

**PROBLEMS IN THE DEVELOPMENT OF THE BASIS
CONDITIONS FOR THE ATTRACTION OF INVESTMENTS
IN BULGARIA**

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ANNOTATION

In this research the attention is paid to the issues of preparation and supporting of the basis conditions for the attraction of investments in Bulgaria. The attraction of the necessary volume and quality of investments will bring to the fulfillment of technological changes by the active assimilation of the modern industrial, transport and communication technologies. The aim is to be studied the problems in the development of the most important resources for the investors' needs – transport infrastructure and human capital.

Key words: investments, transport infrastructure, human capital, geostrategic position

I. INTRODUCTION

The development of the contemporary processes – globalization, a transition from an industrial to an informational society, an accelerated technological change, put new requirements to the competitiveness, the geographical location of the outputs, the qualification of the personnel, the organization of the activities etc. In the context of these considerable challenges, Bulgaria as a member of the EU searches still its place among the world and European markets and builds relationships of confidence as to an equal and competitive partner.

The actuality of the research is related to the issues of the preparation and supporting of the basis conditions for the attraction of investments in Bulgaria. The Bulgarian state is facing with the challenges connected with the realization of an adequate policy which has to provide the attraction of the necessary volume and quality of investments. This will bring to the fulfillment of technological changes by the active assimilation of the modern industrial, transport and communication technologies.

The accent in this research is put on the necessity for studying the problems in the development of the conditions for forming of favorable investment environment. This is the most important circumstance for including Bulgaria in the global investment flows, realized

in the both directions – attracting bigger volume of direct foreign investments, and stimulating the investments abroad as well.

The concrete *research tasks* can be defined in this way:

- To be studied the development of the transport infrastructure as a condition for the successful assimilation of the favorable geostrategic position;
- To be analyzed the development of the human capital as a basis circumstances for the attraction of investments in the sense that this is a specific recourse for the investors' needs.

II. ANALYSIS OF THE TRANSPORT INFRASTRUCTURE IN BULGARIA

An advantage of Bulgaria is the favorable geostrategic position – it is a bridge between Europe and Asia, Europe and the Black sea region and Russia. It provides great possibilities of the potential investors to step on beneficial markets, as well as to be increased the transit transport flow through the country. Deriving benefit from this competitive advantage can be expected only after the development of modern and fully integrated with European transport system. The high degree of correspondence of Bulgarian transport legislature with this one of the EU is necessary, but not sufficient condition for expanding the international trade relations with the European markets. The bad technical state of the transport infrastructure is a serious restriction for an effective participation in the Common European Market for transport services. A supplementary obstacle is also comparatively closed transport system of Bulgaria with insufficient transport links with the neighbor countries – only 7 of the border control checkpoints are situated on first-rate roads¹ and hardly 6 on railway lines. The state and the public sector must guarantee the realizing investments in the basic infrastructure, which leads to generating possibilities for accelerating the growth, increasing the vitality of the economy and achieving balancing in the development of the territory. The efforts must be focused on the following levels: external, national and regional.

In an above national plan Bulgarian transport and correspondingly investment policies are committed to Resolution 884/2004 of the European Commission, where it is pointed that fundamental European priorities for the development of the Trans-European transport network are activities in modernising the Trans-European transport corridors, crossing Bulgaria.

¹ National Strategic Referent Frame 2007-2013.2006 www.eufunds.bg (accessed February 1 2007). p.16

The fulfillment of investment projects and the improving of the infrastructure and the services in the main directions of the Trans-European transport system, combined with the crossing position of Bulgaria, will lead to intensifying the traffic of passengers and cargos. At the same time unfulfillment or considerable delaying similar projects carries risks of national losses and diverting the traffic to neighbour countries.

In a national plan a lot of problems exist in the condition and the functioning of the land, water-borne and air transport. According to a research of the World Bank² the road network in Bulgaria is not able to accept extended international traffic, because it is in a bad condition. It is composed preferably from roads of low-rate, and the highways are not sufficient. The total number of roads in Bulgaria is 37, 300 km, from these 383, 2 km are highways, from which 17% are under repairs, and hardly 2, 969 km are first-rate roads, from which 47% are for reconstruction and building out. Also over 60% of the second-rate roads and 72% of third-rate ones demand serious investments for their setting to the ratified standards, allowing effective functioning of Bulgarian transport system.

In a regional plan the development of the transport network is an essential condition for reducing the differences between the regions. Small settlements with potential for growth, in which lives a great part of the population, remain poorly developed and with low accessibility to business, social and administrative services, which are highly dependent on the transport.

In relation to the railway transport infrastructure also are observed a lot of problems, which trouble and cannot be effectively used this type of ecological transport. The capacity of the railway network is limited, because of the bad technical condition of the infrastructure and the insufficient level of financing the reconstruction and repair works. In a result of these difficulties railway lines in Bulgaria are suited for speeding of maximum 100 km/h, which is considerably below the average European speed- 160 km/h.

Bulgarian sea transport is estimated as comparatively well developed, with serious potential possibilities for high-quality, cheap and ecological transport services. The investments are sooner direct to modernising of the transport infrastructure, which connects it with the land and railway networks. The main river road of Bulgaria, however - the Danube River, does not suit the international requirements, the freight and discharge installations of the biggest river port in town of Russe are estimated as outdated as well. The ineffective management and the using these resources would be prevented with the realizing investment

² The way to successful integration in EU- the political agenda. 2005. World bank.
<http://siteresources.worldbank.org/BULGARIAINBULGARIANEXTN/Resources/> (accessed March 21 2008). p. 15

projects for modernising and building out the required river infrastructure, and the generating losses on a national scale as well.

The infrastructure is not well developed, providing the functioning of the airports in Bulgaria. The state of the passenger and cargo terminals is not corresponding to the European requirements, except the airport “Sofia”, where considerable investments are made for building the second modern terminal with finances from ISPA program.

As a whole, the condition of the transport infrastructure in Bulgaria is unsatisfactory. Achieving an entire correspondence to the EU standards presupposes considerable investments for building out, modernising and improving the available infrastructure of all types of transport, that also means increasing the security and the effectiveness in its exploitation.

III. DEVELOPMENT OF THE HUMAN CAPITAL IN BULGARIA

The development of the human capital plays a key role for building an economy, based on the knowledge (according to the taken views of the Lisbon strategy). The attracting high-quality investments in the field of the high technologies and modern industrial branches requires certain quality of the human potential in Bulgaria. A function of the state and the public sector is to investigate the factors, influencing on the state and the dynamics of this specific resource, to define the problem areas and the potentials in its development, and to realize policy with strategical character, as well. Determinants for the quality of the human capital have the demographic tendencies, the labour market, and the educational status of the population, as well.

The general problems in the demographic development of Bulgaria consist of the depopulation, the ageing and the worsening the age-structure. These problems are generated from the long influence of negative processes, part of which are connected with the passing common European tendencies, while the other are due to the specific features and inherited problems in the historical, economic and cultural development of the country. The reasons for the stopping the increasing the population and its reducing in the years after 1990 are connected mostly with the long and exhausted economic crisis. The tendency of “a demographic collapse” in Bulgaria, which will be stable in the following years according to the predictions of the experts, is due to the combination of the reducing the birth-rate and increasing the death-rate, as well as the balance between the settlements and emigrations from

the country³. The tendency for the reducing the birth-rate is connected, on one hand, with reducing the number of women in fertile age (15-49 years) with about 196, 000 for the period 1990-2009 (according to the data from the National Social Security Institute), on the other hand, with the falling down the total fertility coefficient (average number of children, who a woman bears throughout her generative period), which varies between 1.12 in 1997 and 1.57 in 2009⁴. Among the most alarming demographic problems is the high level of death-rate – common, untimely and infantile. The coefficient of death-rate per 1000 people reaches 14,6 in recent years, which is due to the demographic ageing the population – reducing the comparative share of the young generations and at the same time increasing the elderly population. Because of the objective processes of ageing the tendency for high common mortality will be kept by 2020. The earlier mortality among the men is embarrassing, especially in the interval 40-59 years, connected with the cataclysms in the social and economic development of Bulgaria and the risky ways of life. The coefficient of the infant mortality continues to be on levels twice/triple higher than these ones in EU. All together, combined with the high percentage of the emigrated from Bulgaria in the last 15 years – over 1,2 m people, predominantly young and high-educated specialists, pose serious threats for the future development.

The liberalization of the labour market and the long-term exceeding the supply over the demand of manpower is resultated in the maintaining two-cipher levels of unemployment until 2005. Although, since 2006 the official statistics reports on 9% average level of unemployment, the negative consequences of its action will be felt in the following years. The high long-term unemployment (over a year) is the reason for the dequalification of the considerable part of the manpower, as well as for the appearance of the so-called “discouraged workers” - persons out of the manpower, who do wish to work, but they do not search a job actively, because they do not believe in getting a job⁵. It is continued high unemployment among the young people between 15-24 years (15.1% for 2009). The embarrassed access of the young people to the labour market put obstacles in their professional way to acquire needed experience and to receive appropriate professional realization, which would be easy pushed them to the group of the “discouraged workers”.

³ National Strategy for Demographic Development of Bulgaria 2006-2020. 2005. www.mlsp.government.bg (accessed March 15 2007). p. 7

⁴ The theoretic defined minimum for providing the simple reproduction of the population is 2.1 born alive children.

⁵ Methodological notes of the National Social Security Institute for observing the manpower. www.nsi.bg (accessed March 17 2009)

A main index for the quality of the human resources is the education level of the population - 72% of the population in the most active age for employment with a secondary or higher education⁶, which as a whole is a bit above the average level for the EU. The fact is troublesome, that about 21.4 % of the populations between 18-24 years are with low educational degree, which have no intention of continuing the training and acquiring new qualifications. The specific features of the social development since 1990 predetermine the worrying tendencies for the children's dropping out from the system of the primary education (about 2.5% of them do not finish) and from the system of the secondary education (2%), as well as the appearance of illiterate people. The reasons are different - economic (low incomes, commercialization of the education), social (lack of control, lack of motivation), culturological (change in the value orientation, the morality) etc.

The presented data outline the perimeter of the part of the problems and determine the priority trends for work of the state and the public sector in the development of the human resources in Bulgaria, that are also estimated as restricting conditions by the foreign investors themselves⁷. The tendency for increasing the attracted FDI requires the availability of sufficient and qualified manpower. It can arise some risks: restricting the size of the labour resources, connected with the passing negative demographic processes and especially with the withdrawal of qualified workers and graduated people; risk of decreasing the professional suitability, leading to the discrepancy between the qualification of the manpower and the demands of the labour market.

The potential danger of shortage of manpower in the future can be overcome in different ways. Firstly, the demographic situation in Bulgaria must be improved, including the emigrant wave to be controlled - the membership of Bulgaria in EU itself is not sufficient attractive condition for the Bulgarian emigrants and students to come back and to search realization in the country. The development of the economy and the improving the standards of life are the key to correction of the negative demographic processes, restricting the flowing of manpower, as well as for encouraging the migration of specialists to Bulgaria. Secondly, improving the intellectual potential of the nation, Bulgaria cannot advertise the country itself any more as a country with low salaries.

It imposes the realizing long-term and permanent education strategy, taking concrete measures for: to hold the students eligible for school and reintegration in the educational

⁶ Operative program "Development of the Human Resources "2007-2013 r. 2006. www.eufunds.bg (accessed January 31 2007). p.7

⁷ Bulgaria – the New Investment Market in the EU, Bulgarian Investment Review, April 2007, Invest Bulgaria Agency, www.investbg.government.bg, (accessed February 12 2008).

system for the people with low degree of education; increasing the quality of the secondary and the higher education by better vocational training in the secondary school, as well as planning and combining the teaching at universities with the business demands; expanding the foreign language training and the applying the modern technologies in the education, in correspondence to the requirements of the developing high technological information society, creating the needed prerequisites and stimulating the participation of the population in all the forms of Life Long Learning - formal, informal and independent.

IV. CONCLUSIONS

The state policy is determining for the participation of Bulgaria in the global and regional investment flows. It is necessary to be preserved the rising tendencies in the attracting FDI, as well as development of the potentials for further confirmation of Bulgaria as a receiver of investments, in relation to the tendency for increasing the FDI flow in Central and East Europe⁸.

A matter of growing actuality, presupposing a clear investment strategy of the state, is the attracting strategical investors with structure-defining role for Bulgarian economy. The contemporary circumstances impose to be determining the volume of the investments, and the quality of the investors, with their capacity to make business with high export potential, well-paid job positions and strong Bulgarian brands. A new quality approach is needed in the state investment policy for transition from the attracting insignificant investments, i.e. “mobile” investments, which can be easy closed or exported from the country, to the attracting “key” investors, who are well positioned at the world markets. If Bulgaria is chosen with priority over the other countries, it will serve as a proof for its attractiveness as an investment destination. Besides, the attracting big foreign companies helps for the development of the big and small local enterprises, serving the investors’ activity in one or another way.

The stimulating the investment ambitions of the transnational investors, made from strong concentration of the capital and having an access to resources, as well as the advantages in the technology intensive branches, are determined by the possibilities for combining their specific advantages with these ones, that the different accepting countries and regions afford. The interests and the priorities of the state policy, however, cannot coincide to these ones of the big investors, working at a transnational level.

⁸ Deloitte Bulgaria Ltd.2005.Analysis of the international investment environment and the possibilities of Bulgaria for attracting investments. . www.mi.government.bg (accessed January 24 2006).

For instance, the policy to be oriented to the attracting investments in high technological branches and outputs, which presuppose modernising the national economy, creating employment, higher incomes and social expenditures for the employed in them. The practice shows, however, that the foreign investments in branches with middle and high degree of intensity, probably are directed to regions, where has already been established industrialization, have an available infrastructure and a good production base.

Such a balance imposes the conclusion that certain regularity exists in the expectations for investments depending on the technological level and preparation of the corresponding country or region. It is nonlogical to think, that Bulgaria will succeed to attract investments without these conditions, which will bring high technologies, will modernize the economy and will make the production competitive to the world markets. It presupposes the key role of the state, bringing mainly to:

- ✓ By its investment policy to create and maintain a stable and transparent market with optimal possibilities for business;
- ✓ To make popular abroad the local possibilities for business and to put Bulgaria on the leading positions in the competition for the thousands investment projects within a year;
- ✓ To improve the measurements of the investment regime, converting them from restricting conditions to competitive advantages, which are simultaneously the basic conditions for the encouraging of the investments and the achieving stable progress of Bulgarian economy.

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