

INVESTMENT DESTINATION: PLOVDIV



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Plovdiv Municipality



Eng. Ivan Totev
Mayor of Plovdiv

As a mayor of Plovdiv, for me it is a pleasure to introduce this catalog representing Plovdiv, Bulgaria as an investment destination. Here you will find useful information about the business climate, legal regulations, local economy, labour force, costs of employment, property market, etc.

Plovdiv is a city open to development and promotes initiatives. The region has many logistic advantages, being a prime road and railway hub in southern Bulgaria. Plovdiv city has very balanced mix of investments which are allocated to different sectors of the economy. Trakia Economic Zone - undoubtedly the biggest industrial zone in the country - makes the region the industrial hub of Bulgaria. There are already approximately 68 000 jobs in the manufacturing sector. Moreover, the IT and outsourcing sector has a great potential for further growth. Plovdiv has about 40 000 students in 7 universities and 2 colleges. Based on this, we expect several thousand new jobs to be created in the IT sector in the next few years. Also, identifying the real needs of providing excellent conditions for appropriate business environment, we put efforts for developing high end office buildings.

Because of these and many other strong points, Municipality of Plovdiv supports the endeavors of potential investors and has established a department for Business Development. The main purpose of this department is cooperating and providing useful and precise information to facilitate the companies.

Last but not least, Plovdiv has a profound history, diverse multilingual environment, combined with the possibilities of the modern city.

Welcome to Plovdiv!

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DOING BUSINESS IN BULGARIA

- Government spending in Bulgaria was the 5th lowest in the EU - 38.7% of GDP in 2013
- Bulgaria's 10% corporate and personal income tax rates are the lowest flat rates in the EU
- In the 2013 edition of the Economic Freedom Index Bulgaria ranks 49th overall (out of 141 countries)

According to Eurostat, Bulgaria's government debt is the second-lowest in the EU at 18.9% of GDP, next only to Estonia's. The Euro area total public debt stands at about 93% of the area's GDP. The government budget deficit for 2013 was 1.5% of GDP, compared to 3.3% for the entire EU.

Bulgaria's 10% corporate and personal income tax rates are the lowest flat rates in the EU. According to Eurostat, the government spending in Bulgaria was the 5th lowest in the EU - 38.7% of GDP in 2013, compared to 49% in the EU.

Since 2005, the World Economic Forum in Davos (www.weforum.org) has based its competitiveness analysis on the Global Competitiveness Index (GCI), a comprehensive tool that measures the microeconomic and macroeconomic foundations of national competitiveness. In the 2013-2014 GCI Bulgaria ranks 57th overall (out of 148 countries), a considerable improvement compared to the 62nd place in the 2012-2013 edition and to 74th place in the 2011-2012 edition. The best scores are in 'macroeconomic environment' (30th), and 'technological readiness'(44th) and 'health and primary education' (45th). The major improvements recorded in the most recent index are in the area of 'technological readiness' (8 positions upward), 'financial market development' (7 positions upward), 'health and primary education' (4 positions 'upward').

Since 2003, the World Bank prepares the Doing Business Report (www.doingbusiness.org). It assesses regulations affecting domestic firms in 189 economies and ranks the economies in 10 areas of regulation. The report provides quantitative measures of regulations for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. In the 2014 edition Bulgaria ranks 58th out of 189 countries. The best scores that Bulgaria receives are in 'getting credit' (28th), 'protecting investors' (52nd) and 'registering property' (62nd).

Since 1996, the index published in Economic Freedom of the World report (www.freetheworld.com) by the Fraser Institute (Vancouver, Canada) measures the degree to which the policies and institutions of countries are supportive of economic freedom. The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of privately owned property. 42 variables are used to construct a summary index and to measure the degree of economic freedom in five broad areas - size of government, legal system and property rights, sound money, freedom to trade internationally, regulations. In the 2013 edition of the index Bulgaria ranks 49th overall (out of 141 countries). The best scores are in 'sound money' (34th) and 'regulation' (29th), and 'freedom to trade internationally' (46th). The major improvements recorded in the most recent index compared to 2005 data are in the area of 'size of government' (23 positions upward) and 'freedom to trade internationally' (18 positions upward).

Since 1995 The Wall Street Journal and The Heritage Foundation, (Washington, D.C., USA) have tracked the dynamics of economic freedom around the world with the Index of Economic Freedom (<http://www.heritage.org/index/>). The index explores 10 areas of business environment, including protection of property rights, fiscal freedom, freedom to trade, regulations. In the 2012 edition of the index Bulgaria ranks 61st overall out of 184 countries. The best scores are in 'trade freedom' (11th), 'fiscal freedom' (27th) and 'labor freedom' (28th).

Indicator	Rank	Source	Year
Government debt (% of GDP)	2nd in EU	Eurostat	2013
Personal and corporate income flat tax rates	1st in EU	Eurostat	2014
Total government expenditures (% of GDP)	5th in EU	Eurostat	2013
Global Competitiveness Index	57th (out of 148)	World Economic Forum	2013-2014
Doing Business index	58th (out of 189)	World Bank	2014
Economic Freedom index	49th (out of 141)	Fraser Institute	2013
Index of Economic Freedom	61st (out of 186)	Heritage Foundation/ Wall Street Journal	2014



LOCATION & CONNECTIVITY

- Highway connection to Central and West Europe
- Well developed rail network offers connection to nearest port
- A road intersection point of three Pan-European corridors (IV, VIII, and X)
- An airport handling cargo aircrafts

The Plovdiv region holds many logistic advantages. The region is a prime road and railway hub in southern Bulgaria. It is a major link in the chain of the transport routes connecting Europe and Anatolia (Asia Minor) and an intersection point of three Pan-European corridors (IV, VIII, and X).



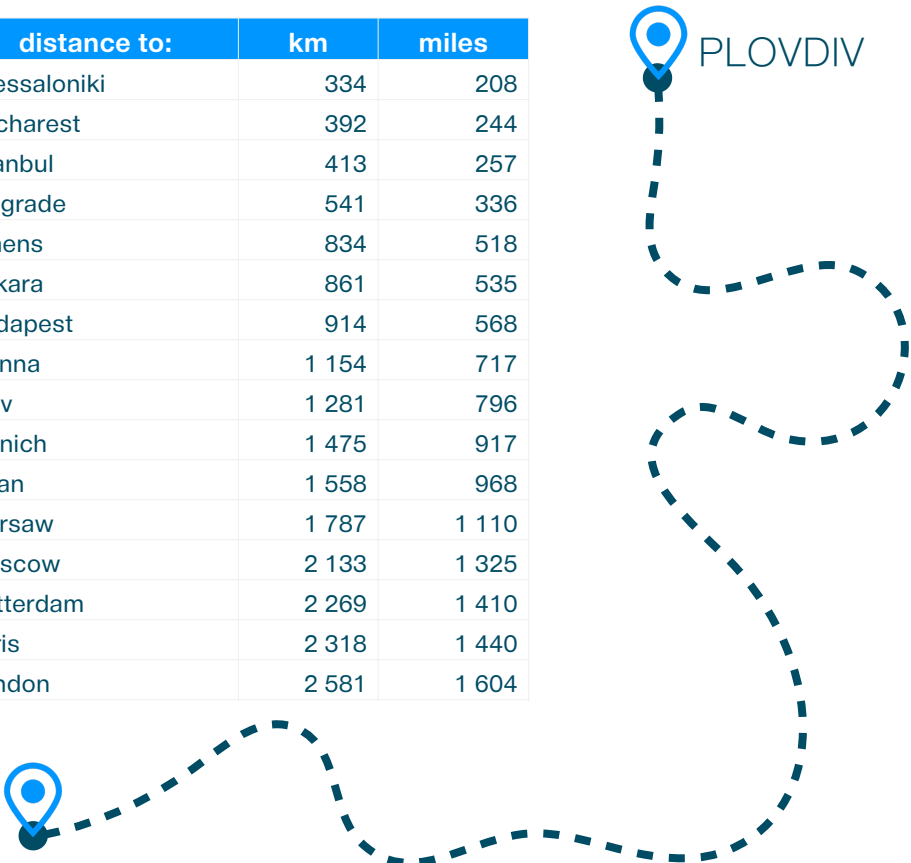
Trakia Motorway - A1, which passes through the region, is part of Pan European Transport Corridor VIII and of the international road E 80 - Belgrade-Sofia-Plovdiv-Istanbul. First class roads intersect the whole region. The nearest port - Burgas Port, located 280 km away from the region, is easily reachable through highway, first class roads or railway. The second nearest port is the Thessaloniki Port in Greece, 330 km away from the region.

The Plovdiv Airport, located within the region, is a hub for charter and cargo flights. A concession is pending, as well as capacity expansion that would improve substantially the cargo service of the airport. The Bulgarian capital's airport - Sofia Airport is at a 140 km distance from the region. The region also has an intermodal terminal, a duty-free zone and a customs terminal. Plovdiv region has an extensive public transport system and very developed infrastructure which link the region with cities and towns all over the country and many European countries.



distance to:	km	miles
Thessaloniki	334	208
Bucharest	392	244
Istanbul	413	257
Belgrade	541	336
Athens	834	518
Ankara	861	535
Budapest	914	568
Vienna	1 154	717
Kiev	1 281	796
Munich	1 475	917
Milan	1 558	968
Warsaw	1 787	1 110
Moscow	2 133	1 325
Rotterdam	2 269	1 410
Paris	2 318	1 440
London	2 581	1 604

 PLOVDIV



Climate & Geography

The region consists of vast flat terrains with no natural borders all the way to Black Sea and Turkey. Climate is accommodating for both industrial and construction activities. Winters normally brings no major disruption of transportation.

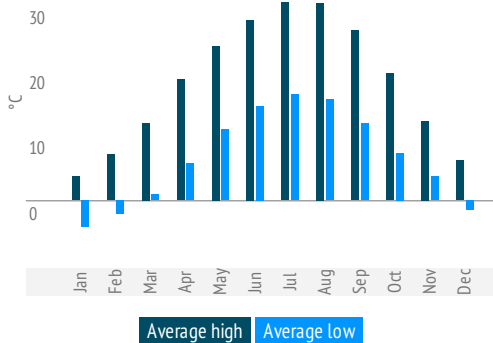
Most of the region's territory is situated in the Upper Thracian Plain - a fertile agricultural region, vast flat terrains with no natural borders all the way to the Black Sea and Turkey. Its average elevation is 160 meters. The region consists mostly of plains.

Natural advantages of the region include also proximity to main Mountain Chains - Rhodopes and Balkan - as well as to the rich in ores Sredna Gora Mountain. Major ski resorts in Rhodopes are operational in winter. The Rose Valleys in the footsteps of Balkan are world famous among tourists. The region offers one of the best conditions for vineyards and wine making has a long tradition here.

The climate is mostly transitional continental with a warm summer (average highs reaching about 30 degrees Celsius, 86 degrees Fahrenheit, in June-August) and relatively tolerable winter (average lows just a bit below 0 degrees Celsius, 32 degrees Fahrenheit, in December-February).

Temperatures and precipitation rates are favorable for construction activities, which normally takes place throughout the year without big interruptions, industrial processes and transportation services.

Accommodating
climate for both
industrial and
construction
activities



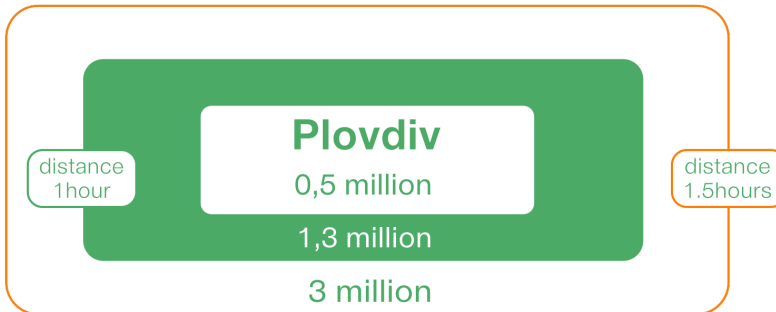
Plovdiv is located in a close proximity to two of the major ski resorts in Bulgaria - Borovetz and Pamporovo - about an hour and a half drive from each. The city is connected by highway to the Black Sea coast - to some of the most developed seaside resorts one may reach in about 2.5 hours by car. Also a few hours drive away is located the North shore of the Greek Sea. One of the best spa resorts Hissar is located just about 40 minutes away from Plovdiv.



POPULATION

The population living in the city of Plovdiv and in the closest settlements is over 522,000 people. 337,000 of them are in the age 20-64 years.

Population in wider Plovdiv region



Source: NSI.

There are 97,000 persons under the age of 20. About 40,000 persons are over 75 years old.

Another 763,000 people live in commutable distance to the city (up to 1 hour by car in one direction). That makes the total population in wider Plovdiv region 1.28 million. Of them 810,000 are in the age 20-64 years.

The city is accessible for less than 1.5 hours by approximately 3 million people that includes also the population of the capital city Sofia.

The structure of that population is as follows

age (years)	number ('000)	share of total
under 20	546	18%
20-44	1132	37%
45-64	827	27%
65-74	290	10%
over 75	240	8%



LAND & PROPERTY MARKET

- Affordable land starting from 230,000 EUR per hectare
- Among the lowest rent of office and industrial space in Eastern Europe
- 3500 hectares for business development

Business property prices

The office market in Plovdiv expanded significantly during 2007-2012, as many new office projects were started during this period. Currently there is new supply of modern office space which can be modified to meet the specific requirements of each business. There are offices located both in the city center and the industrial zones in the city. Despite the noticeable improvement in quality, buying business space in Plovdiv remains very affordable. There is a selection of quality office properties for sale, with asking prices of €700-€900 per sq. m.

There is land for industrial use for sale located both in the city itself and the industrial zones in the region. Overall, prices of industrial land in the region vary from €19 to €50 depending on the location of the land and its characteristics. Prices of industrial land range from €30 to €50 per sq. m. in the city of Plovdiv and from €19 to €25 per sq. m. in the industrial zones Maritza, Rakovski and Kuklen.

The prices for office and industrial space in Plovdiv are relatively low compared both to other major Bulgarian cities as well as other countries in Central and Eastern Europe.

Price of business properties in the region of Plovdiv

euro per sq.m.	organized industrial zones	city of Plovdiv
price of industrial land	23	40-130
price of office	-	600-1200

Rents of business properties in the region of Plovdiv

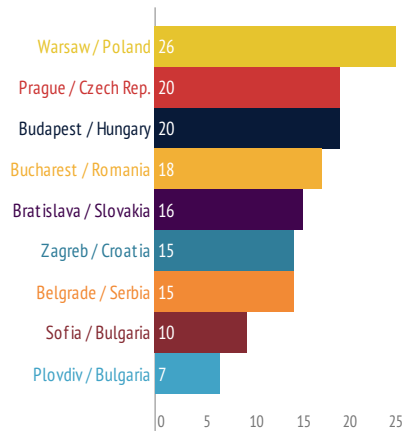
euro per sq.m. monthly	organized industrial zones	city of Plovdiv
rent of warehouse	3.7	2.8
rent of office	-	2-8

Source: Real estate agencies

Office and industrial facilities rents

Renting office space (Class A) costs on average €5 to €8 per sq. m. for premium business properties currently available in Plovdiv. There is also substantial supply of non-premium office space which could be rented for €2 to €3 per sq. m. monthly. Renting office in Plovdiv is on average 30% cheaper than renting similar office space in the capital Sofia. Having an office in Plovdiv is more affordable compared to many other locations in Central and Eastern Europe. Premium office rents in Plovdiv are 2-3 times lower compared to rental rates for high-end office space in Prague (Czech Republic), Budapest (Hungary) and Bucharest (Romania).

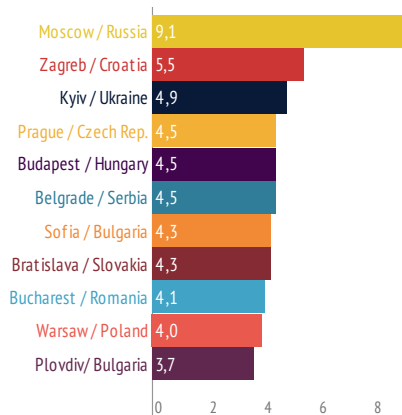
Rents of prime office space in selected locations in Central and Eastern Europe



Source: CBRE, Industry Watch

Renting a warehouse costs on average €3.7 monthly per sq. m. in the industrial zones Maritza and Rakovski. The rents of warehouses in the city range between €2 and €3.5 monthly per sq. m. Rents of industrial space in Plovdiv are at least 25% lower than rents of similar properties in the capital city Sofia.

Rents of prime warehouses in selected locations in Central and Eastern Europe



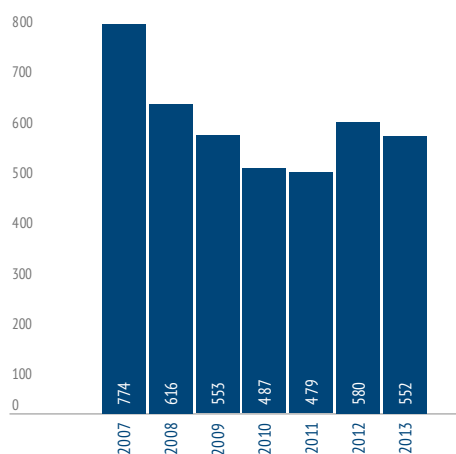
Source: CBRE, Industry Watch

Renting a warehouse in Plovdiv costs less compared to other locations in Central and Eastern Europe. Rents of industrial space in Plovdiv are 10% lower than rents in Bucharest (Romania) and Warsaw (Poland), and 22% lower than rents in Belgrade (Serbia), Budapest (Hungary) and Prague (Czech Republic). The relatively low rents of industrial space and the low operational costs altogether allow Plovdiv-based companies to achieve cost competitiveness which could hardly be matched by enterprises operating in other regions in Central and Eastern Europe.

Construction activity

Plovdiv is one of the most dynamic regions in Bulgaria with highest concentration of new non-residential construction projects in the country. Non-residential construction includes all buildings - industrial, logistics and office space, commercial properties, hotels and restaurants, with the exception of residential housing. The share of Plovdiv in total non-residential construction in Bulgaria slightly declined in 2010 and 2011 but rose back again in 2012. Construction permits for non-residential buildings in the district of Plovdiv are 19% of all permits issued in Bulgaria in 2012, although only 9% of the total population in the country lives in the Plovdiv district. The notably higher concentration of new non-residential construction projects in the area is mainly attributable to the ongoing industrial development of the region, building on Plovdiv's competitive advantages in manufacturing and business services.

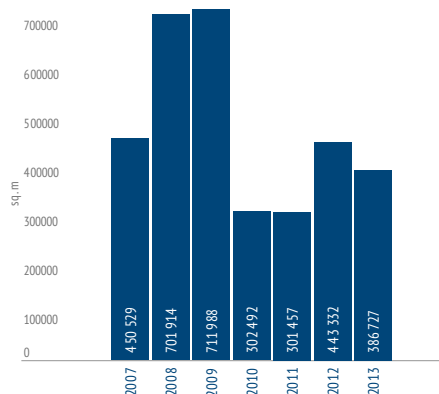
Number of industrial buildings construction permits



Source: NSI, data for Plovdiv District

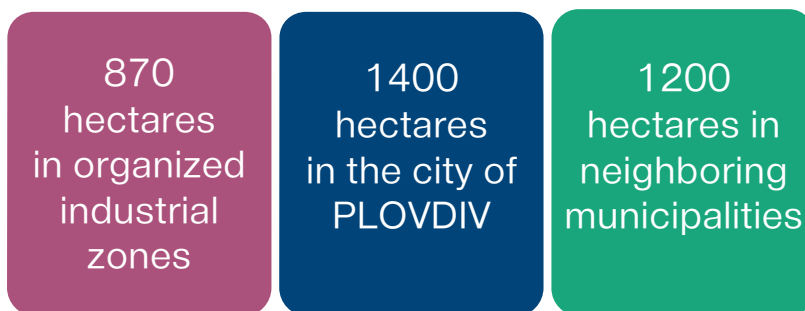
Construction permits for 220 000 sq. m. office space and almost 1.5 million sq. m. of industrial space, commercial properties and hotels were granted between 2002 and 2012 in Plovdiv. Having reached its peak in 2009, construction activity started recovering in 2011 and growth accelerated noticeably in 2012.

Total floorage of industrial buildings construction permits



Source: NSI, data for Plovdiv District

Available land for business development



There are almost 3500 hectares of land for business development in the region of Plovdiv. The current city master plans of Plovdiv and the adjacent municipalities increased substantially the availability of industrial land which will stimulate the business activity in the region. About 870 hectares (or 25% of the land) are located in organized industrial zones, close to 1400 hectares in the city of Plovdiv and 1200 hectares in neighboring municipalities. The city master plans of the municipalities of both Plovdiv and Maritza envisage the development of mixed multifunctional industrial areas and modern industrial space which achieve the right balance between industrial growth and sustainable development.



ACCESS TO UTILITIES

- **Excellent access to electricity in all locations**
- **Major gas transit pipelines pass through the region which provides easy access for large industrial consumers**
- **Water supply available in all urbanized territories**

Electricity

The entire Plovdiv region has a modern power distribution infrastructure. All towns and villages in the region have access to electricity. Since 2005, power supply and distribution in the South-East Bulgaria has been privatized to EVN Bulgaria (part of EVN AG - Austria). The company has invested over BGN 850 million (appr. EUR 435 million) during the last 7 years to improve the electricity grid as well as major customer services. The investment activities are expanding, with BGN 128 million (appr. EUR 65 million) in power distribution grid improvement in 2012 alone, about ¼ of which are in the Plovdiv region. In 2011, the company launched a brand new 110/20 kV electrical substation in Tsaratsovo (worth EUR 2.8 million) with a capacity of 32.5 MVA. The immediate investment plans also include adding 65 km of medium-voltage and 104 km of low-voltage power lines to the distribution grid, as well as introduction of two new power substations.

Service	Price
Verification of available power capacity (above 100 kW)	EUR 107
Study of the specific terms and conditions for connection to the distribution grid or a offer with preliminary connection contract (above 1000 kW)	EUR 390
Connection to the grid (500-1000 kW, about 25 meters of new power line to grid)	EUR 18,000
Tariffs	
medium-voltage users * - peak rate	89.1 EUR/mW (regulated prices)
medium-voltage users * - low rate	40.3 EUR/mW (regulated prices)
big industrial users	liberalized market

Note: * business users, up to 50 employees and EUR 10 million turnover.

Business users with less than 50 employees and EUR 10 million annual turnover pay according to a regulated tariff (revised once a year in July). Larger industrial users can benefit from the fast expanding liberalized market of electricity, purchasing from registered power traders or even directly from the generation plants in some cases.

In case of a greenfield investment (i.e. new facility construction) there is a streamlined process of several quick steps to get connected to the power grid. These include in particular a verification of available capacity, a study of the specific terms and conditions for connection to the distribution grid or an offer with preliminary connection contract. All these steps take up to 30 days after application. The final contract for connection to the power grid is signed after a formal application and takes 30 days. New users pay fees for the connection services according to a fixed and government-regulated tariff rate.

Natural gas

The region of Plovdiv benefits from the fact that it is on the route of both an international transit (Russia-Greece-Macedonia) and a national transit gas pipeline. Several of the municipalities have access to the pipeline which constitutes the Southern Transit Half-Ring. There are 8 automatic gas-regulating stations (i.e. exit points of the transit network) in the Plovdiv region, which make the connection of large industrial gas consumers to the transit grid possible. Companies can benefit from the emerging liberalized gas market and wholesale prices. The available capacity is sufficient for a considerable increase in gas consumption.

Service	Price
Connection to the transit network (pipeline diameter 100-300 mm)	EUR 4200
Connection to the distribution network of the public supplier (pipeline diameter 100-300 mm)	EUR 3800
Connection to the distribution network of the distribution companies	EUR 1480
Price of natural gas for small business (consumption above 5 million m ³ per annum)	EUR 371 per 1000 m ³
Price of natural gas large industrial (connected to the transit grid)	EUR 335 per 1000 m ³

Small quantity users and households can be connected to the gas distribution grid of City Gas (part of the Italian Gruppo Società Gas Rimini s.p.a) which was granted a license to provide gas in 12 of the municipalities in the region (including the city of Plovdiv), or Overgas - for the municipalities of Parvomay and Asenovgrad. Consumers which are connected to the distribution network have to pay according to regulated prices, updated quarterly.

Getting connected to the transit grid (for large consumers) starts with an application which is reviewed in up to 30 days. Following this the consumer receives the proposed terms and conditions of access, including the available capacity and recommended point of access to the grid. Similar process is used for getting connected to the gas distribution network.

Water and sewage

A separate utility company - Water & Sewage SJSCo, Plovdiv - is in charge of water supply, sewage and waste water treatment in most of the municipalities in the region of Plovdiv. The network services 14 towns and 201 villages, or a total of about 700 thousand customers. The fresh water supply covers 100% of the populated areas, while sewage is available to about 75% of the customers. The utility company runs 3 waste water treatment plants in the region.

New users have to apply to the utility company which in turn ensures that all necessary conditions for connection to the supply and sewage infrastructure are met. The process is part of the overall procedure for new construction development. The investor pays for any additional costs for new construction and expansion of the water supply and sewage network, including new pipes, etc.

Service	Price
Water sewage extension pipeline with diameter 40 cm (per 1 meter):	EUR 84
Water sewage extension pipeline with diameter 90 cm (per 1 meter):	EUR 495
Water supply (per cubic meter)	EUR 0.40
Water sewage (per cubic meter)	EUR 0.05
Waste water treatment (per cubic meter), depending on the level of pollution	EUR 0.30 - 0.73



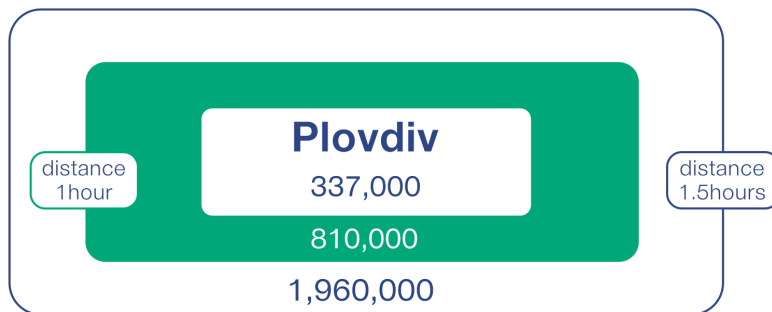
LABOR MARKET & EDUCATION

- 810,000 people in working age live in commutable distance
- Skilled industrial workers can be hired at 350 EUR per month
- Well-developed education system

Labor market

Companies which choose Plovdiv as their investment destination have access to human capital, consisting of many well prepared workers and specialists who can create value for various manufacturing and service sectors.

Population: 20-64 years old

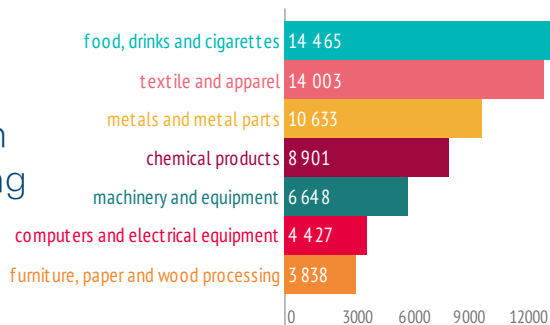


Source: NSI

The labor market in Plovdiv has been more robust than most other regions in Bulgaria since the onset of the global economic crisis. The labor force in Bulgaria decreased by 183 000 people between 2008 and 2011, while the active population in the Plovdiv district declined by only 13 000 people. Fewer people quit looking for work and left the labor force altogether in Plovdiv compared to the country average. There are approximately 67 500 jobs in the manufacturing sector in Plovdiv. In addition to the production of food, drinks and cigarettes (22% of all manufacturing jobs) and textile & apparel (21% of industrial jobs), Plovdiv has specialized in the production of metals and metal parts, chemical products, machinery and equipment. Plovdiv has a long-lasting tradition in producing computer, optical and electrical equipment, which employ almost 4500 people or 7% of all manufacturing workers. Plovdiv also has competitive edge in furniture, paper and wood manufacturing, whose exports from Bulgaria surged in the post-crisis period.

Plovdiv has a well-developed service sector with more than 86 000 employees, which complements the local manufacturing cluster. The service sector in Plovdiv is closely linked to the local industry and provides all the high-quality services a manufacturing company might need. About half of all service sector employees are working in retail, but there are also more than 11 000 construction workers and 13 000 transport and logistics specialists. Plovdiv has one of the best developed business service sectors in Bulgaria. In addition, more than 6 700 people are employed in the rapidly expanding sector of IT & professional services, which constitute 8% of all service sector jobs in the region.

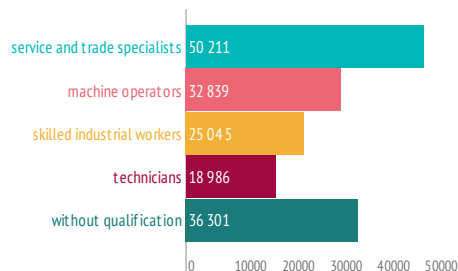
67,500 employees in manufacturing



Source: NSI (data on district level)

The labor force in Plovdiv is very diverse according to the qualification of employees. There are more than 142 000 production jobs and more than 54 000 administrative, analytical and management positions. Plovdiv employs almost 19 000 technicians, 25 000 skilled industrial workers, 33 000 machine operators and 50 000 service and trade specialists. The labor force is specialized but nevertheless readily adaptable and can easily work in different segments of industrial production.

Number of employees by qualification



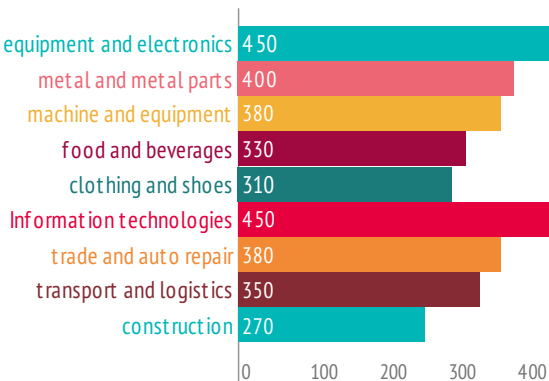
Source: NSI (data on district level)

Wages by segment

Wages in Plovdiv vary according to the sector in which the worker is employed since different sectors require workers with different skill set and experience. Wages in the Plovdiv region are lowest for employees in construction - about €270 per month and higher for employees in transport and logistics (€350 per month) and trade and auto repair (€380 per month). In services, wages on average are highest in information technology, one of the fastest growing industries in recent years, providing opportunities for highly skilled labor. Hiring labor for the “light industries” such as manufacturing of food and beverages as well as clothing and shoes is on average cheaper than employing a worker in the “heavy” industries, which typically require more specialized skills and knowledge, such as manufacturing of machines and equipment or metal parts. Average wages are typically higher for the employees producing electric equipment and electronics (about €450 per month).

Wages in Plovdiv by industry

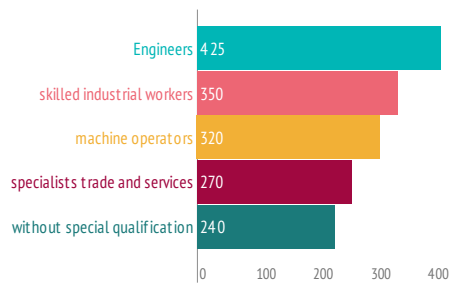
(EUR per month, after taxes)



Source: Industry Watch

Wages in Plovdiv by qualification

(EUR per month, after taxes)

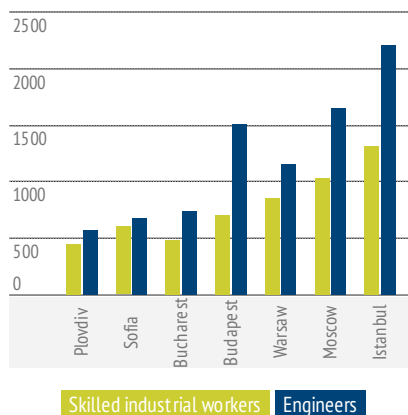


Source: Industry Watch

The total cost of labor includes the salary of the worker and the contributions to the state budget which both the employee and the employer have to make. The total cost of hiring a skilled industrial worker in Plovdiv is only €6300 a year. It costs only €8000 a year to employ an engineer in the Plovdiv region. The costs of hiring skilled manufacturing labor in Bulgaria in general and particularly in Plovdiv are among the most competitive in Europe. Employing an industrial worker or an engineer in Plovdiv is cheaper compared to most locations in Central and Eastern Europe. Wages paid to skilled industrial workers in Plovdiv are 60% lower than wages in Budapest (Hungary) and just 1/3 of the salary in Istanbul (Turkey). Hiring an engineer in Plovdiv is twice cheaper compared to Warsaw (Poland). Wages of engineers in Plovdiv are only 1/3 of the pay in Moscow (Russia).

Wages in selected cities

(EUR per month, before taxes)



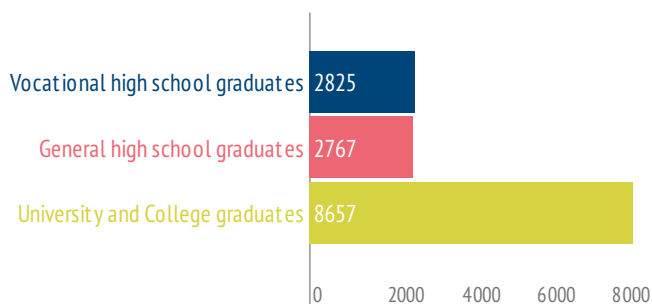
Source: Industry Watch based on data from UBS

Education

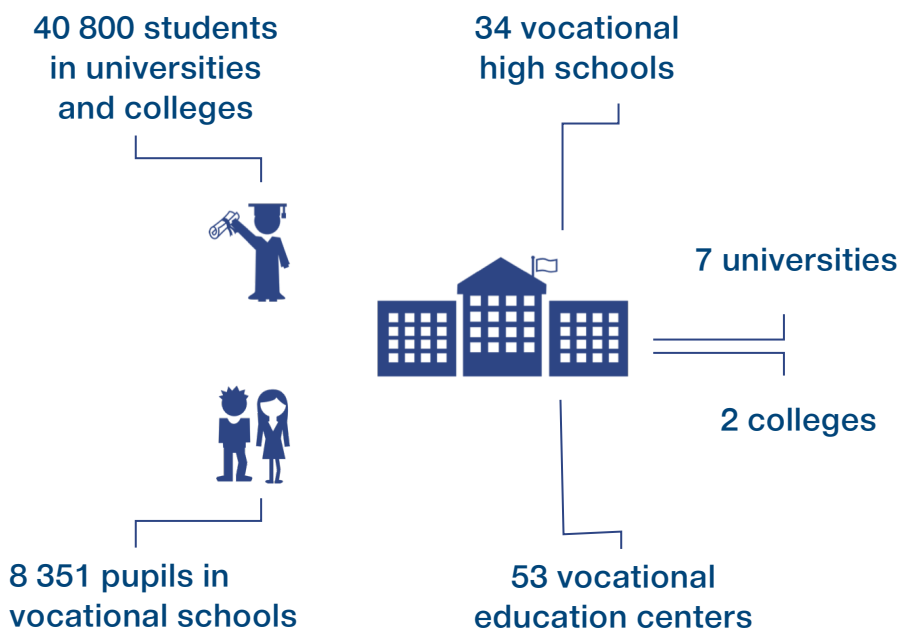
The educational system in Plovdiv is well developed, preparing many students in technical and applied disciplines, which has contributed to establishing the region as a prominent industrial center. Plovdiv is positioned as a leading university area of national significance, second in Bulgaria, behind only the capital city Sofia. In Plovdiv there are 7 universities and 2 colleges with 40 800 students, 53 vocational education centers and 34 vocational high schools with 8 351 pupils. In 2012, there were 5 592 high school graduates, of which 2 825 graduated from vocational high schools. Plovdiv is home to one of the biggest universities in Bulgaria - the Plovdiv University Paisii Hilendarski, which prepares students in Mathematics and Informatics, Physics and Chemistry, among other applied sciences.

In addition, the University of Food Technology and the Technical University Plovdiv teach students who have sufficient skills to easily work in different industrial sectors.

There is also two agricultural universities, which provides specialists for the vibrant food industry, as well as a medical university and fine arts academy. Plovdiv is also host of two colleges in economics and management preparing students for supporting, analytical and managerial positions in the real sector. In 2012, there were 8 657 graduates from universities in Plovdiv who were ready to join the labor force.



Source: NSI



Source: National Statistical Institute



CONSTRUCTION PERMIT

- A clear workflow that takes up to 136 days
- Shorter timeline that OECD average
- Municipality assists investors in dealing with other institutions

Although it is one of the most burdensome and costly administrative procedure in Bulgaria and throughout Europe, the municipality of Plovdiv is providing a clear and relatively short workflow in terms of both number of procedures and timeframe of execution.

The municipality is steadily improving the regimes and providing investors with assistance and guidance in dealing with other authorities involved in the process. Beside the municipality administration, the following institutions are involved in the process of getting construction permit and thereafter: Power company, Water company, Cadastre Agency, Environmental Agency.

In certain special cases and bigger projects there would be other institutions involved as well such as: National Construction Control Agency, Fire Department, Road Agency.

The following typical case illustrates the process:

- ✓ a construction of a warehouse or assembly production building with a total floorage of 4000 sq. meters (approximately 43,000 sq. feet).
- ✓ a total cost of construction EUR 1.2 mln excluding VAT.

It would take 136 days from the moment of applying for certificate for project planning (step 1 in the workflow) to the moment of getting a certificate of operational building (final step). The total administratively imposed cost would be EUR 35,846. The biggest part (78%) of this being remuneration for construction supervision company. That cost does not include cost of connection to the power and water grids.

There would be 21 steps in dealing with the whole process, which includes also the process of dealing with the Power Company. A comparison of the World Bank has shown that the average number of steps in OECD is 19, and in Eastern Europe and Central Asia 26.

The process takes substantially less time in Plovdiv than in the average destination from Eastern Europe and Central Asia, and even less than the developed economies of OECD.

	Plovdiv	Eastern Europe & Central Asia	OECD
number of procedures	21	26	19
time (days)	136	226	143

Source: The World Bank, Industry Watch

Workflow of dealing with construction permit

Certificate for project planning	14 days
----- Draft investment project -----	
Preliminary contract with Power company Assessment by Water company Assessment by Environmental Agency	30 days
----- Contract construction supervision company -----	
Project coordination with Power company Project coordination with Water company	30 days
----- Complete investment project -----	
Approval of investment project by municipality	7 days

Issue of construction permit	15 days
----- Investor approves completion of stage 1 -----	
Contract with Power company Contract with Water company Building mapped on Cadastre	30 days
----- Investor approves completion of stage 2 -----	
Municipal stamp on technical passport of building	3 days

Certificate for operational building	7 days

Total :	136 days



LOCAL TAXES & FEES

- Stable and predictable policy with respect to tax rates
- A trend to lower rates of waste fees
- Up to EUR 1600 annual property tax for a facility of 4500 sq. m.

General tax policy

The biggest share of the tax burden in Bulgaria is centrally imposed, i.e. the municipality has no authority in most of the taxes and fees. However, there is a tendency for somewhat fiscal decentralization, meaning that in the long run the municipality might gain more power with respect to the taxes and fees.

With respect to nationally adopted tax rates, Bulgaria has one of the lowest corporate and personal income tax rates in Europe (10%). Corporate income from production activities in high unemployment regions is tax exempt. Costs of fixed intangible assets created through research and development are also deductible. In addition, Bulgaria applies EU customs legislation and has signed double tax treaties with 68 countries. Income tax rates are noticeably higher in other CEE countries. For example, in Romania personal income is taxed at 16%, while Central European countries such as Poland, Hungary and Czech Republic apply tax rates which vary from 15 to 18%.

With respect to local taxes, currently there are two important rates that are decided by the municipality and affect business across the board - one is property tax, and the other is waste fee. A blink on those two gives idea on the locally imposed tax burden as well as to the municipal policy intentions in the long run.

Property tax

The tax on property is annually 0.18% of the tax valuation of the property. The rate has not been changed for the past seven years. The tax valuation of the property is the other component in the estimation of the nominal tax. It is subject to general rules that also do not tend to change frequently. The tax valuation of production facilities in Plovdiv may vary according to location and type of buildings, however it would not exceed 193 EUR/sq. m. That means that a premises of 4500 sq. m. would be estimated to be worth up to EUR 868,500 for tax purposes. The annual property tax for such property would be approximately EUR 1563.

Waste fee

The other administrative burden that affect every business in the municipality is the waste fee (or tax). Business pay such fee regardless of the fact if they are producers or service providers, as long as they have a physical presence (office, warehouse, etc.) in the city. So the waste fee is entirely different from the industrial waste management costs, and applies to every building and property of households and businesses.

Businesses have two options to deal with the municipal waste fee. The first option is to pay according to quantities of waste by contracting one of the waste-container options with the municipality.

The waste fee is currently **0.53% of the tax valuation of the property.**

The city follows a policy of **reduction of waste fee rate in the past 10 years.**

year	waste fee (% of tax valuation)
2000	1.20
2001	1.20
2002	2.00
2003	2.00
2004	2.00
2005	2.00
2006	0.90
2007	0.70
2008	0.60
2009	0.60
2010	0.55
2011	0.55
2012	0.55
2013	0.53
2014	0.53

A bigger container would imply a fee of EUR 1366 per year, and the smaller container would cost EUR 425 per year. The number of containers depends on the quantity of waste. In addition, the company pays a fee of 0.3% of the tax valuation of the property.

The second option is to pay according to the tax valuation of the property (which is the default regime, i.e. that one applies in the company has not applied to a number and type of containers). The tax valuation of the property is here applied as well. The waste fee is currently 0.53% of the tax valuation of the property. Thus for a property of 4500 sq. m. for which the tax valuation is up to EUR 868,500 the waste fee would be up to some EUR 4600.



MAJOR INVESTORS

Industry Suppliers

Lunatone Bulgaria
Hoffmann Group
Mecalit Bulgaria
Linde Bulgaria
Schneider Electric Bulgaria
Brunata Bulgaria
KCM 2000 AD
Biomashin
Milara International
Filkab
ABB Bulgaria
Ixetic Bulgaria
William Hughes Bulgaria
Naish Felts Bulgaria
Techno Aktas Bulgaria
Dimex Lift
Socotab Bulgaria
Agri Bulgaria Ltd (Ferrero Group)
Schenker Logistics Bulgaria
Aiger Engineering
Dunapack Rodina
Agria S.A.
Insa Ltd
Yuriy Gagarin S.A.
Profilink
Hus Ltd
Gotmar Ltd
Bulsafil
Intercomplex Ltd
Zinc Galvanizing Plant
Fresh Logic
Holcim Karierni Materiali Plovdiv AD
Mondi Stambolijski
Helios Metalurg
EVN Bulgaria
Shell Gas Bulgaria S.A.

Consumer Goods

Liebherr Hausgeräte Marica
Zobebe Bulgaria
Winterhalder Bulgaria
Fine Jersey Bulgaria
Kottmann Bulgaria
King's Tobacco
Vinprom Peshtera SA
Bio Fresh Ltd
Roza Impex Ltd
Refan
Bella Bulgaria
MaxEurope
Flavia
Jumbo Bulgaria
Kaufland Bulgaria
United Milk Company
Ted Bed
Philicon-97 S.A.

IT & BPO

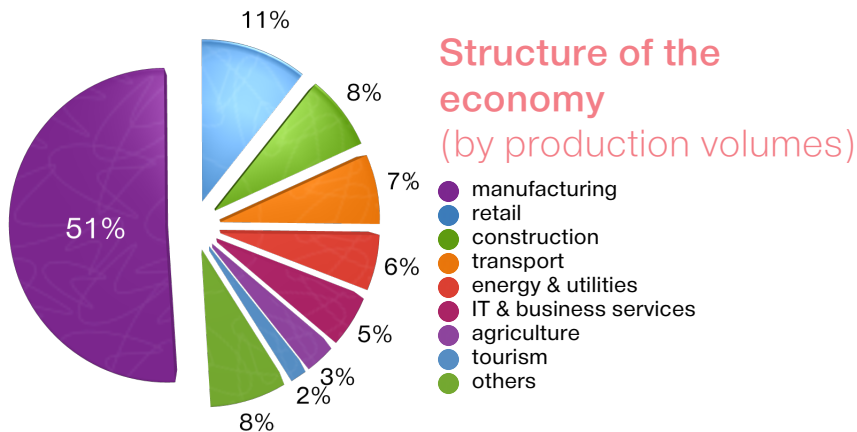
Viscomp
Orak Engineering
SevOne
Aii Data Processing Ltd
Opticentre Ltd
StangaOne1
SiteGround
m+w MediaNetworks
Telus International Europe
Sofica Group
Sibiz
Asic Depot
Bulpros
Proxiad
Adecco



LOCAL ECONOMY

- Plovdiv's economy produces output of €5.8 billion annually
- Manufacturing accounts for about 51% of local economy
- Investment activity remained high after the crisis

The economy of Plovdiv produces output of €5.8 billion annually, of which about €3 billion in manufacturing, €438 million in construction, and €411 million in transport and logistics. IT & business services together generate annual output of €311 million.

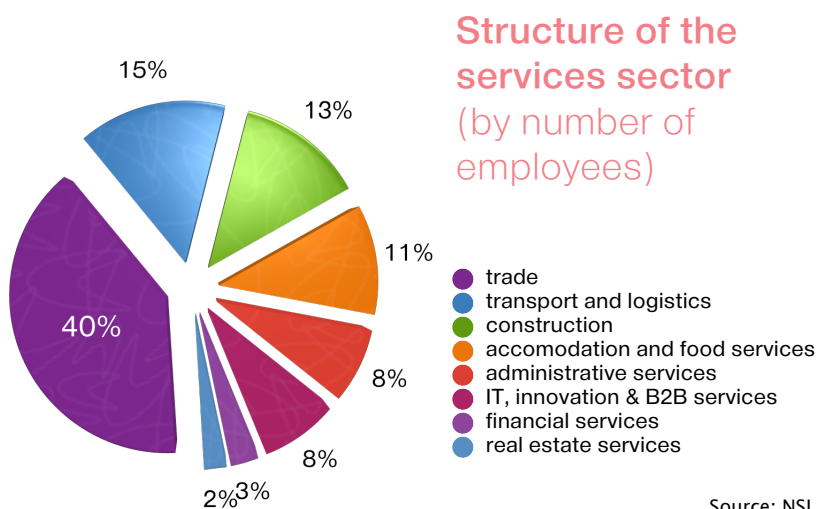


Unlike other regions in Bulgaria, Plovdiv has a well-balanced mix of manufacturing and services. Manufacturing is responsible for the production of €2.9 billion in 2012, which is about 51% of the economic output during that year. The relatively high share of the processing industry compared to other regions in Bulgarian and Europe is exemplary of Plovdiv's leadership position in manufacturing on national and pan-European scale. Plovdiv also has a vibrant construction cluster, producing 8% of the region's output, which unlike other regions, is primarily focused on non-residential construction and industrial space in particular. Due to its strategic location and excellent connectivity, Plovdiv has established itself as a leading transport and logistics hub. Transport and logistics firms create 7% of the production in the regional economy.

Having a wealth of ancient historical sites, Plovdiv is a preferred tourist destination by foreign and Bulgarian travelers alike. The local hospitality business adds 2% to the annual production. 11% of the production in the region is generated in retail.

Information technology and business services have been among the most dynamic sectors in recent years, providing new job opportunities and creating economic value.

The local IT sector has been one of the very few sectors which experienced steady growth after the onset of the crisis in 2008. Business process outsourcing is another rapidly developing service sector taking advantage of the availability of young and well educated labor force. Bulgaria in general is very competitive on a global scale and has been ranked among the most attractive outsourcing destinations in Europe and the World according to the Global Services Location Index compiled by A.T. Kearney. IT, innovation and B2B services together are responsible for 8% of the production in the region.



The investment activity in the Plovdiv region remained high after the crisis. Purchases of long-term assets in the region amount to more than EUR 838 million annually. Plovdiv has a very balanced mix of investments which are allocated to different sectors of the economy. About 23% of the investments or €125 million are devoted to manufacturing for the purchase of facilities, equipment, and machinery, which enhance the productivity of the local enterprises. About 10% of the investments go into construction, which is focused mostly on industrial facilities and buildings. 17% of investments are made in real estate and 11% in mining, water and waste management. Due to the dynamic hospitality sector and strategic geographic location, retail, transport and tourism attract almost ¼ of all investments in the region. Close to 5% of all acquisitions of long-term assets have been made by IT and business services companies.



SPECIAL FOCUS: IT&BPO

Potential in Plovdiv

Plovdiv is the second most important city in Bulgaria, according to its demographics. The city attracts workforce from a region that is populated by about 1.3 million people living in the city itself or in commutable distance. A highly developed educational system of nation-wide renowned high schools and universities serves as a good sourcing pool for the IT&BPO industry. Moreover, the education system is getting more adaptive and open to cooperation with business, introducing joint courses, internships and industry-oriented programs. The fairly recent process of emerging favorable ecosystem for IT&BPO has been recognized by the local authorities as a major development path for the city.

Great possibilities for staff sourcing

The high demand for highly qualified labor in the outsourcing sector sets the base for tight collaboration between educational institutions and outsourcing companies. High schools in Plovdiv have traditions in offering a high-quality education. Among the best schools operating here are: Mathematics High School, Foreign Languages High School (with emphasis on English and German), French Language High School, National High School of Commerce. Most employees in companies requiring high-level language skills or highly developed analytical and mathematical skills have graduated in one of the above high schools. Plovdiv University and Technical University of Sofia (Plovdiv branch) both have traditions in the preparation of good mathematicians and programmers. The Academy of Music, Dance and Fine Arts in Plovdiv is a source of professionals working with images and design. As a general practice, companies select their staff in early stages of higher education.

Advantages compared to Sofia and other big cities

Compared to the capital, as in other outsourcing destination countries, the second biggest city offers a number of advantages. Most importantly, Sofia concentrates most of the higher-end jobs in the state administration, finance, and B2B services, which is a factor for a tight competition in the labor demand. In contrast, Plovdiv labor market is not characterized by such strong competition for talents, as well as for the middle-skillset employees.

Moreover, Plovdiv seems to be appraised as a city of higher quality of life than Sofia (due to less traffic and urban stress, possibilities to reach work place by bicycle, good public transportation, etc.). Employees in Plovdiv enjoy the city and its opportunities for wellbeing, sports, culture and arts. Those are factors - together with the famous “local patriotism” - for a much more loyal employees. Compared to the big cities on the sea coast, employers in Plovdiv in the mid-skillset segment face no fierce competition for employees from the tourism industry. Last but not least, Plovdiv is just a bit more than an hour drive from the Sofia International Airport.

Emerging IT&BPO ecosystem

IT&BPO is still an “emerging” industry in Plovdiv. The potential of the city has become to materialize since fairly recently. Dynamics in this industry in the past few years went hand in hand with the birth of the first co-working hubs, business clusters and specialized events. Plovdiv municipality has recognized its role as a first stop for new investors, providing valuable assistance especially in the relations with universities. Currently, one of the key priorities for the city is development and promotion of an IT&BPO business-friendly ecosystem.

IT company	Entry & Junior level	Experienced 2 years
Desktop Software Developers	250-450	1100-1500
Mobile Apps Developers	200-400	900-1200
Web developers (coders)	250-400	800-1200
Web content publishers & CMS	200-350	600-900
Graphic designers - pre-press	200-350	500-700
Graphic designers - creative	200-400	1250-1400
Systems administrators	200-300	400-500
Administrative Personnel	200-400	500-700
Call center company	Junior level	Experienced 2 years
Customer support operators	300	450-550
Telemarketing specialists	300	450-550
Administrative personnel	400	500-700
Values are in euro, after taxes, per month		

Source: Industry watch



TRAKIA ECONOMIC ZONE

Trakia Economic Zone (TEZ) is one of the biggest economic projects in Bulgaria, a public-private partnership that includes six major industrial zones in the region of Plovdiv. Together the zones in TEZ have attracted over one billion euro of fixed-capital investments. The total area of TEZ is 1070 hectares, of which 325 hectares are already occupied.

From the start of the 1st industrial zone Maritza in 1995 over 100 investors located their sites in the region, of which 80 multinational, opening over 12,000 jobs. Initiators of TEZ are Sienit Holding, industrial land developer, and KCM, ferrous-metal producer, together with 9 municipalities.

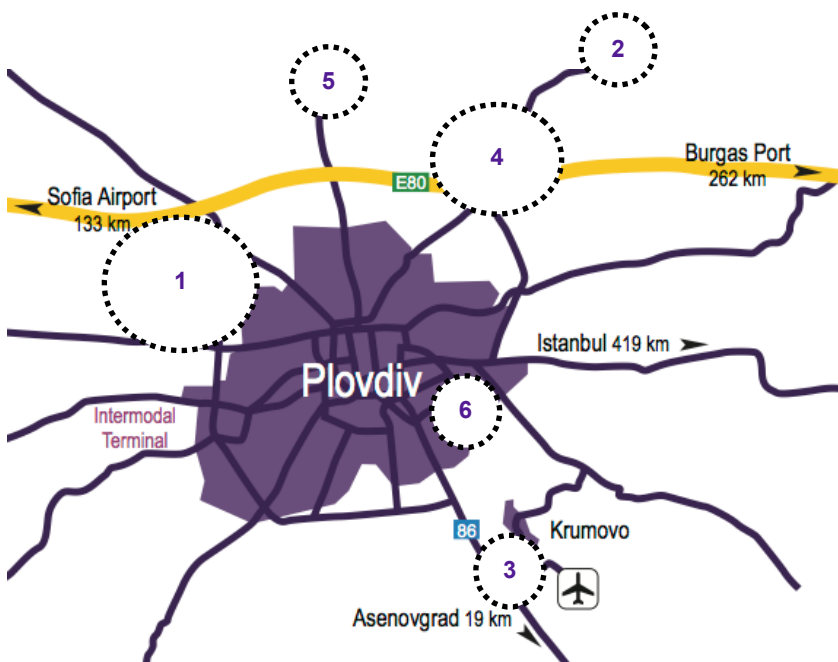
TEZ advantages:

- Convenient geographic location - on important railway routes and European transport corridors, connecting Europe, Asia and Africa
- Infrastructure secured - transport, electricity, gas, water, sewerage, telecommunications
- Specialized administrative unit provides additional services, accelerated procedures
- Qualified work force 7 major universities and 2 colleges with technical and economics disciplines, more than 80 schools, language and specialized high schools
- Some 68,000 employees in the manufacturing sectors, another 20,000 engineers and machine operators in other industries
- Fastest growing industrial area in Bulgaria in the past 20 years



Specialized zones included in TEZ:

1. Maritza Commercial and Industrial Zone
2. Rakovski Industrial Zone
3. Kuklen Industrial Zone
4. Trakia Hi-Tech Innovation Park
5. Agro Centre Kaloyanovo
6. Education and Hi-Tech Park in the city of Plovdiv



Short terms from first steps to a completed factory

Quick start of operation - thanks to the finished spatial planning of the territory. The team of the Economic Zone - specialists with over 15-years of experience in the construction of industrial, logistic, infrastructural, energy and commercial sites, lawyers, brokers contributing to the fast project implementation. The Zone has ready production, logistic, commercial facilities to offer.



CULTURE & TOURISM

Oldest living city in Europe



Thracians founded Plovdiv during the Neolithic period in the 2nd millennium BC. Picturesquely situated in the Thracian lowlands, 140 km east of Sofia, and built on seven hills, Plovdiv is the oldest continuously inhabited city in Europe and 6th oldest in the world. Today Plovdiv is still one of the most livable cities in Bulgaria. In 342 BC, Philip II of Macedon (father of Alexander the Great) led a great military expedition north against the Scythians, conquering the Thracian fortified settlement Eumolpia to give it his name, Philippopolis (modern Plovdiv).



This ancient city has astonishing historical and cultural heritage and an amazing Old Town, applying for UNESCO List of World Cultural Heritage. It was built in the 18th and 19th centuries as the center of the Bulgarian National Revival architecture. Along steep cobblestone lanes, behind stone walls and iron-studded heavy oak gates, one glimpses at verdure and flowers, surrounding the typical Plovdiv symmetrical houses with their painted facades, oriels and jetties and grid windows. Important sights are also the 2nd century Roman forum, stadium, and the fabulous amphitheater built during the time of Emperor Trajan (98-117). Other landmarks of this area are the charming Ethnographical Museum, a beautifully painted church (1832 - 1836), a 15th century mosque and many others.

Arts & city events



There are over 50 art galleries located in Plovdiv, housing valuable pieces of modern Bulgarian paintings. The city is a cultural centre in Bulgaria, developing a number of events and industries around the arts and culture. Major city events include The Night of Museums and Galleries held annually, The Plovdiv Jazz Fest (part of the annual Fall Art Saloon Series), The Verdi Nights Opera Festival (taking place on the famous Roman amphitheater), One Design Week / One Dance Week / One Architecture Week - a bundle of festivals that just moved their venues from Sofia to Plovdiv. Besides, there is a variety of pubs and stages for live performances. Plovdiv is a candidate for European capital of culture in 2019.

Concentration of unique pubs, art and craft studios one may find is the unique Kapana district. That downtown area is known for its rich night life, and has emerged as a spontaneous hub for new art endeavors. The municipality of Plovdiv has prioritized Kapana as a creative-industry district.



CANDIDATE FOR
EUROPEAN
CAPITAL OF
CULTURE

plovdiv
together
2019





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