

Bulgarian Reforms Foster Growth, Foreign Investment



Assia Vassileva works for a Belgian call center based in Sofia.

SOFIA, Bulgaria - Roughly 25 times per hour, Assia Vassileva dials a Belgian telephone number, says "Bonjour" and tries to sell services ranging from cheap chimney sweeping to competitive cell-phone deals. She is a soft-spoken 32-year old Bulgarian but the French she learned at Sofia University is good enough for the Belgian customers at the other end of the line. "At most, they ask if I'm Flemish," says Vassileva.

Vassileva is one of 300 multilingual Bulgarian tele-marketers employed by IMRO, a Belgian call center that opened for business in April 2003 in the outskirts of Sofia and is planning a major expansion this fall. Her job reflects Bulgaria's growing appeal to foreign investors as the country sheds its communist past and transforms into a competitive market economy.

Foreign companies invested a record \$ 2.5 billion in Bulgaria in 2004, amounting to 10.1% of the country's GDP. In the past few years the Bulgarian private sector has also grown dramatically and unemployment has plunged from 19% in 2001 to 12.7% in March 2005.

Structural reforms have helped Bulgaria's EU candidacy

Many people deserve credit for this high performance, chief among them risk-taking entrepreneurs. Backstage, the World Bank has worked with the Bulgarian government to promote many of the key reforms that have improved the country's business climate. The Bank's three programmatic adjustment loans, for a total of \$425 million, have helped push through an ambitious reform agenda and place Bulgaria at the threshold of membership in the European Union. This spring, the country was invited to join the EU in 2007 along with Romania.

The structural reforms advocated by the World Bank have included privatization, financial sector

reform, public sector governance, and improving access to education and healthcare. For businesses, the World Bank's role in the reform process boils down to a question of confidence, says Reema Nayar, the Bank's team leader for the third programmatic adjustment loan known as PAL-3. "It's a guarantee that reforms are going well and that Bulgaria is a stable, less risky place to invest," she says.

An attractive country for foreign investors

Foreign and domestic investors are hoping that continued World Bank pressure will promote judicial reform, reduce corruption and introduce more flexibility in the labor market. At IMRO for example, tele-marketers earn 1.5 euros per hour, about four times the Bulgarian minimum wage - but a bargain by Western European standards. However the company still finds certain aspects of Bulgarian labor law restrictive, especially when it comes to offering flexible working hours which are so helpful to students and young mothers like Vassileva. "By law, part-time means working 20 hours a week. That's too much for students," says Kossara Ivanova, Human Resources Assistant. "We have to jump through many hoops to ignore that." But skilled linguists, cheap labor and affordable rents still make Bulgaria an ideal outpost for IMRO.



Bulgaria's private sector is growing, helping create thousands of jobs



There is a waiting list for office space at Business Park Sofia.

IMRO is in good company. Business is booming at Business Park Sofia where office buildings' gleaming facades and bold colors stand in contrast with their gray surroundings, drab communist-era apartment blocks. The German-owned business park has gone from managing one office building in 2001 to 25 buildings today that house 51 big-name multinationals and 102 Bulgarian companies. There is a waiting list for office space and predictions that 9,000 people could work there by 2008.

"The turning point came in 2004 when Bulgaria became a NATO member," says Rosen Pevneliev, the park's general manager. "It signaled that Bulgaria had European perspectives. Airplanes to Sofia were full of investors after that." Macroeconomic stability and the change in the government's attitude towards business also helped, he says. "Investors don't feel political risk anymore. The only question is how fast our market will develop."

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This progress was made possible thanks to the World Bank's **Programmatic Adjustment Loans**. To read more about the most recent loan (PAL-3), click [here](#).