby the lev (BGN) is fixed to Euro, exchanging EUR 1 for BGN

1.9558. In 2014, U.S. and Bulgaria signed an intergovernmental agreement that implements provisions of the Foreign Account Tax Compliant Act (FATCA), which targets tax non-compliance by U.S. persons who do business with Bulgarian financial institutions.

Remittance Policies

Remittances have become an increasingly important source of financing for Bulgarian families with relatives overseas. Bulgarians work mostly in other countries in the EU, enabled by unrestricted access to the EU labor market. Foreign remittances have continued to grow each year since Bulgaria's EU accession, from EUR 635 million (USD 682.4 million) per annum in 2007 to EUR 851.2 million (USD 914.7 million) in 2014.

3. Expropriation and Compensation

Private real property rights are legally protected by the Bulgarian Constitution. Only in a case where a public need cannot be met by other means, the Council of Ministers or a regional governor may expropriate land provided that the owner is compensated at fair market value. No taxes are levied on the expropriation transaction. Expropriation actions of the Council of Ministers can be appealed directly to the Supreme Administrative Court on the legality of the action itself, the property appraisal, or the amount of compensation. A regional governor's expropriation can be appealed in the appropriate local administrative court. In its Bilateral Investment Treaty (BIT) with the United States, Bulgaria committed itself to international arbitration in the event of expropriation and other investment disputes.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The 1991 Constitution serves as the foundation of the legal system and creates an independent judicial branch comprised of judges, prosecutors, and investigators. Corruption within the judiciary remains a serious problem. The judiciary is the least trusted institution in the country with widespread allegations of nepotism, opaque selection and promotion procedures, and undue political and business influences. Continued reform efforts, mostly undertaken under outside pressure, have led to some technical improvements, particularly in the smaller provincial courts. The government has drafted several comprehensive reform plans but their implementation has been halted by strong business pressure to keep the status quo, internal resistance to change, and a lack of political will to effectively enforce judicial independence. As a result, jurisprudence is inconsistent and a several-year delay in proceedings is the standard, rather than the exception. The busiest courts in Sofia suffer from serious backlogs, limited resources, and inefficient procedures that hamper the swift and fair administration of justice.

There are three levels of courts. Bulgaria's 113 regional courts exercise jurisdiction over civil and criminal cases. Above them, 29 district courts (including the Sofia City Court and the Specialized Court for Organized Crime) serve as courts of appellate review for regional court decisions and have trial-level (first-instance) jurisdiction in serious criminal cases and in civil cases where claims exceed BGN 25,000 (USD 13,700), excluding alimony, labor disputes, and financial audit discrepancies, or in property cases where the property's value exceeds BGN

50,000 (USD 27,500). Six appellate courts review the first-instance decisions of the district courts. The Supreme Court of Cassation is the court of last resort for criminal and civil appeals. There is a separate system of 28 specialized administrative courts which rules on the legality of local and national government decisions with the Supreme Administrative Court serving as appeals instance. The Constitutional Court, which is separate from the rest of the judiciary, issues final rulings on the compliance of laws with the Constitution.

Bulgaria has adequate means of enforcing property and contractual rights under local legislation. The government's handling of investment disputes has been slow, and usually requires an intervention at the highest level. There are no outstanding investment disputes before Bulgarian courts involving U.S. companies although there are several property-related challenges against a U.S. investor. Investors sometimes perceive that national legislation is used to obfuscate competition from foreign investors.

Bankruptcy

The 1994 Commercial Code Chapter on Bankruptcy provides for reorganization or rehabilitation of a legal entity, maximizes asset recovery, and provides for fair and equal distribution among all creditors. The law applies to all commercial entities, except public monopolies or state-owned companies (SOEs) established by a special law. Bank failures are regulated under the 2002 Bank Insolvency Act and 2006 Credit Institutions Act; while, the 2005 Insurance Code regulates insurance company failures.

Non-performance of a monetary obligation must be adjudicated before the bankruptcy court can determine whether the debtor is insolvent. There is a presumption of insolvency when the debtor is unable to perform an executable obligation under a commercial transaction or public debt or related commercial activities, has suspended all payments, or is able to pay only the claims of certain creditors. The debtor is deemed over-indebted if its assets are insufficient to cover its short-term monetary obligations.

Bankruptcy proceedings may be initiated on two grounds: the debtor's insolvency, or the debtor's excessive indebtedness. Under Part IV of the Commercial Code, debtors or creditors, including state authorities such as the National Revenue Agency, can initiate bankruptcy proceedings. The debtor must declare bankruptcy within 30 days of becoming insolvent or over-indebted. The 2010 amendments to the Commercial Code increased protection for creditors in bankruptcy proceedings by prohibiting a debtor from falsifying the date of insolvency to avoid claims after a certain date. Despite this, cases involving bankruptcy frauds, including through transfer of capital to U.S.-registered shell companies, have increased in recent years. The application for bankruptcy submitted by the debtor is published in the Commercial Register, thus providing all creditors and contractual partners with information about the bankruptcy proceedings. Should any creditor or contractual partner file a request for bankruptcy in court, such a claim is heard in the presence of both the creditor and the debtor.

Once insolvency is determined, the court appoints an interim trustee to represent and manage the company, take inventory of property and assets, identify and convene the creditors, and develop a recovery plan. At the first meeting of the creditors, a trustee is nominated; usually this is just a reaffirmation of the court appointed interim trustee. June 2003 legislation required examinations

for individuals applying to become trustees and obliged the Ministers of Justice and Economy to organize annual training courses for trustees. In June 2005, the ministries of Justice, Economy, and Finance published a regulation on the procedure for appointment, qualification, and control over the trustees. A recent case, involving a French investor, revealed a practice of manipulating the random allocation of bankruptcy cases in the country's busiest court in Sofia. It also showed opportunities for judge's discretion in favor of one of the claimants and an overall limited supervision over court-appointed trustees.

Bankruptcy proceedings supersede other court proceedings initiated against the debtor except for labor cases, enforcement proceedings, and cases related to receivables securitized by third parties' property. Such cases may be initiated even after bankruptcy proceedings begin. Third parties with securities seeking protection against a debtor's unfair activities may appeal the court decision to initiate a bankruptcy proceeding when securities have been entered in public registers before the date of the claim which started the bankruptcy procedure. Bulgaria dropped one place to a ranking of 38 for "Resolving Insolvency" in the World Bank's 2015 Doing Business Report (out of 189 surveyed countries).

Creditors must declare to the trustee all debts owed to them within one month of the start of bankruptcy proceedings. The trustee then has seven days to compile a list of debts. A rehabilitation plan must be proposed within one month after publication of the list of debts in the Commercial Register. The 2010 amendments to the Commercial Code limit the application of the rehabilitation plan to debts approved up to the moment of submission of the rehabilitation plan.

After creditors' approval, the court endorses the rehabilitation plan, terminates the bankruptcy proceeding and appoints a supervisory body for overseeing the implementation of the rehabilitation plan. The court must endorse the plan within seven days and put it forward to the creditors for approval. The creditors shall convene to discuss the plan within a period of 45 days. The court may renew the bankruptcy proceedings if the debtor does not fulfill its obligations under the rehabilitation plan. The methods of liquidating assets were also revised by the June 2003 legislation to establish a legal framework for selling assets that accounts for the character of bankruptcy proceedings, thus avoiding the need to apply the Civil Procedure Code.

Investment Disputes

To execute a judgment on an investment dispute, a final ruling must be obtained. The court of first instance must then be petitioned for a writ of execution (based on the judgment). On the basis of the writ of execution, a specialized category of professionals, known as execution agents, seize the assets or ensure the performance of the ordered action. Both private and state execution agents operate in Bulgaria. A new Civil Procedure Code, effective since March 2008, streamlined civil procedures, including the execution of judgments. Foreign judgments can be executed in Bulgaria. The execution of the writ depends on reciprocity, as well as bilateral or multilateral agreements, as determined by an official list maintained by the Ministry of Justice. The United States does not currently have reciprocity with Bulgaria; Bulgarian courts are not obliged to honor decisions of U.S. courts. All foreign judgments are handled by the Sofia City Court, which must determine that the judgment does not violate public decrees, standards, or morals before it can be executed.

Voluntary mediation was first introduced in Bulgaria in 2004 with the adoption of the Mediation Act. The Bulgarian Chamber of Commerce and Industry and the American Chamber of Commerce (AmCham) opened commercial mediation centers with USAID-trained mediators. Several courts, including the biggest trial level court in Sofia, have established mediation centers where cases can be settled with the help of trained mediators. Judges are increasingly referring cases for mediation; however, it is still not widely used due to limited public awareness, general reluctance to seek alternative dispute resolution, and generally low court fees.

International Arbitration

Pursuant to its Bilateral Investment Treaty (BIT) with the United States, Bulgaria has committed to a range of dispute settlement procedures starting with notification and consultations. Bulgaria accepts binding international arbitration in disputes with foreign investors.

The most experienced arbitration institution in Bulgaria is the Arbitration Court (AC) of the Bulgarian Chamber of Commerce and Industry (BCCI). Established more than 110 years ago, the AC hears civil disputes between legal persons, one of whom must be located outside Bulgaria. It began to act as a voluntary arbitration court between natural and/or legal persons domiciled in Bulgaria in 1989.

Arbitration is regulated by the 1988 Law on International Commercial Arbitration, which is based on the United Nations Commission on International Trade Law (UNCITRAL Model Law). According to the Code of Civil Procedure, not all disputes may be resolved through arbitration. Disputes regarding rights over domestic real estate, alimony, or individual labor disputes may only be heard by the courts. In addition, under the Code of Private International Law of 2005, Bulgarian courts have exclusive competence over industrial property disputes regarding patents issued in Bulgaria. Regarding arbitration clauses that select a foreign court of arbitration, the Code of Civil Procedure mandates that these clauses are only valid if at least one of the parties maintains its residence abroad. As a result, foreign-owned, Bulgarian-registered companies having a dispute with a Bulgarian entity can only have arbitration in Bulgaria. However, under the Law on International Commercial Arbitration, the arbitrator could be a foreign person. Under the same act, the parties can agree on the language to be used in the arbitration proceedings.

Arbitral awards, both foreign and domestic, are enforced through the judicial system. The party must petition the Sofia City Court for a writ of execution. Having obtained a writ, however, the creditor then must execute the award using the general framework for execution of judgments in the country. Foreclosure proceedings may also be initiated.

ICSID Convention and New York Convention

Bulgaria is a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York convention) and the 1961 European Convention on International Commercial Arbitration. Bulgaria is a member state to the International Centre for the Settlement of Investment Disputes (ICSID convention).

Duration of Dispute Resolution

Bulgarian law instructs courts to act on civil litigation cases within three months after the case is filed. However, in practice, dispute settlement can take several months and up to a few years. Courts in Sofia are typically slower than those outside the capital city and may rule on a case several years after the case has been filed. In courts outside Sofia, it takes anywhere from several months up to a year for a case to be completed. Bankruptcy cases are the most complicated, and, subsequently; such cases resolution may take years.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Bulgaria has been a member World Trade Organization (WTO) since 1996.

As a WTO signatory, Bulgaria fully adheres to the TRIMs agreement.

Investment Incentives

The Invest Bulgaria Agency (IBA), the government's investment coordinating body, provides information, administrative services, and incentive assessments to prospective foreign investors. The 2004 Investment Promotion Act (IPA) is the primary legislation providing investment incentives to investors in Bulgaria. Foreign investments over BGN 20 million (USD 11 million) are deemed to be priority Class A projects. At the request of investors receiving Class A investment certificates, the IBA can recommend that the competent authorities award them real estate (either state or municipal property) gratis without a tender. Class A investments are also eligible to apply for state financing for critical infrastructure deemed necessary for the plan's implementation. Additionally, IBA represents Class B investment projects (over BGN 10 million, or USD 5.4 million) before government authorities, and assists with processing all administrative documents.

The government policy for investment promotion is not applicable to investments in coal mining, steel production, shipbuilding, synthetic production, agriculture, and fisheries. In addition, the IPA gives Class A or Class B status to certain investments in high-technology manufacturing and services and in regions with an unemployment rate equal to or higher than the country average. A two-year valued-added tax (VAT) exemption on equipment imports applies to investment projects over EUR 5 million (USD 5.4 million), provided the project will be implemented over a two-year period and creates at least 50 new jobs. Additionally, investment projects that are particularly important for the economy and meet the legal requirement for a minimum investment commitment in the amount of BGN 100 million (USD 55 million) and for creating 200 new jobs are classified as priority projects. Such projects can be implemented in all sectors of the economy. In addition to the incentives granted to Class A investors, priority investors can acquire limited rights on central or municipal government property at below market prices, receive government grants for projects on research and development (R&D) and education, and institutional support for establishing PPPs.

Research and Development

The 2003 Science Research Promotion Act defines science research as a government priority and encourages international R&D partnerships. Annual government spending for R&D has hovered around 0.5 percent of the gross domestic product (GDP), which ranks Bulgaria last in the EU in deploying public funds for research.

Performance Requirements

Bulgaria does not impose export performance or local content requirements as a condition for establishing, maintaining, or expanding an investment. Employment visas and work permits are required for most expatriate personnel from non-EU countries. Permanent residence permits are often difficult to obtain. Private companies cannot exceed a 1:10 ratio of non-EU residents to Bulgarian employees. The law regulating gambling imposes other requirements for non-EU investors for organizing games of chance, including foreigners having to obtain an operating license.

Data Storage

Responding to long-standing industry concerns, the Bulgarian government included a provision to provide data exclusivity (i.e., protection of confidential data submitted to the government to obtain approval for market pharmaceutical products) in its Drug Law. Bulgaria grants supplemental protection certificates for pharmaceutical products and plant protection products under EU regulations. This protection is similar to that provided in the United States.

6. Right to Private Ownership and Establishment

Article 19 of the Bulgarian Constitution states that the economy will be based on free economic initiative. Private entities, both foreign and domestic, can establish and own commercial enterprises engaging in any profit-making activities not expressly prohibited by law. Bulgaria's Commercial Code guarantees and regulates, for both foreign and domestic entities, the free establishment, acquisition, and disposition of private business enterprises. Competitive equality is the standard applied to private enterprises in competition with public enterprises.

7. Protection of Property Rights

Real Property

There are no legal restrictions against real property acquisition by locally-registered, majority foreign-owned companies, which is the method most foreigners use to purchase property in Bulgaria. A requirement for five-year residency in the country for foreign purchase of Bulgarian agricultural land was approved by Bulgarian Parliament in May 2014.

Intellectual Property Rights

The 1993 Law on Copyright and Related Rights protects literary, artistic, and scientific works. Article 3 provides a full listing of protected works including computer programs (which are

protected as literary works). The use of protected works is prohibited without the author's permission, except in certain instances. Since 2000, the law has undergone major revisions to comply with EU and international legislation, including major changes in March 2011, which introduced government arbitration for contract negotiations between rights users and rights collection societies. For films and other audio-visual works, copyrights are protected during the lives of the director, screenplay-writer, cameraman, or author of dialogue or music (if the music was created for the film) plus 70 years. Pursuant to 2014 Copyright Act amendments, the term of protection for producers and performing artists was extended to 70 years, starting from the day of the first recording or making the work known to the public. However, Bulgarian law limits the duration of contracts on the use of copyrighted works to no more than ten years. Rights owners may file civil claims to terminate infringing activity and seek confiscation of equipment and pirated materials. The Copyright Office in the Ministry of Culture is responsible for copyright and related rights matters in Bulgaria. It is not adequately staffed. Bulgarian legislation provides for criminal, civil, and administrative remedies against copyright and related rights violations, but, as evidenced by the small number of court judgments, administrative remedies enforced, and sentences, law enforcement is inadequate.

Bulgarian patent law has been harmonized with EU law for patents and utility patent protection. However, in patent procedures, there are reports of conflicts of interest and delays in decision-making and informing patent holders. These issues, coupled with a lack of accountability of the Bulgarian Patent Office, have weakened patent protection in the country. Bulgaria joined the Convention on Granting of European Patents (European Patent Convention) in 2002. Bulgaria is a contracting state of the European Patent Office (EPO), whereby a patent recognized by the European Patent Convention must immediately take effect in Bulgaria after validation, which includes a process of translation of the entire patent documentation into Bulgarian and payment of a fee (starting from BGN 130 or USD 92) within three months of the day the EPO issues the patent. Bulgaria has also signed the London agreement for facilitating the validation process, which allows rights holders to submit only a translation of the patent claim and not of the whole patent. But, Bulgarian law has still not been amended to correspond to this agreement. Bulgaria is also part of the Patent Cooperation Treaty (PCT). Bulgaria grants the right to exclusive use of inventions for 20 years from the date of patent application, subject to payment of annual fees, which range from BGN 50 (USD 35.20) to BGN 1,500 (USD 1,056), depending on the time remaining before the patent expires. Innovations can also be protected as utility models (small inventions). They are registered without novelty examination. The term of validity of a utility model registration is four years from the date of filing with the Patent Office. It may be extended by two consecutive three-year periods, but the total term of validity may not exceed 10 years. Inventions eligible for patent protection must be new, involve an inventive step, and be capable of industrial application. Article 6 of the Law on Patent and Utility Model Registration lists items not regarded as inventions and Article 7 lists the exceptions to patentability. With regard to utility models, no registration is granted for methods, chemical formulations and their use and objects in the field of biotechnology. There is no accessible database for the registered and valid patents and utility models in Bulgaria.

Located in the Ministry of Economy, the Patent Office is the competent authority with respect to industrial property rights (including patent matters). The Patent Act describes patent application procedures and the examination process. Patent applications are submitted directly to the Patent

Office and recorded in the state register. Compulsory licensing (allowing competitors in the market despite a valid patent) may be ordered under certain conditions: if the patent has not been used within four years of filing the patent application or within three years from the date of issue, if the patent holder is unable to offer justification for not adequately supplying the national market, or in the case of a declaration of national emergency. Disputes arising from the creation, protection, or use of inventions and utility models can be heard and settled under administrative, civil, or arbitration procedures. Disputes are reviewed by specialized panels convened by the President of the Patent Office and may be appealed to the Sofia Administrative Court within three months of the panel's decision. The Customs Office conducts border seizures when there is reason to believe that the goods are infringing either a patent, a supplementary protection certificate (SPC), or a registered utility model. The regime is in compliance with Regulation 608/2013/EC. Pursuant to the 1996 Protection of New Plant Varieties and Animal Breeds Act, the Patent Office can issue a certificate which protects new plant varieties and animal breeds for between 25 and 30 years.

In 1998, Parliament ratified the 1991 International Convention for the Protection of New Varieties of Plants. In addition, all new types of plants registered by the EU's Community Plant Variety Office are considered effective in Bulgaria. In 1999, Parliament passed a series of laws on trademarks and geographical indications, industrial designs, and integrated circuits in accordance with TRIPs (WTO's Trade Related Aspects of Intellectual Property) requirements and the EU Association Agreement. The Trademarks and Geographical Indications Act (TGIA), as amended in 2005 and 2006 to comply with EU standards, regulates the establishment, use, suspension, renewal, and protection of trademarks, collective and certificate marks, and geographic indications. The right for marks (trademarks, service marks, and collective and certificate marks) is acquired through registration and is valid from the date of filing the application. The right of registration belongs to the first applicant. Co-ownership of marks is allowed. With amendments to the TGIA that entered into force in March 2011, all applications which comply with the basic requirements of the law are published. Interested parties then have three months from the date the application is published in the national gazette to file an objection. Bulgaria is a member of the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration. Right of priority with respect to trademarks that do not differ substantially is given to the application that was filed in compliance with Article 32 of the TGIA. Right of priority is also established on the basis of a request made in one of the member countries of the Paris Convention for the Protection of Industrial Property or of the WTO. To exercise the right of priority, the applicant must file a request within six months of the date the other party files.

A trademark is normally granted within eighteen months of filing a complete application. Refusals can be appealed to the Disputes Department of the Patent Office. Decisions of this department can be appealed to the Sofia Administrative Court within three months of the decision. The right of exclusive use of a trademark is granted for ten years from the date of submitting the application. Extension requests must be filed during the final year of validity and can be renewed up to six months after its expiration. Protection is terminated if a trademark is not used for a five-year period. Trademark infringement is a significant problem in Bulgaria for U.S. cigarette and apparel producers, and smaller scale infringement affects other U.S. brands. Bulgarian legislation provides for criminal, civil, and administrative remedies against trademark

violation. Civil legal infringement actions may be conducted, including seizure and destruction of the infringing products and compensation for damages.

The claimant may request compensation ranging from BGN 500 to BGN 100,000 (USD 275 and USD 55,000). In addition, the claimant may request possession of the infringing articles and compensation for expenses incurred in destroying the articles. In 2014, the Bulgarian government has seized a total of 635,824 goods that represent over 1,500 different product types and trademarks. This is an increase of 18 percent compared to 2013. All civil actions are heard by Sofia City Court. Bulgaria has no simplified border control procedure for the destruction of seized fake goods without civil or criminal trial. The TGIA imposes a fine of BGN 500 (USD 275) to BGN 1,500 (USD 825) on any physical person who is selling goods or services that bear a sign that is identical or similar to a registered mark without the proprietor's consent. Legal entities are fined between BGN 1,000 (USD 550) and BGN 3,000 (USD 1,650). The fine for repeated offenses is between BGN 1,500 (USD 550) and BGN 3,000 (USD 1,650) for physical persons and between BGN 3,000 (USD 1,650) and BGN 5,000 (USD 2,750) for legal entities. The Criminal Code prohibits use of a third person's trademark without the proprietor's consent, punishable by imprisonment of up to five years and a fine of up to BGN 5,000 (USD 2,750). If the act is repeated or significant damages result, the punishment can be extended up to eight years of imprisonment and a fine between BGN 5,000 (USD 2,750) to BGN 8,000 (USD 4,400). In practice criminal court rulings are rare and sentencing is lenient.

In Bulgaria, trademarks, service-marks, and rights to geographic indications are only protected pursuant to registration with the Bulgarian Patent Office or an international registration (under the Madrid Agreement and the Madrid protocol) designating Bulgaria; they do not arise simply with use in commerce of the mark or indication. Bad faith registrations of well-known international trademarks are increasingly common in Bulgaria. In the past year, there have been at least two cases in which the Bulgarian Patent Office has upheld the rights of the bad-faith registrants with enforcement procedures against original U.S. trademark holders. Legal entities cannot be held liable under the Criminal Code. Criminal penalties for copyright infringement and willful trademark infringement are limited compared to enforcement mechanisms available under U.S. law. Under Bulgarian law, industrial designs which are new and original can be granted certificates from the Patent Office and entered in the state register. The term of protection is 10 years, renewable up to 25 years. Bulgaria is a contracting state of The Hague Agreement Concerning the International Deposit of Industrial Designs. With respect to third parties, an international registration shall have effect in Bulgaria as of the date of expiration of the six-month period under Article 8 (1) of the Hague Agreement. Enforcement of industrial design is similar to trademarks enforcement.

Resources for Rights Holders

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>. Embassy point of contact: Economic Officer Sally Behrhorst BehrhorstSP@state.gov. tel.: +359-2-937 5212 or Economic Specialist Danko Tonev tonevdt@state.gov, tel.: +359-2-937 5212.

Local lawyers list: http://bulgaria.usembassy.gov/list_of_lawyers_in_bulgaria2.html

8. Transparency of the Regulatory System

In general, the regulatory environment in Bulgaria is characterized by complex regulations, lack of transparency, and arbitrary or weak enforcement. These factors create incentives for public corruption and, as a result, foreign investors may experience a cumbersome investment climate. Bulgarian law defines 39 operations that must be licensed and includes registration and permit regimes. The law requires all regulations to be justified by defined need (in terms of national security, environmental protection, or personal and material rights of citizens), and prohibits restrictions incidental to the stated purposes of the regulation. The law also requires that the regulating authority perform a cost-benefit analysis of any proposed regulation. This requirement, however, is often ignored when Parliament reviews draft bills. With a few exceptions, all draft bills are made available for public comment. In addition, the law eliminates bureaucratic discretion in granting requests for routine economic activities, and provides for silent consent when the government does not respond to a request in the allotted time. While the law creates a ground-breaking normative framework, implementation and consistent enforcement are still lacking. Local companies in which foreign partners have controlling interests may be requested to provide additional information or meet mandatory requirements in order to engage in certain licensed activities including production and export of arms and ammunition; banking and insurance; and the exploration, development, and exploitation of natural resources.

9. Efficient Capital Markets and Portfolio Investment

Since 1997, the Bulgarian Stock Exchange (BSE) has operated under a license from the Securities and Stock Exchange Commission (SSEC). The 1999 Law on Public Offering of Securities regulates the issuance of securities, securities transactions, stock exchanges, and investment intermediaries. The 2002 comprehensive amendments to this law established significant rights for minority shareholders of publicly-owned companies in Bulgaria. In addition, they created an important foundation for the adoption of international best practices for corporate governance principles in public companies. Since 2007, Bulgaria has aligned its regulation of securities markets to EU standards under the Markets in Financial Instruments Directive (MiFID) that seeks to integrate trading, clearing, settlement and depository functions of the EU securities markets. The BSE is the only trading venue in Bulgaria. Its infrastructure has substantially improved in recent years, including the establishment of an official index (SOFIX), an Internet-based trading system, and a growing number of brokers. Investors access the BSE to trade corporate stock, government bonds, corporate bonds, Bulgarian Depositary Receipts, municipal bonds, and mortgage-backed bonds. The stock exchange operates four other indexes in addition to the official SOFIX: BG40, BG TR30, BGREIT and CGIX. The small domestic market is served by a large number of domestically oriented investment firms. The liquidity of the market remains relatively low. Arbitrary changes to business regulations have occasionally lowered local stock market indexes. The 2014 total market capitalization was down 2 percent versus 2013, to BGN 9.8 billion (USD 6 billion), or 12 percent of GDP. The majority of BSE's equity is still owned by the Ministry of Finance (50.06 percent) and by investment intermediaries and commercial banks (21.73 percent). The remaining BSE capital is allocated among other local and foreign legal entities, natural persons, and institutional investors. The government announced plans to start a procedure for the sale of its majority stake in BSE in 2015.

Money and Banking System, Hostile Takeovers

The Bulgarian banking system has undergone considerable transformation since its virtual collapse in 1996. There were 28 commercial banks (22 subsidiaries and 6 branches), with total assets of BGN 85.1 billion (USD 47.3 billion) in 2014. Approximately 55 percent of bank assets are concentrated in the top five banks: UniCredit-Bulbank, DSK Bank, First Investment Bank, Corporate Commercial Bank and United Bulgarian Bank. Bulgarian banks' leverage coefficient was 11.85 percent in September 2014, down from 12.13 percent in June. In 2003, Bulgaria completed the privatization of its state-owned banks, attracting many foreign banks as strategic investors. Foreign investors drawn to the Bulgarian banking industry include UniCredito Italiano SpA (UCI), BNP PARIBAS, KBC, National Bank of Greece, Societe Generale, Raiffeisen International, OTP Group, and Citibank. Approximately 72 percent of the banking system is owned by foreign banking groups. The confidence in the Bulgarian banking system was hit badly when the fourth largest bank, Corporate Commercial Bank (CCB) collapsed in June 2014. While the bank is currently in liquidation, the government has adopted special legislation to investigate alleged leakage of assets through companies connected with the bank's former owner. In December 2014, the government infused the deposit insurance fund with BGN 2.0 billion (USD 1.1 billion) to repay CCB depositors with guaranteed deposits up to EUR 100,000 (USD 110,000). Responding to criticism about insufficient oversight which led to CCB's collapse, the central bank is seeking to name a new deputy governor responsible for bank supervision and a new central bank governor with a six-year office term beginning in October 2015. Additionally, the prosecution has pressed charges against a former bank manager and the auditors of CCB's books.

The Bulgarian government finances some of its expenditures by issuing bonds in capital markets. Commercial banks and private pension funds are the primary purchasers of these instruments. EU-based banks are eligible to be primary dealers of Bulgarian government bonds. In order to acquire Bulgarian government bonds, a foreign bank must register with the Ministry of Finance and open a "custody account" in Bulgarian leva. The Investment Promotion Act defines securities, including treasury bills, with maturities over six months as investments. Repatriation of profits is possible after presenting documentation that taxes have been paid.

10. Competition from State-Owned Enterprises

Upon EU accession, Bulgaria was recognized as a fully operating market economy, in which the majority of the companies are private. The state's monopoly in railway infrastructure is among the few exceptions. The state-owned Postal Service still holds a partial market monopoly, but the local market for postal services has been increasingly de-monopolized to include a number of privately managed courier companies. Though Bulgaria has separate state-owned companies for infrastructure ownership and distribution in both the electricity and gas markets, all of these companies are owned by the same state-owned holding company. The government disburses approximately 5 percent of its budget to subsidize State-Owned Enterprises (SOEs) each year. SOE budgets are made public with the budget proposals and, during budget implementation process, with enacted budgets of the respective ministry. There is a Board of Directors in each SOE that reports directly to the relevant minister. Typically, the Board is comprised of representatives of the political party holding power and its coalition partners. The Ministry of Finance publishes periodically audit reports of the subsidized SOEs, which may or may not

include the exact amount of the annual budget subsidy. SOEs are defined as limited liability or joint stock companies solely owned by the state. SOEs can enter into partnerships by selling stakes to other non-state companies. The government treats equally public and private sector companies during public bidding, or other government-controlled processes. SOEs are subject to the same tax regime and government policies as private sector companies.

OECD Guidelines on Corporate Governance of SOEs

Bulgaria is not an OECD member.

Sovereign Wealth Funds

Bulgaria does not have a sovereign wealth fund.

11. Corporate Social Responsibility

There is a growing awareness of corporate social responsibility among both producers and consumers, but CSE expectations are much higher for foreign investors than for domestic entities.

OECD Guidelines for Multinational Enterprises

Bulgaria is not an OECD member.

12. Political Violence

There have been no incidents in recent years involving politically-motivated damage to projects or installations. Rather, violence in Bulgaria is primarily criminal in nature.

13. Corruption

Widespread corruption continues to be one of the most difficult problems in Bulgaria's investment climate. Well-established human trafficking, narcotics, and contraband smuggling channels that contribute to corruption in Bulgaria continue to operate. Bulgaria has laws, regulations, and penalties to combat corruption, however, law enforcement capacity remains limited and the authorities opt for easy-to-prove, low-level cases. As a result, progress on cases of high public interest, involving alleged siphoning of millions from the state coffers or EU funds, and in particular those involving public tenders for large energy and infrastructure projects, have generally not been pursued. The State Agency for National Security (DANS), the Ministry of Interior and the independent Prosecution service are the primary institutions responsible for combating corruption. In 2015, the three agencies signed an agreement to launch a joint task-force which will target high-level public and judicial corruption and will report to the Prosecutor General.

A separate Commission is in charge of investigating complaints against government officials for conflicts of interest. However, its effectiveness has been undercut by limited powers and staffing gaps and its credibility has suffered from revelations of undue political influence. A government

analytical center for curbing corruption-facilitating legal loopholes (BORCOR) was set up in 2011 but it has delivered no concrete results, despite the significant resources devoted to the project. In 2015, the government approved a strategy to merge the BORCOR and the Conflict of Interest Commission; a restructuring may result in delays to its work agenda. Internal oversight within institutions is typically understaffed, which contributes to the overall image of an uncoordinated response to what is seen as a systemic problem in public administration. Bribery is a criminal act under Bulgarian law for both the giver and the receiver. Individuals who mediate and facilitate a bribe are also held accountable. Penalties range from one to fifteen years imprisonment along with possible confiscation of property depending on the circumstances and seriousness of the case. In the most egregious cases, the Penal Code calls for prison terms of 10 to 30 years. Bribing a foreign official is also a criminal act. The government does not require companies to establish internal codes of conduct nor compliance programs to detect and prevent bribery. In the area of public procurement, the lack of a comprehensive electronic system and the complex and ever-changing legislative framework has made it even more difficult to create a culture of objectivity and rigor. Bulgaria has an NGO sector that monitors corruption and organized crime, including a local chapter of Transparency International (TI). Bulgaria ranks 69th out of 175 countries in TI's Corruption Perception Index for 2014.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

In 1998, Bulgaria was one of the first non-OECD nations to ratify the Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention and is a participating member of the OECD Working Group on Bribery. Bulgaria has also ratified the Council of Europe's Convention on Laundering, Search, Seizure, and Confiscation of Proceeds of Crime (1994) and Civil Convention on Corruption (1999). Bulgaria has signed and ratified the UN Convention against Corruption (2003); the Additional Protocol to the Council of Europe's Criminal Law Convention on Corruption; and the UN Convention against Transnational Organized Crime.

Resources to Report Corruption

Center for Prevention and Countering Corruption and Organized Crime
6 Sveta Nedelya Sq., Sofia
cppkop@borkor.bg

Transparency International Bulgaria
50 Shandor Petyofi Str.
mbox@transparency.bg

14. Bilateral Investment Agreements

Bulgaria has a Bilateral Investment Treaty (BIT) with the United States, which guarantees national treatment for U.S. investments and creates a dispute settlement process. The BIT also includes a side letter on protections for intellectual property rights. The Governments of Bulgaria and the United States exchanged notes in 2003 to make Bulgaria's obligations under the BIT compatible with its EU obligations, and finalized the process in January 2007.

As of 2014, Bulgaria has bilateral investment treaties signed with the United States and the following countries: Albania, Algeria, Argentina, Armenia, Austria, Bahrain, Belarus, Belgium, China, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Israel, Italy, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Libya, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Mongolia, Montenegro, Morocco, Poland, Portugal, Qatar, Romania, Russia, San Marino, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Syria, Thailand, The Netherlands, Tunisia, Turkey, Ukraine, United Kingdom and Northern Ireland, Uzbekistan, Vietnam, and Yemen.

Bilateral Taxation Treaties

As of 2014, Bulgaria has signed bilateral double taxation treaties with the United States and the following countries: Albania, Algeria, Armenia, Austria, Azerbaijan, Bahrain, Belarus, Belgium, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Kazakhstan, Kuwait, Latvia, Lebanon, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Mongolia, Montenegro, Morocco, North Korea, Norway, Poland, Portugal, Qatar, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Syria, Thailand, The Netherlands, Turkey, Ukraine, United Arab Emirates, United Kingdom and Northern Ireland, Uzbekistan, Vietnam, and Zimbabwe.

15. OPIC and Other Investment Insurance Programs

In 1991, the Overseas Private Investment Corporation (OPIC) and the Bulgarian government signed an Investment Incentive Agreement, which governs OPIC's operations in Bulgaria. OPIC provides medium- to long-term funding through direct loans and loan guarantees to eligible investment projects in developing countries and emerging markets. OPIC also supports a number of privately owned and managed equity funds, including a regional fund for Southeast Europe created in 2005 for investments in companies in Bulgaria and other Balkan countries. OPIC's Small- and Medium-Size Financing is available for businesses with annual revenues under USD 250 million. OPIC's structured financing focuses on U.S. businesses with annual revenue over USD 250 million and supports large capital-intensive projects such as infrastructure, telecommunications, power, water, housing, airports, technology, and financial services. OPIC offers U.S. investors a series of services, insurance against currency inconvertibility, expropriation, and political violence. Political risk insurance is also available from the Multilateral Investment Guarantee Agency (MIGA), which is a World Bank affiliate, as well as from a number of private U.S. companies. Bulgaria is a signatory to the Convention Establishing the Multilateral Investment Guarantee Agency.

16. Labor

As of December 2014, Bulgaria's workforce officially consisted of 3,344,200 men and women, or 46.2 percent of the population, many of whom are skilled in sciences, information technology, customer service, and foreign languages. Split by gender, 59.5 percent of all men are economically active, vis-a-vis 48.7 percent of all women. Officially registered unemployed were 10.7 percent of the labor force in December 2014, which increased to 11 percent in the first two

months of 2015. About 24 percent of all youth are presently reported as unemployed, which has prompted government to enact a set of measures to address the problem. The official adult literacy rate in Bulgaria is 98.3 percent (15 years and older). A high percentage of the workforce has completed some form of secondary, technical, or vocational education. Many Bulgarians have strong backgrounds in engineering, medicine, economics, and the sciences, but there is a shortage of professionals with Western management skills as well as of highly-skilled manual laborers. The aptitude of workers, the relatively high number of those who speak English, and the relatively low cost of labor are considerable incentives for foreign companies, especially those that are labor-intensive, to invest in Bulgaria.

In recent years, many foreign investors have complained of the deteriorating quality of Bulgarian university education and the fact that it is training graduates in specialties that are not in line with market needs. In an attempt to reverse that trend, the Bulgarian government has introduced a vocational training track for some Bulgarian high school students. Under this program, certain students will receive professional qualification while at school, but forego some of the humanities and social science prerequisites for a regular university education after graduation. Another concern frequently raised by investors is the difficulty in finding appropriately skilled local laborers, because many well-trained Bulgarians, enabled by the generally unrestricted access to EU labor market, still choose to leave the country in pursuit of better paying jobs. However, the global financial and economic crisis caused some émigrés such as Bulgarian construction workers to return to Bulgaria. Meanwhile, the development of Bulgaria's digital technologies sector has provided opportunities for many local IT specialists to work for large IT corporations in Bulgaria.

The Bulgarian Constitution recognizes workers' rights to join trade unions and to organize. The National Council for Tripartite Cooperation (NCTC) provides a forum for dialog among government, employer organizations, and trade unions on issues such as cost-of-living adjustments. An established practice of negotiating the so-called "social security thresholds" between trade unions and employers organizations each year helps determine the formula for calculating the relative amount of employer and employee social security contributions. Bulgaria has two large trade union confederations represented at the national level, the Confederation of Independent Trade Unions of Bulgaria (CITUB) and the Confederation of Labor Podkrepa (Support). As of 2012, estimated trade union membership was 300,000 for CITUB and 150,000 for Podkrepa.

There are very few restrictions on trade union activity, but employees in smaller private firms are often not represented. In addition, there are four nationally recognized employer organizations currently in Bulgaria that target different industry and company membership. Under the Bulgarian Labor Code, employer-employee relations are regulated by employment contracts. The framework of the employment contracts can be shaped through collective bargaining. Collective labor contracts can be concluded at the sectoral level, enterprise level, and municipal level. The Labor Code addresses worker occupational safety and health issues, mandates a minimum wage (determined by the Council of Ministers), and prevents exploitation of workers, including child labor. It clearly delineates employer rights. Disputes between labor and management can be referred to the courts, but resolution is often subject to delays. Neither foreign companies nor majority foreign-owned Bulgarian companies are exempt from the requirements of the Labor

Code. Over the last ten years, the Labor Code has been amended to address labor market rigidities, such as flexible working time, more part-time and overtime opportunities and bring labor legislation into compliance with EU requirements. In 2008, the Parliament passed changes in the labor legislation to increase fines to BGN 15,000 (USD 8,333) for Labor Code violations. The minimum annual paid leave is 20 days. The minimum wage is BGN 360 (USD 200) per month and will increase to BGN 380 in July 2015. In 2012, rules regulating the status of temporary workers and temporary employment agencies were introduced.

The National Institute for Conciliation and Arbitration (NICA) developed a framework for collective labor dispute mediation and arbitration. NICA includes representatives from labor, employers, and government. NICA-sponsored collective labor dispute resolutions are still few in number. Several of the appointed mediators received basic mediation skills training from the U.S. Federal Mediation and Conciliation Service. There are 36 appointed mediators and 36 arbiters, proposed by social partners and approved by NICA's Supervisory Board.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

There are six duty-free zones (FTZs) in Bulgaria: Ruse and Vidin ports on the Danube; Plovdiv; Svilengrad (near the Turkish border); Dragoman (near the Serbian border); and Burgas port on the Black Sea. They are all managed by joint stock or state-owned companies. There has been little interest shown so far in the government's proposal to sell the FTZs in Russe, Plovdiv, and Burgas. The government provides land and infrastructure for each zone. Foreign individuals and corporations and Bulgarian companies with one percent or more of foreign ownership may operate in a duty-free zone. Thus, foreign-owned firms have equal or better investment opportunities in the zones compared to Bulgarian firms. All forms of legal economic activity are permissible in the duty-free zones. Foreign, non-EU goods delivered to the duty-free zones for production, storage, processing, or re-export are VAT- and duty-exempt. Bulgarian goods may also be stored in duty-free zones with permission from the customs authorities.

With Bulgaria in the EU, the duty-free zones no longer apply tax and duty exemptions to exports from Bulgaria to other EU countries. EU integration has encouraged regional authorities to attract outside investors to spur local economic development. In partnership with the private sector, they provide resources (i.e., land, infrastructure, etc.) for the development of industrial zones and technological parks, which are different from duty-free zones in that they do not provide for any form of preferential tax treatment. There are several industrial zones under construction in: Bozhurishte (outside Sofia), Burgas, Varna, Karlovo (near Plovdiv), and Telish (near Pleven). The high technology Sofia Tech Park has recently joined efforts with the Bulgarian Academy of Sciences, several local universities, and one cluster in what is expected to become the largest center for high level R&D and incubator for high technology international and local business in Bulgaria. The government has established a National Industrial Zones Company to support the establishment of industrial zones and technological parks and enable a stable FDI inflow.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2012	54,080	2012	52,590	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2013	1,870	2012	439	
Host country's FDI in the United States (\$M USD, stock positions)	2013	107	2013	n/a	BEA shows data on Bulgarian FDI in the U.S. as either a negligible amount, or suppressed to avoid data on individual companies
Total inbound stock of FDI as % host GDP	2012	81.4%	2012	87.7%	

*Source: Bulgarian National Bank

Table 3: Sources and Destination of FDI

The IMF data on inward FDI is consistent with the locally sourced data. The Netherlands and Cyprus are tax-haven sources of inward FDI and therefore the investments originating from these two countries are smaller than the officially quoted figure. The latest available inward FDI data on Bulgaria is from 2012. There is no annual data on outbound investment available on the IMF site provided for the purposes of this report. Official local data shows USD 1.6 billion (current exchange rate) in total outbound investment calculated cumulatively between 1997 and 2012. World Bank data similarly shows the same amount: USD 1.54 billion.

Direct Investment from/in Counterpart Economy Data**From Top Five Sources/To Top Five Destinations (US Dollars, Millions)**

Inward Direct Investment			Outward Direct Investment		
Total Inward	46,122	100%	Total Outward	N/A	100%
The Netherlands	9,012	20%			
Austria	6,389	14%			
Greece	3,389	7%			
United Kingdom	2,657	6%			
Cyprus	2,655	6%			

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets**Top Five Partners (Millions, US Dollars)**

Total			Equity Securities			Total Debt Securities		
All Countries	7,108	100%	All Countries	1,238	100%	All Countries	5,870	100%
United Kingdom	1,401	20%	United States	343	28%	United Kingdom	1,399	24%
Germany	627	9%	Luxembourg	334	27%	Czech Republic	507	9%
United States	526	7%	France	159	13%	Germany	480	8%
Czech Republic	507	7%	Germany	147	12%	The Netherlands	423	7%
Luxembourg	493	7%	Ireland	97	8%	Hungary	408	7%

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

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