

# Executive summary

This investment policy review of Bulgaria looks at challenges and opportunities for attracting more and better investment and the resulting development impact of that investment.

Bulgaria has achieved a large degree of policy convergence with the *OECD Declaration on International Investment and Multinational Enterprises*, building on a number of reforms which have underpinned the country's economic and social progress. This is particularly true with respect to the country's ability to comply with the principles of openness, transparency, and non-discrimination and responsible business conduct that are an integral part of the OECD approach to investment.

Bulgaria has taken significant steps to provide adequate levels of investment protection in general. Bulgaria's investment legislation includes the principle of non-discrimination against foreign investment and general provisions on foreign investment protection. Efforts have been made to create an open and transparent environment for foreign investment by adopting new laws reinforcing and simplifying the protection of businesses. To encourage investment further, Bulgaria has also introduced significant reforms to improve the governance of state-owned enterprises (SOEs) and increase transparency in public procurement, while opening its market to private companies.

Despite these advances, Bulgaria's low score in several international rankings and businesses low levels of trust in the judiciary remain a cause of concern for both domestic and foreign investors. Although substantial structural reforms have been made to reduce corruption and mitigate its effects on the country's economy, corruption and favouritism remain widespread. According to the 2019 EU Flash Eurobarometer on business attitudes towards corruption in the European Union, 85% of respondents operating in Bulgaria described corruption as widespread; 50% of respondents felt that corruption had increased in recent years and more than 80% considered that bribery was still the easiest way to obtain public services. A strong judiciary is also lacking, which is essential for winning investor trust.

The review also analyses Bulgaria's track record in promoting responsible business conduct (RBC). Authorities have undertaken important policy reforms aimed at creating an enabling environment for businesses to act responsibly. The review proposes options that would help to promote RBC further, such as the active implementation of the *OECD Guidelines for Multinational Enterprises* and the establishment of an effective and impartial National Contact Point to promote the *Guidelines* and help to resolve RBC issues related to environment, labour, human rights and governance.

The Bulgarian authorities are well aware that private investment can play a role in enhancing the country's growth potential and in improving living standards. These goals can be advanced by creating a more modern investment promotion platform. The institutional set-up for investment promotion appears fragmented and a more explicit national strategy for investment attraction could help ensure better co-ordination among the different actors, without prejudicing specific efforts targeting activities and regions that require further assistance. Realising the full potential of investment requires a comprehensive and coherent policy package. Narrowing the gap in living standards will require an intensification of structural reforms as well as improvement in the overall business climate. Bulgaria still has some way to go towards a sustainable market economy status.





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