

4 The framework for investment in Bulgaria

This chapter provides an overview of the legal framework for starting and expanding a business in Bulgaria. Particular attention is given to the conditions Bulgaria imposes on the entry of foreign investors and the extent it provides them national treatment once they are established. The chapter also benchmarks Bulgaria's overall openness to investment, an area where the country performs well.

Introduction

As noted in the previous chapters, since the beginning of Bulgaria's transition towards a market economy, the government has considered FDI as an important driver of economic development. This is reflected by the quick move to enact several laws promoting openness towards FDI during the 1990s, even in the midst of macroeconomic and political instability. The legal certainty provided by the 1990s legal framework and the prospect of EU membership, which materialised in 2007, have been considered by international organisations as the main drivers of the increase of FDI inflows in Bulgaria in the 2000s.

Investment in general is central to growth and sustainable development. According to OECD research, investment has the capacity of expanding an economy's productive capacity, driving job creation and fostering income growth (OECD, 2015). While both domestic and international firms carry out investments, foreign investment has proven to grant additional advantages to host countries through enhanced productivity, diffusion of technology and expertise, as well as acting as a vehicle for transformation of domestic production through better integration with global value chains (Echandi, Krajcovicova and Qiang, 2015).

In order to attract and retain FDI, economies have put in place measures to ensure that their legal regime is conducive to the establishment and cross-border provision of services, eliminate discriminatory barriers to invest and defend transparent capital flows. The OECD regulates these issues through two of its investment instruments: the Codes of Liberalisation (comprised of the Code of Liberalisation of Capital Movements and Code of Liberalisation of Current Invisible Operations),¹ and the National Treatment instrument (Box 4.1), which is part of the OECD *Declaration on International Investment and Multinational Enterprises*. Adherents to these instruments are encouraged to uphold the principle of non-discrimination at entry (between residents and non-residents, and across the latter) and thereafter (between nationals and foreigners) as a way of creating an enabling environment for foreign investment, and to be transparent about any departures from such principle.

On 18 January 2018, the OECD Council invited Bulgaria to adhere to the Codes of Liberalisation, subject to the outcome of a full examination by the Investment Committee. A first review by the Investment Committee took place in May 2020, supported by a note by the Secretariat (OECD, 2020c). In addition, in January 2022, the OECD Council invited Bulgaria to adhere to the OECD *Declaration on International Investment and Multinational Enterprises*; Bulgaria became Adherent to the Declaration in June 2022. As an Adherent to the *Declaration*, Bulgaria is committed to providing national treatment to foreign investors, this is, to treat enterprises operating on its territory, but controlled by the nationals of other adhering countries, no less favourably than domestic enterprises in like situations. National treatment is an integral part of the non-discrimination principle, one of the fundamental aspects of any international investment regime, since it ensures that once the investment has been accepted into the territory, it will operate under the same conditions as those controlled by nationals.

Bulgaria's commitment to national treatment is reflected under the National Treatment instrument (NTi) (Annex A). In addition, to further strengthen transparency on policies regarding national treatment, Bulgaria has reported, for transparency purpose, measures that do not constitute exceptions to national treatment, but are important determinants of policies in the context of national treatment (for example measures related to national security, corporate organisation or public and activities covered by monopolies and concessions) (Annex B). The present chapter elaborates on Bulgaria's FDI regime and measures departing from national treatment or that may have an adverse impact on the attraction of FDI and the investment climate in general.

Box 4.1. The OECD National Treatment instrument for foreign-controlled enterprises

National treatment is the commitment by an Adherent to the *Declaration on International Investment and Multinational Enterprises* to treat enterprises operating on its territory, but controlled by the nationals of another country, directly or indirectly, no less favourably than domestic enterprises in like circumstances.

The term “operating in its territory” in the instrument conveys the idea of doing business from a place of business in the host country, as distinct from conducting business in the country from abroad. This recognises that adhering countries’ practices differ regarding recognised forms of business but that the main forms of doing business are through locally incorporated subsidiaries and branches. The principle of national treatment applies regardless of the home country’s treatment of enterprises from the host country (OECD, 2005).

The National Treatment instrument consists of two elements: a declaration of principle, which forms part of the *Declaration*, and a procedural OECD Council Decision, which obliges Adherents to notify their exceptions to national treatment and establishes follow-up procedures to deal with such exceptions. The Decision comprises an Annex that lists exceptions to national treatment, as notified by each Adherent and accepted by the OECD Council. The Investment Committee periodically examines the exceptions.

Only measures concerning legal entities are reported for the purpose of the National Treatment instrument, and thus any measure that may apply to natural persons is not reflected in the list contained in the Annex to the Council’s decision.

To ensure transparency, Adherents to the *Declaration* also commit to report any measures that, while not representing exceptions to national treatment, have an impact on it. The lists of these exceptions and measures are published and regularly updated. There are featured in Annexes A and B to the present *Review*.

Bulgaria has a legal regime conducive to the attraction and retention of investment

Attracting investment and further improving the country’s institutional framework are key government priorities, as evidenced by Bulgaria’s strategic documents such as “Vision, Goals and Priorities of the National Development Programme BULGARIA 2030 (Decision 33 of the Council of Ministers, 20 January 2020),² which is the basis for the approved NDP BULGARIA 2030 (Protocol 67 of the Council of Ministers, 2 December 2020).

According to the Bulgarian authorities, efforts to improve the quality, efficiency and fairness of the legal and regulatory framework aim to improve the business climate and the investment environment, without any difference, in principle, between foreign-owned and local-owned foreign companies. The key standards of investor treatment and protection are guaranteed under the Constitution – the highest legal authority- and dedicated laws. Bulgaria’s FDI legal regime includes enforceable principles for protection of foreign investors, investment promotion and transparency requirements.

Protection of foreign investors

Bulgaria’s Constitution provides that foreign and local persons, whatever form they take, enjoy equal rights when conducting economic activities, except where otherwise provided by the law.³ Foreign investors may establish or participate in establishing a company in Bulgaria and may acquire rights and obligations as

national investors. In addition, Bulgaria guarantees the principle of equal treatment between national and foreign citizens or entities through the 2004 Investment Promotion Act (IPA). Both the Constitution and the IPA guarantee the national treatment of foreign economic operators.

According to the IPA, the Minister of Economy is in charge of the implementation of the law and investment policy in general, in collaboration with central and local authorities (i.e. the regional Governors and the Mayors of the municipalities). In addition, the InvestBulgaria Agency (IBA) assists potential local and foreign investors by providing information, contacts and project management support at all stages of the investment (see Chapter 7 of this *Review*).

Local and foreign investors are also protected against unlawful expropriation, in a non-discriminatory manner. According to the Bulgarian Constitution,⁴ expropriation of immovable property may be carried out only in accordance with the procedures laid down in the State Property Act and in the Municipal Property Act, provided that they fulfil state or municipal needs that cannot be otherwise satisfied.

The conditions under which expropriation is allowed are expressly detailed in Bulgarian law (Spatial Development Act, Article 205) and include the construction and redevelopment of physical infrastructure for transport and other networks and facilities (roads, railways, water supply, sanitary sewerage, electricity supply, physical infrastructure for the deployment of electronic communications networks); implementation of environmental and natural resources protection activities, actions to remove and eliminate geologic hazards; construction of public health care facilities, social assistance facilities, educational establishments; construction of special-purpose installations related to national defence and security; and construction of industrial zones or technological parks with the technical infrastructure necessary to attract investments. Expropriation may be undertaken only after providing previous monetary compensation (State Property Act, Article 32, para. 1).

Investment promotion

As further detailed in Chapter 6 of this *Review*, Bulgaria's investment framework contains several investment promotion mechanisms, applicable to both national and foreign investors and in line with the requirements of the National Treatment instrument. Investment projects in industry and services that meet certain criteria may apply for a "Certificate for investment project" from the Ministry of Economy. This certificate entitles the investor to a number of administrative and financial incentives, such as: partial reimbursement of the obligatory social and health insurance contributions; shortened terms for administrative service; and financial support for technical and professional development.⁵ Both the IPA and its implementation rules clarify the steps that investors must follow to obtain the required certification and indicate a number of priority sectors for the country.⁶ The assignment of these certificates is based on objective criteria, depending on the type of investment envisaged and the priority Bulgaria has given to each sector. It does not take into account the nationality of the investor, allowing for non-discriminatory allocation of investment preferences. This is reflected in the great number of Certified Investment Projects in Bulgaria granted to companies with some form of foreign participation over the years.⁷

Investments can also benefit from incentives through the Corporate Income Tax Act, which provides for tax relief constituting *de minimis* aids and regional aids (Articles 184, 188-189) for investments in underemployed regions. These tax reliefs are in line with EU state aid legislation and do not discriminate against third country investors.

Transparency requirements

As for transparency, all investors (Bulgarians and foreigners) have the right to participate in public consultations and access public information, in line with the Access to Public Information Act (APIA). Public consultations are set as an obligatory stage before adopting primary and secondary legislation, both at national and sub-national (local) level⁸ and before the adoption of administrative decisions by the council

of ministers.⁹ Although the authorities may make specific requests to local authorities and organisations, any person, regardless of their nationality, may participate in these consultation processes. In addition, Bulgaria introduced in 2016 a regulatory impact assessment (RIA) requirement system, whereby regulatory proposals are subject to either a partial or full assessment. The RIA examines the ratio of defined goals to expected results and can also be performed after the adoption of the law. All approved laws are available online in English, as well as all acts (decisions and determinations) of the Bulgarian Commission on Protection of Competition.

As discussed later in this *Review*, selected investment proposals are subject to an Environmental Impact Assessment (EIA), mandatory for any investment in infrastructure, energy, minerals, chemicals, pharmaceutical products, transport, water resources and tourism (Annex I of the Environmental Protection Act). The final decision on the EIA is taken by the Ministry of Environment and Water or the regional inspectorates for the environment and water (RIEW), including vast participation with local authorities, non-Governmental Organisations (NGO's) and stakeholder consultations, with no discrimination of treatment based on nationality. All EIA decisions are made public through the national mass communication media and the Internet site of the Ministry or RIEW. Intra-EU public participation is also mandatory for decisions concerning the deliberate release of genetically modified organisms (GMOs).

General applications for access to information can be submitted electronically by email, and a register of written and oral applications for access to public information can be found directly on the IBA English website.¹⁰ Transparency requirements from the part of the investor are also taken into account by Bulgarian authorities when granting the benefits deriving from the “Certificate for investment project”, in accordance with the requirements of EU State Aid Regulation and Bulgarian law.¹¹

Bulgaria is open to foreign direct investment

Bulgaria is largely open to FDI. National treatment of foreign investors in the post-establishment phase is guaranteed, which means that foreign investors, when incorporated and headquartered in Bulgaria, are considered domestic legal entities, with all the rights and obligations that are applied to domestic investors. The existing exceptions to national treatment are limited to foreign ownership restrictions in a handful of sectors, namely in the acquisition of non-agricultural and agricultural land, forestry, air and maritime transport and legal services as well as restrictions for the provision of rail transport and mining.

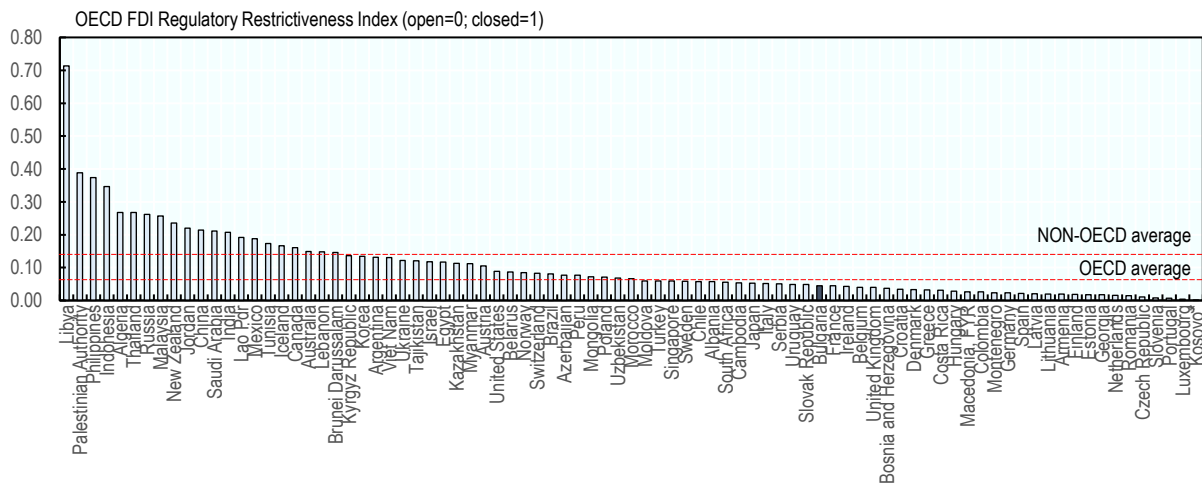
Other barriers to foreign direct investment mainly concern conditions imposed at establishment (e.g. establishment requirements for investment in energy, private security, legal services and selected financial services), fall outside the remit of the *Investment Declaration*. These barriers are few, mostly sector-specific, and typically limited in their scope, applying almost exclusively to investors from outside the EU, the European Economic Area (EEA) or Switzerland, or to investors from countries that are not WTO members.

There are no generalised screening or approval mechanisms for new investments or established companies in Bulgaria and the only horizontal exception to national treatment is related to the foreign acquisition of land (for commercial purposes and real estate) in Bulgaria for investors from outside the European Union and the European Economic Area (EU/EEA). Bulgaria does not impose limits on access to local finance and incentives (e.g. tax concessions) or government purchasing markets for foreign-controlled enterprises incorporated in the territory.

As a result, Bulgaria's degree of restrictiveness is low in comparison to both the OECD average and the average of non-OECD economies that have adhered to the *Declaration*, according to the OECD *FDI Regulatory Restrictiveness Index* (FDI Index) (Figure 4.1). The FDI Index measures statutory restrictions on foreign direct investment in 22 economic sectors across 69 countries, including all OECD and

G20 countries. In comparison with other 25 EU member states covered by the FDI Index, Bulgaria is in the third quartile of most restrictive EU economies to FDI.

Figure 4.1. OECD FDI Regulatory Restrictiveness Index, 2019



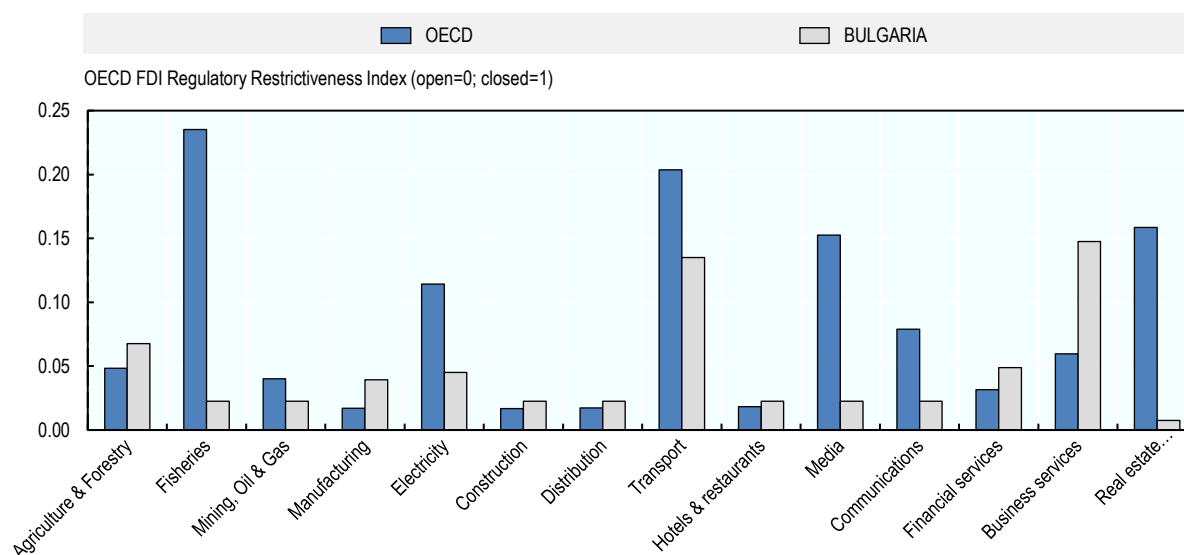
Note: The OECD *FDI Regulatory Restrictiveness Index* covers only statutory measures discriminating against foreign investors (e.g. foreign equity limits, screening and approval procedures, restriction on key foreign personnel, and other operational measures). Other important aspects of an investment climate (e.g. the implementation of regulations and state monopolies, preferential treatment for export-oriented investors and SEZ regimes among other) are not considered. Data reflect regulatory restrictions as of end-December 2019. For Bulgaria, information reflects the regulatory environment as of June 2020. Please refer to Kalinova et al. (2010) for further information on the methodology.

Source: OECD FDI Regulatory Restrictiveness Index, www.oecd.org/investment/fdiindex.htm.

Bulgaria also compares generally well on a sectoral basis against the OECD average, except in agriculture and legal services where foreign ownership limitations apply (Figure 4.2). The horizontal restrictions on the acquisition of land by foreign investors, even if for business purposes, explains the slightly more restrictive environment for FDI in a few other sectors. As such, any particular difficulty in attracting FDI into Bulgaria is unlikely related to the regulatory environment for foreign investors.

All the measures constituting statutory barriers to FDI are further discussed below. Bulgaria's list of measures constituting an exception to national treatment at national and territorial level is reported in Annex A of this *Review*. Annex B contains the list of measures reported for transparency reasons (e.g. measures based on national security considerations, as well as non-discriminatory corporate organisation requirements, and public and private monopolies and concessions). For clarity, measures restricting investments by natural persons are not reported because the OECD NTi does not cover these.

Figure 4.2. OECD FDI Regulatory Restrictiveness Index, 2019: Sector breakdown



Note: See Figure 4.1.

Source: OECD FDI Regulatory Restrictiveness Index, www.oecd.org/investment/fdiindex.htm

Cross-sectoral measures affecting foreign investment

Bulgaria has no cross-sectoral exception to national treatment. Existing trans-sectoral measure is limited to entry conditions for non-EU/EEA investors for land acquisition and ownership.

Foreign acquisition of land is restricted in Bulgaria

The issue of acquisition and use of land has been of primordial importance for Bulgaria ever since its independence from the Ottoman Empire in the late 19th century. Between 1878 and 1946 almost 80% of the Bulgarian population consisted of small, predominantly subsistence farmers, with 1 million production units owning on average 4.3 hectares of land each (Csaki et al., 2000). Following the end of World War II, the government abolished the previous concept of property of land. Small farms were grouped into large state-controlled units ran by co-operatives, known as “agro-industrial complexes” and other types of land such as real estate was labelled as “personal property”, allowing Bulgarian citizens to own residential property in their city or town of residence (Parusheva and Marcheva, 2010). It was not until the end of the socialist regime that property rights to land in Bulgaria were protected by the Constitution (Articles 21 and 22 of the 1991 Constitution). Collective farms were officially disbanded in 1991 and property rights for land returned to the families that held them prior to collectivisation (Meurs and Bogushev, 2008).

On 1 January 2012, companies established in EU/EEA Member States were allowed to acquire real estate land (for commercial purposes or housing) in Bulgaria. For third country foreigners, acquisition of real estate and land remains restricted. Companies established outside the EU/EEA can only acquire land (for real estate and business purposes) by virtue of an international treaty or by inheritance. To date, Bulgaria has not concluded any international treaty with third countries providing for the acquisition of land. However, foreigners may bypass these restrictions by incorporating a company in Bulgaria, in which case the company will be treated as a Bulgarian national. Bulgaria imposes additional restrictions for the acquisition of agricultural land by foreign investors, which are detailed below.

Sector-specific measures affecting foreign investment

The sector-specific exceptions to the NTi notified by Bulgaria apply to non-EU/EEA investors in the areas of acquisition and ownership of agricultural land, forestry, air transport, maritime and inland waterway transport, rail transport, legal services and mining (see Annex A to this *Review*). Other sector-specific measures discussed below refer to measures imposing conditions on the establishment of foreign investors in Bulgaria. While not covered by the NTi, they constitute statutory barriers to entry and are covered in the OECD *FDI Regulatory Restrictiveness Index*.

Acquisition and ownership of agricultural land

The Treaty of Accession to the European Union required Bulgaria to lift restrictions on the acquisition of agricultural land by nationals and legal entities of other Member States after a period of seven years from 01 January 2007. Accordingly, in 2014, Bulgaria substantially amended the Bulgarian Ownership and Use of Agricultural Land Act 1991,¹² to allow for the following legal entities to acquire and own agricultural land in Bulgaria:

- Commercial companies in which shareholders are:
 - Nationals from EU/EEA countries;
 - Foreign legal entities established in the EU/EEA; and
 - Natural and legal persons from third countries with whom Bulgaria has concluded an international treaty containing provisions on the acquisition of agricultural land.¹³

Companies in which shareholders fail to meet such qualifications, as well as companies with bearer shares and companies in which shareholders are, directly or indirectly, legal entities registered in jurisdictions with preferential tax regimes are not allowed to acquire or own agricultural land in Bulgaria.

In addition, acquisition of agricultural land by foreign companies requires a mandatory five-year establishment in Bulgaria (Article 3c of the Bulgarian Ownership and Use of Agricultural Land Act). This provision has been the subject of an infringement procedure by the European Commission since March 2015.¹⁴

Pursuant to a Decision of the National Assembly of 19 September 2017 (SG, issue 77 of 2017), amended by a Decision of 12 October 2018 (SG, issue 85 of 2018) and a Decision of 27 February 2019 (SG, issue 19 of 2019), a draft Law on Agricultural Lands has been prepared. At the beginning of November 2019, the bill was published for public discussion on the website of the Ministry of Agriculture, Food and Forestry and on the Public Consultation Portal and was submitted for interdepartmental co-ordination. Given the need to comply with the legislative framework in the field of agriculture with the requirements of the new Common Agricultural Policy, with a Decision of the National Assembly of 18 December 2019, the deadline for drafting the bill has been extended.

Forestry

The Bulgarian state enjoys exclusive ownership rights over the vast majority of forests located in the country (Bulgarian Constitution, Article 18). Nonetheless, certain wooded areas are open to acquisition and exploitation by EU and EEA companies, as established in the Forestry Act.

Non-EU/EEA foreign legal persons may acquire wooded areas pursuant to the provisions of an international treaty in accordance with Article 22 of the Constitution, as well as by way of legal inheritance (Article 23.5 of the Forestry Act). To date there are no such international treaties concluded with third countries. In the absence of such treaty, foreigners that have acquired ownership right of wooded areas by way of legal inheritance must, within three years from discovery of such inheritance, transfer ownership thereof to Bulgarian or EU/EEA persons or companies entitled to acquire such properties (Article 24 of the

Forestry Act). Third-country foreigners may nevertheless bypass these restrictions by incorporating a company in Bulgaria, in which case the company will be treated as a Bulgarian national.

As for the activity of wood processing in Bulgaria, it is usually reserved to incumbent wood processors, since wood in State-owned forest areas (the vast majority of forests) can only be obtained through auctions. According to the Ordinance on the control and protection of forest areas (Number 1 of 30 January 2012, Article 13) only registered wood processors can participate in auctions for the purchase, processing and use of wood from state-owned forests. In order to determine if a company qualifies as a “wood processor”, it must submit a proof of the volume of processed wood during the previous calendar year, in a registered establishment inside Bulgaria. Although this requirement grants an advantage to locally established firms, foreign investors face no restrictions for the acquisition of a Bulgarian wood-processing firm.

Air transport

Bulgaria maintains restrictions for enterprises that are majority-owned by foreign investors, other than EU/EEA investors, to obtain an air transport license and to manage and operate civilian airports.

Restrictions to obtain an air transport license derive from EU Regulation 1008/2008, which states that airlines licensed to operate in an EU country must be majority owned and effectively controlled by EU Member States or nationals of an EU member country, unless otherwise provided for through an international agreement to which the EU is a signatory (Articles 3 and 4).

Bulgaria has transposed EU Regulation 1008/2008 into the Civil Aviation Act of 1972, under which licenses for the provision of air transport can only be granted to companies where at least half plus one of the shareholders are EU/EEA Member States or EU/EEA nationals (Article 64). In addition, air transport companies and companies dedicated to the management and operation of civilian airports in Bulgaria must be controlled, directly or indirectly by EU/EEA Member States or EU/EEA nationals (further detailed in the section on Corporate organisation and key personnel).

The air transport sector showed substantive growth after Bulgaria's accession to the EU, due to the development of business and tourism industries and targeted investment policy. Bulgaria's aircraft fleet was updated and the international airports in Sofia, Varna and Burgas underwent modernisation programs to improve their competitiveness through the EU funded 2014-20 Operational Programme on Transport (OPT).¹⁵

Maritime and inland waterways transport

There are two main international ports on the Bulgarian coast: the port of Varna and the port of Burgas. These ports and their adjacent terminals are open to international freight traffic, without any differentiation as to who owns the freight. As for internal water transport, the four major river ports on the Danube have open access for foreign vessels and foreign shipping companies, with restrictions for the provision of inland water services (cabotage). Since Bulgaria's accession to the EU, extensive investment has been dedicated to modernise logistic, navigational and information systems for the Black Sea and the Danube River, improving navigation conditions and reducing the risk of incidents.¹⁶

Transportation within the territory of Bulgaria (cabotage) can be provided only by vessels using the Bulgarian flag or that of an EU country (Shipping Merchant Code, Article 6). Third-countries may only provide these services by entering into an international treaty with Bulgaria or, in the absence of such treaty, via a decision of the Council of Ministers. At present Bulgaria is not a party to any international treaty permitting vessels from third countries to provide transportation within the territory of Bulgaria (cabotage). In addition, such a permission has not been granted by the Council of Ministers to any third country.

The Shipping Merchant Code provides that the Bulgarian flag is to be granted only to vessels that are: i) property of the Bulgarian State; ii) property of Bulgarian or EU natural or legal persons; iii) more than 50% owned by a Bulgarian natural or legal person (Article 27).

Third-country foreigners may own a vessel flying the Bulgarian flag by incorporating a company in Bulgaria, in which case the company will be treated as a Bulgarian national. This is also the case for enterprises providing maritime services, which must be incorporated in Bulgaria, however with no limitations for foreign investors to own or manage the enterprise established in Bulgaria.

Since the registration and incorporation requirements for non-EU investors are considered pre-establishment requirements, this is, they do not entail a differentiated treatment to foreigners once established in the country through a Bulgarian legal person, measures are covered in the OECD *FDI Regulatory Restrictiveness Index*.

Rail transport

Railway infrastructure in Bulgaria is managed by the National Railway Infrastructure Company, which is a state-owned enterprise. Foreign railway operators licensed and certified in an EU Member State have the right to carry out passenger and/or freight transportation by rail, and to access the relevant infrastructure of Bulgaria. Railway operators licensed by a third country railway administration may use the Bulgarian railway infrastructure to conduct its transportation services if so provided in an international agreement ratified by Bulgaria (Article 43, Paragraph 2 of Railway Transport Act). No such agreement has been concluded or ratified by Bulgaria, thus no non-EU/EEA railway operators is allowed to conduct railway transportation services in the country.

Although Bulgaria's railway density is relatively high – with 500 km of railway network per million inhabitants and 1 189 km² of lines per 10 000 km², above the EU average of 437 km per million inhabitants and over 500 km² of lines per 10 000 km² (Global Mass Transit, 2017),¹⁷ as noted in Chapter 3 of this *Review*, considerable parts of the railway lines have been constructed more than 60 years ago and are suitable for speeds of only up to 100 km/h. In recent years, financial assistance from the EU has helped improve the technical conditions of Bulgaria's railway infrastructure. In addition, network connections with neighbouring countries are being improved, as for example the creation of a railway link with the Republic of North Macedonia expected to be concluded before 2027. For the period 2015-19, the annual funding from the EU dedicated to railway infrastructure was estimated at approximately EUR 140 million according to the 2014-20 Operational Programme on Transport (OPT).¹⁸

Energy – electricity market

Since 1999, with the establishment of the State Energy and Water Regulatory Commission (SEWRC), Bulgaria has been engaged in energy sector reforms to improve its energy efficiency and related infrastructure. The state-owned national electricity company (NEK) was divided into six independent generators, a national transmission system operator and seven regional distribution system operators. Between 2002 and 2012, most of the government-owned electricity generation and distribution businesses were privatised (CMS Sofia, 2015).

In 2007, Bulgaria liberalised the access to its energy and electricity market for foreign investors, requiring only an operating licence by SWERC, in accordance with the Energy Act (Articles 39 and 40). Among the requirements for the license, companies must be registered or have an incorporated subsidiary either in Bulgaria or in another EU Member State. Incorporated foreign-controlled enterprises are treated equally with domestically owned firms in this matter. At the time of writing this *Review*, there were 239 licensed electricity companies incorporated in Bulgaria or other EU member countries, many of them fully controlled by third-country foreign interests. Since there is no restriction for foreign investors to incorporate a Bulgarian company, there is no exception to national treatment as reported in Annex A.

Mining

Bulgaria allows for foreign investment in mining, with certain restrictions. A permit or concession is necessary for the prospecting, exploration or extraction of natural resources, including thorium ores.

Companies registered in preferential tax treatment jurisdictions and those related, directly or indirectly, to such companies are not allowed to participate in open procedures for mining permits or concessions, and to operate an existing permit or concession. This restriction extends to the registration of geological or commercial discoveries of a deposit, as a result of exploration.¹⁹

Bulgaria forbids hydraulic fracturing technology or fracking for activities of prospecting, exploration or extraction of oil and gas, both for nationals and for foreigners (Decision of the National Assembly of the Republic of Bulgaria of 18 January 2012). Other mining-related activities not allowed in Bulgaria include the exploration and extraction of shale gas (ISIC Rev. 3.1 10, 3.1 11, 3.112, 3.1 13, 3.1 14) and the extraction and processing of uranium ores (Council of Ministers Decree 163 of 20 August 1992). Since these restrictions are non-discriminatory, they do not entail a departure from national treatment and therefore are not listed as exceptions to the National Treatment instrument in Annex A.

Professional services (legal services)

Investment in companies providing legal services is not authorised, neither to Bulgarians nor to foreigners.²⁰ This is a non-discriminatory restriction and as such, it does not entail an exception under the NTi. Enterprises providing legal consultancy services (law firms) and partnerships can only be created by groups of lawyers authorised to practice in Bulgaria, the EU/EEA or Switzerland. In addition, law firms must be locally incorporated and registered in the Bar Council (Bar Act, Articles 57 and 61).

Private security services

According to the Law on Private Security Activities, in order to provide such services, companies must be incorporated, headquartered and licensed in Bulgaria for such purposes (Article 2.2.1); companies incorporated, headquartered and licensed in another EU/EEA Member State or Switzerland may carry out private security activities after obtaining a certification by the competent Bulgarian authorities that they comply with the requirements of the Law (Article 2.2.2). The requirements for obtaining this certificate are similar to those for obtaining a licence (Section III of the Ordinance 81213-610 of 11 June 2018) and must include an address in Bulgaria. (Article 2.2.2). Third-country foreigners may establish a company in Bulgaria, which, when incorporated and headquartered in Bulgaria, is considered a domestic legal entity, with all the rights and obligations that are applied to domestic investors. This company can apply to obtain a license as per Article 2.2.1 of the Law.

Financial services (banking, insurance, private pension and other financial services)

Financial services in Bulgaria are generally open to foreign investment. Restrictions refer to conditions on the establishment of non-EU/EEA foreign investors in Bulgaria. While not covered by the NTi, they constitute statutory barriers to entry and are covered in the OECD *FDI Regulatory Restrictiveness Index*.

For banking, the Law on Credit Institutions governs the terms and procedures for granting licenses, conducting activities and supervising the compliance with the prudential requirements and termination of credit institutions (banks).²¹ Foreign legal persons are allowed to acquire or incorporate a credit institution in Bulgaria without any market entry restriction, as well as to establish branches subject to authorisation by the Bulgarian National Bank (BNB), after meeting the corresponding prudential and financial requirements. EU/EEA credit institutions are not subject to authorisation by the BNB, in line with the single passport rules.

Before the transition to a market economy, the BNB performed almost all of the functions in the banking market, acting as a commercial bank and a central bank simultaneously. In the 1990s, a number of commercial banks were created, albeit all state-owned. It was only until 2003 that Bulgaria privatised the banking sector, attracting a large number of foreign investors and large international banks. According to BNB official data, by December 2020, there were 25 banks operating in Bulgaria, seven of them foreign bank branches. The market share of domestic banks was 22.4% by December 2020 while the share of EU subsidiaries was of 74.5% (BNB, 2020).

For insurance, according to the Insurance Code, foreign legal persons are allowed to register a branch or to acquire or incorporate an insurance company in Bulgaria through a joint stock company registered under the Law on Commerce, a co-operative registered under the Law on Co-operatives or an EU/EEA insurer under the terms and conditions of the freedom of establishment or freedom of services. Insurance companies established in another EU/EEA country benefit from the single passport system and do not need to apply for an additional authorisation to offer their services in Bulgaria. As of the date of the *Review*, there are no branches of non-EU/EEA insurance undertakings in Bulgaria.

Non EU-EEA insurance undertakings require a license by the Financial Supervision Commission (FSC) under the terms and conditions of the Insurance Code (Article 12). The FSC may refuse the authorisation based on reciprocity, if the competent authority in the country where the headquarters of the insurer is based does not give access to Bulgarian insurers to the respective foreign insurance market (Article 58). This reciprocity requirement is not binding and has never been applied in practice. More importantly, the requirement is inoperable, as it is not compatible with Bulgaria's MFN obligations under the GATS, which take precedence over Bulgarian law under the Constitution as well as under the Insurance Code itself (Article 9 of the Insurance Code) (OECD, 2020c).

For private pensions, the provision of services is limited to companies established in Bulgaria, the EU and EEA, and with previous authorisation by the FSC (Art. 121 of the Social Insurance Code). Legal entities registered in a country outside the EU/EEA may incorporate a subsidiary in Bulgaria if: a) they are established as a joint stock company with a minimum capital of BGN 7.5 million, fully paid-up (Article 121, Article 121c (2) and (3)); b) its shareholders are Bulgarian or EU/EEA natural persons and legal entities, or third-country legal entities registered in their country of origin as a social insurance, insurance or other financial institution, subject to specialised financial supervision (Art. 121b). Branching is not allowed.

For other financial services, foreign investment is authorised, provided they obtain the relevant licence by the FSC. Cross-border services are not allowed by companies established outside the EU/EEA. Restrictions exist for foreign-owned companies providing financial services as a management company²² or as an investment firm,²³ which must be registered as branches, and for depositories of undertakings for collective investment in transferable securities (UCITS) which must be incorporated in Bulgaria or another EU/EEA country, as required by EU law.²⁴

Other policies affecting foreign-established companies that may have an impact on the investment climate

Other policies applied by Bulgaria, while not discriminating between foreign-controlled enterprises and domestic enterprises, may have an impact on the investment climate by potentially imposing a greater burden on established foreign controlled-enterprises. Policies on corporate organisation and key personnel may be more burdensome to comply for foreign-owned companies, which count with fewer local contacts. Likewise, policies based on public order and essential security considerations or the existence of public, private, or mixed monopolies may restrain access to certain sectors of national interest. As such, they are important determinants in the context of national treatment. Such measures are notified for transparency purposes by a country adhering to the OECD Declaration.

Bulgaria has reported only a few measures for transparency purposes under the NTi (see Annex B). These are related to conditions imposed for the safekeeping of essential security concerns; restrictions on the management and organisation of companies dedicated to air transport and civil airports, maritime and inland waterways transport, private security services, banking and private pensions; as well as a few sectors which are kept under public monopoly. These measures are further detailed below.

Essential security concerns

International instruments such as the OECD *Declaration* and the OECD *Guidelines for Recipient Country Investment Policies relating to National Security* recognise countries' rights to regulate and manage potential risks for the host country's national security or public order.

Although Bulgaria does not have a horizontal national security review mechanism, the existing legal framework provides for monitoring investment in critical infrastructure, which might pose a threat to its national security. Following the enactment of EU Regulation 2019/452, which establishes a framework for the screening of FDI into the EU, Bulgaria made a review of existing legislation and control mechanisms in force, which secure the protection of national interests of Bulgaria. After consultations with the relevant ministries and agencies, Bulgaria confirmed in June 2020 that the existing legal framework provides enough opportunities for monitoring of the investment in critical infrastructure, in accordance to Article 4 of Regulation 2019/452. No further changes to Bulgaria's legislation are envisaged to occur in the near future.

Bulgarian national security interests and priorities are detailed in the Updated National Security Strategy of the Republic of Bulgaria, adopted by the National Assembly in March 2018. For reasons of public order, safety and essential security, Bulgaria maintains a number of authorisation requirements to conduct the following activities, which can be performed exclusively by Bulgarians and traders incorporated in the EU/EEA and Switzerland:

- Fire safety of facilities and/or maintenance and servicing of devices, systems and installations related to fire safety, such as firefighting, firefighting maintenance²⁵ (Article 129 of the Ministry of Interior Act).
- Activities covered under the Weapons, Ammunition, Explosives and Pyrotechnical Products Act. This Act provides for authorisation regimes in connection with the manufacturing, trading, acquisition, safekeeping, carrying and use, transportation, import, export and transit, repair, discarding, destruction and utilisation of explosives, weapons, ammunition and pyrotechnical products.
- Activities covered under the Defence-Related Products and Dual – Use Items and Technologies Export Control Act of 2011. This act regulates the terms and procedures for export, import, transfer, transport, passage, carriage and transit of defence-related products and dual-use items import, brokering services with defence-related products and dual-use items and the control over such activities.
- Private security activities in accordance with the Law on Private Security Activities.

Corporate organisation and key personnel

Bulgaria imposes conditions on the corporate organisation and key personnel of companies operating in air transport, management and operation of civil airports, maritime and inland waterways transport, as well as private security services.

For air transport, companies must be effectively controlled, directly or indirectly by EU/EEA Member States or EU/EEA nationals; this is, they must exercise a decisive influence on the process of making decisions relevant to the operation and business of the company. These measures are also applicable to the management and operation of civilian airports in Bulgaria (Article 48c of the Civil Aviation Act).

Maritime and inland waterways transport companies must employ ship crew consisting of qualified seafarers, of which Bulgarian citizens must account for minimum 25% of the management and operational functions and 25% of the support level functions. In addition, the master and the chief engineer of a vessel must be Bulgarian citizens or citizens of the EU/EEA or Switzerland (Bulgarian Merchant Shipping Code, Article 88).

As for private security services, persons working as security guards or security guard manager must be citizens of Bulgaria, EU/EEA or Switzerland (Article 50 of the Law on Private Security Activities).

In addition, in the area of financial services, although Bulgaria does not impose any restrictions in terms of employment of key foreign personnel, at least one of the two required managers of a bank providing services in Bulgaria must be fluent in Bulgarian language (Article 10(1) of the Law on Credit Institutions). This same requirement applies for private pensions companies (Article 121f. of the SIC). This is considered a prudential requirement imposed on both foreign-owned and Bulgarian-owned companies.

Activities covered by public, private, mixed monopolies or concessions

Public monopolies

A number of activities are reserved to the Republic of Bulgaria as reported by the Bulgarian authorities in the framework of this *Review* (Table 4.1):

Table 4.1. List of public monopolies (2020)

Bulgargaz EAD*
Bulgartransgaz EAD**
Electricity System Operator EAD
National Railway Infrastructure Company (NRIC)
Independent Bulgarian Energy Exchange EAD
National Electricity Company EAD
State Enterprise radioactive waste (SERAW)
National Health Insurance Fund

Notes: *Bulgargaz EAD is the biggest natural gas wholesale company in Bulgaria.

**Natural gas transmission and storage operator and a subsidiary of Bulgarian Energy Holding EAD.

Source: OECD Secretariat, (2020) based on Bulgaria's replies to the adherence review questionnaires.

In addition, Bulgaria maintains ownership in several companies in areas related to infrastructure and distribution in electricity and gas markets as well as in railways and postal services.²⁶ These companies are detailed in Annex 1 to the Privatization and Post-privatisation Control Act (adopted on 19 March 2002 and as amended on 18 February 2020), which includes 179 SOEs and nine facilities in which the Bulgarian State holds more than a 50% interest. The protection of strategic companies owned by the Bulgarian state is ensured through their inclusion in the list, approved by the National Assembly, of companies not subject to privatisation. This list includes key companies from different economic sectors, including the national defence, technological and industrial. The Privatisation and Post-privatisation Control Law contains a restricting list of state companies not subject to privatisation.

Monopoly positions in Bulgaria may be granted only by law in the sectors listed in the Constitution, any other kind of granting of monopoly position is null and void (Art.19 (2) and (3) of the Law on Protection of Competition).

Concessions

Concessions play a central role in the provision of public services in Bulgaria. Concessions are time-bound and regulated through the 2018 Concession Act, which transposed Directive 2014/23/EU on the award of concession contracts. There are no restrictions to foreign-owned companies to participate in a concession process and be awarded a concession.

The Concession Act provides for non-discriminatory regulations for the participation in tender procedures and awarding of contracts. Currently, most concessions have been granted in the area of infrastructure and services in the field of transport and mineral water extraction. Public information is available directly at the National Concessions Register²⁷ of the Ministry of Transport and the Council of Ministers²⁸ (OECD, 2020c).

At the time of writing this *Review*, Bulgaria had awarded concessions to established foreign-owned companies for projects in the protected area of the Pirin National Park, which is subject to exclusive state property, as well as for the administration of Rosenets Port Terminal (part of the Burgas public transport port of national importance), and the Burgas and Varna civil airports. There were also concession contracts with foreign investors' participation in the field of extraction of mineral resources.

Procurement process below the EU thresholds are regulated by the Public Procurement Act (PPA) of 2016. Public contracts are awarded in accordance with the principles of the Treaty on the Functioning of the European Union (TFEU), more precisely with those regarding the free movement of goods, the freedom of establishment, the freedom to provide services, mutual recognition, as well as the principles deriving therefrom, such as equal treatment and non-discrimination, free competition, proportionality, publicity and transparency (Article 2, para. 1 of the PPA). Public procurement rules cover the acquisition of works, supplies or services by means of a public contract (whether they are implemented through purchase, leasing or other contractual forms).

According to Article 10 of the PPA, tenderers and candidates in procurement procedures may be Bulgarian and foreign natural and legal persons, groups (including temporary associations) of such persons, as well as other entities that have the right to supply goods, services and works under the legislation of the state where they are established. Branches of foreign companies may also be independent candidates or tenderers in a procurement procedure, provided that they are authorised to submit requests for participation or tenders and to sign contracts under the legislation of the state where they are established (Article 36, para 1 of the Rules for Implementation of the Public Procurement Act).

Starting and operating a company nevertheless remain cumbersome according to business surveys

While an open environment for foreign investment is important, this is not the only incentive to which investors respond to. Foreign investors are equally affected by deficiencies in the overall business environment impinging on domestic investors as well. Although Bulgaria has a fairly open regime for international investment according to the OECD *FDI Regulatory Restrictiveness Index*, and exceptions under the OECD NTI are limited, Bulgaria suffers from onerous business regulations that create regulatory barriers to firm entry and competition higher than most OECD countries based on the product market regulation (PMR) indicators (OECD, 2020b).²⁹

This is in line with the findings of similar exercises, such as the World Bank's *Doing Business* indicators, where Bulgaria ranked 61st out of 190 countries in the 2020 edition, dropping two places from the previous report and being among the lower third in comparison with other EU countries, only above Greece, Luxembourg and Malta. When compared with non-OECD countries that are Adherents to the OECD *Declaration*, Bulgaria was in 2020 behind countries such as Croatia at 51, Morocco at 53 and Romania at

55, while being above Brazil at 124, Egypt at 114, Peru at 76, and Ukraine at 64. Bulgaria performs particularly poorly in the areas of starting a business and getting electricity, where it ranks, respectively, 113 and 151 out of 190 economies.³⁰ In some other areas, Bulgaria has achieved moderate improvements, but these have not been sufficient to improve its ranking as other countries have also progressed.

While *Doing Business* – which addresses ten business regulatory areas such as starting a business, dealing with construction permits and enforcing contracts – should not be construed as an overall measure of the investment climate, Bulgaria’s relative poor performance, in particular in comparison with other EU countries, suggests that, despite reforms and on-going improvements, there is room for rendering administrative procedures speedier, more transparent and effective, and for improving the overall quality and transparency of public governance. This is attested by interviews with foreign and domestic investors conducted by the OECD as part of this *Review* where concerns were raised about administrative burdens in terms of time and costs and state-intervention in the economy. Businesses have been especially critical concerning the time spent on informing different parts of the government administration on various commercial operations and exiting a business, which they have seen as making day-to-day business activities cumbersome.

Table 4.2. Bulgaria in current international rankings (2019-20)

Indicator	Rank	Past Ranking
OECD Product market regulation (PMR) Index	1.93 (index scale 0 to 6)	1.57 in 2013
Doing Business 2020 edition (World Bank)	61/190	59/190 in 2019
Starting a business	113	99
Dealing with construction permits	43	37
Getting electricity	151	147
Registering property	66	67
Getting credit	67	60
Protecting minority investors	25	33
Paying taxes	97	92
Trading across borders	21	21
Enforcing contracts	42	42
Resolving insolvency	61	56
Global Competitiveness Index Report 2019 (WEF)	49/141	51/140 in 2018
First pillar: institutions	57	70
Second pillar: infrastructure	56	58
Third pillar: ICT adoption	30	30
Fourth pillar: macroeconomic stability	43	52
2021 Corruption Perceptions Index (Transparency International)	78/180 in 2021	76/180 in 2020

Note: The OECD Product Market Regulation Index is updated every five years. OECD average for the year 2019 is of 1.38 (with the five most competition-friendly countries scoring 1.00 and the five least competition-friendly countries 1.82).

Source: Compiled by OECD Secretariat (2021-2022).

Bulgaria also suffers from relatively high levels of corruption, particularly with respect to concession and public procurement processes. While important steps have been taken to fight corruption in Bulgaria as further discussed in Chapter 7 of this *Review*, perceived corruption remains relatively high: According to one of the latest EBRD/World Bank Business Environment and Enterprise Performance (BEEPS) surveys, corruption was identified by Bulgarian firms as one of the top five business environment obstacles. In the latest (December 2021) Transparency International’s Corruption Perception Index, Bulgaria was ranked 78th among 180 countries. For sure, when compared with other non-OECD countries that are Adherents to the *Declaration on International Investment*, Bulgaria is above countries such as Egypt (116th),

Kazakhstan (102nd) and Ukraine (122nd). It is nevertheless below other Adherents to the *Declaration* such as Argentina (96th), Croatia (63rd), and Romania (66th). As further discussed in Chapters 7 and 8 of this *Review*, continued progress in the fight against corruption remains essential for Bulgaria's citizens and businesses.

Outlook and policy recommendations

Bulgaria has an open regime for international investment according to the *OECD FDI Regulatory Restrictiveness Index*, both in comparison to the OECD average and the average of non-OECD economies that have adhered to the *Declaration*. On a sectoral basis, Bulgaria compares generally well against the OECD average, except in agriculture and legal services where foreign ownership restrictions apply, and horizontal restrictions are limited to the acquisition of land by foreign investors. In addition, Bulgaria's exceptions under the *OECD National Treatment instrument* are limited to restrictions in a few activities, mostly for non-EU/EEA investors (e.g. acquisition of commercial, real estate and agricultural land, forestry air transport, maritime and inland waterway transport, rail transport, mining, legal services). Likewise, regulatory barriers to entry are confined to a few sectors, and notably restricted to non-EU/EEA investors.

While an open and transparent environment for foreign investment is important since it expands market opportunities and enhances predictability for investors, this is not the only incentive to which FDI responds to. Foreign investors are equally affected by deficiencies in the overall business environment impinging on domestic investors too. Behind-the-borders regulatory challenges and perceived corruption and favouritism, which affect foreign and domestic investments altogether, should be seen in complement to market access and treatment of foreign investors. These other policies affecting the overall business environment are addressed in the next chapters.

Policy recommendations

- *Continue the reforms and on-going improvements to tackle current difficulties to start and operating a company.* Any particular difficulty in attracting FDI into Bulgaria is unlikely related to the regulatory environment for foreign investors and could point to difficulties in creating and operating a Bulgarian company, which still remain cumbersome according to business surveys, in particular since third-country investors need to incorporate a company in Bulgaria to conduct most business.
- *Evaluate the costs and benefits of continuing to open up the economy to international investment by further reducing the exceptions to the OECD National Treatment instrument.* Discriminatory measures only serve the broader public interest to the extent that their potential costs in terms of forgone investment and efficiency gains are compensated by broader social and economic benefits. For this reason, they need to be constantly re-evaluated to determine whether such restrictions still fulfil their original roles in an efficient manner and no other non-discriminatory alternative measure is available for such purposes. This should include an assessment of the proportionality of the measure to ensure they are not greater than needed to address specific concerns and objectives.

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Notes

¹ The Codes of Liberalisation are legally binding instruments regulating inward and outward cross-border capital flows (including investment), as well as the cross-border provision and establishment of financial services. As of November 2021, all 38 OECD members were Adherents to the Codes. Since 2011, non-OECD economies may apply for adherence. As of June 2021, six non-OECD countries were undergoing the process of adherence to the Codes (Argentina, Brazil, Bulgaria, Peru, Romania and South Africa).

² English version available at: www.minfin.bg/en/1394.

³ Article 26, paragraph 2, of the Constitution of Republic of Bulgaria, according to which: “(2) Foreigners residing in the Republic of Bulgaria shall have all the rights and obligations provided for in this Constitution, with the exception of those rights and obligations for which the Constitution and laws require Bulgarian citizenship”.

⁴ Art.17, para.5 of the Constitution regulates the right of property, with the possibility of lawful expropriation for public purposes, after preliminary and equivalent compensation.

⁵ Ministry of Economy of Bulgaria, *Application of the Investment Promotion Act* (more information at: <https://mi.government.bg/en/themes/application-of-the-investment-promotion-act-95-284.html>).

⁶ The investor can receive a certificate for class of investment (“Class A” or “Class B”) or a certificate for Priority Project based on the size of the investment, the economic sector and the region in which the investment is implemented.

⁷ See the full list of Certified Investment Projects in Bulgaria from 2014-20: www.investbg.government.bg/en/pages/certified-investment-projects-in-bulgaria-217.html.

⁸ Through the Bulgarian Portal for Public Consultation (<http://strategy.bg/>).

⁹ Portal for Public Consultations under the CoM (www.strategy.bg/).

¹⁰ InvestBulgaria Agency, www.investbg.government.bg/en.

¹¹ Regulation (EU) No 651/2014 Article 5; Regulation for the application of the IPA, section V Transparency and observation.

¹² Via Decree 114, adopted by the XLII National Assembly on 4 April 2014, and re-adopted on 29 April 2014. Released in Sofia on 30 April 2014.

¹³ The Bulgarian authorities have confirmed that to date there are no such international treaties concluded with third countries.

¹⁴ Due to a potential violation of Articles 49 (freedom of residence) and 63 (movement of capital) of the Treaty on the Functioning of the European Union (TFEU).

¹⁵ EU Commission Implementing Decision C(2014) 10232. Operational programme under the ‘Investment for growth and jobs’ goal, Transport and Transport Infrastructure, CCI 2014BG16M1OP001.

¹⁶ Op.cit.

¹⁷ Global Mass Transit (2017), “Europe: Rail network density and utilisation rates”, <http://www.globalmasstransit.net/archive.php?id=24558>

¹⁸ EU Commission Implementing Decision C(2014) 10232. Operational programme under the ‘Investment for growth and jobs’ goal, Transport and Transport Infrastructure, CCI 2014BG16M1OP001 in relation to the 5-year Programme for development and operation of the railway infrastructure.

¹⁹ According to Art. 3, point 7 from the Law on the Economic and Financial Relations with Companies Registered in Preferential Tax Treatment Jurisdictions, with the Persons Controlled by Them and with Their Beneficial Owners, companies registered in preferential tax treatment jurisdictions and persons controlled by them shall not, directly or indirectly, participate in procedures for granting a concession, as well for granting a subsurface resources extraction concession or a permit for prospecting and exploration or for exploration of subsurface resources under the Subsurface Resources Act.

²⁰ The practice of regulated professions is conditioned on obtaining a license. Measures that discriminate on grounds of nationality the granting of such licenses to foreign natural persons are not taken into account here, unless they also prevent foreign persons from taking a direct investment in the related business. For instance, this may occur when citizenship is required for membership in a professional association with regulatory powers, and such membership is required for practicing such profession and establishing a business for such purposes.

²¹ Regulations of the typical banking transactions in Bulgaria are to be found mainly in the Bulgarian Commercial Act, while additional rules concerning credits, financial aids and loan securities are stipulated in the Bulgarian Obligations and Contracts Act.

²² Article 88 of the Bulgarian Collective Investment Schemes and Other Undertakings for Collective Investments Act.

²³ Article 49, paragraph 1 of the Markets in Financial Instruments Act (MFIA)

²⁴ EU Directive 65/2009/EEC.

²⁵ As well as anti-fire securing and conducting preventive and organisational events for provision of fire safety in sites; fire-extinguishing activities; rescuing activity; servicing of anti-fire equipment; maintenance and servicing anti-fire systems and facilities.

²⁶ A list of entities over which Bulgaria exerts control is available from the website of the Bulgarian Ministry of Finance, www.minfin.bg/upload/39707/Juridicheski%20lica%20sektor%20DU.pdf

²⁷ National Concessions Register

²⁸ Council of Ministers official webpage:
<http://nkrold.government.bg/app?service=external/Browse&sp=206&sp=2832>

²⁹ OECD's PMR Indicators assess the alignment of a country's regulatory framework with internationally accepted best practices. The Economy-wide Indicator measures the distortions to competition that can be induced through the involvement of the State in the economy, as well as the barriers to entry and expansion faced by domestic and foreign firms in different sectors of the economy.

³⁰ There have been some recent improvements, however, to the process of starting a business. According to the authorities, since 2019 it has been possible for a company to submit electronically a request for VAT registration at the National Revenue Agency together with its application for registration with the Commercial Register. The request is made by simply checking the related field in the application form for registration with the Commercial Register. The Registry Agency transfers the request to the National Revenue Agency automatically, by electronic way, at the moment the company is registered with the Commercial Register. Further improvements are, however, still much needed for streamlining the process of 'starting a business' according to the World Bank's Doing Business 2020 indicator.



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