



Press Release – WCY 2013: Bulgaria

Bulgaria's international competitiveness falls further behind peers in 2013

In 2013, Bulgaria's competitiveness fell further behind its peers according to IMD World Competitiveness Yearbook 2013. The ranking, closely watched by international investors shows the country, which has failed to resolve long-standing competitiveness issues during the good times until 2008, is in need of bold new reform efforts to turn its fortune around. **Bulgaria is ranked at 57th position** (out of 60 economies) – 3 places below the position achieved in 2012 – 54th. **This is the lowest ranking the country has received since its inclusion in the IMD ranking in 2006 and it is almost 20 places lower than its highest achievement in 2009 – 38th place.** In 2013, only 3 countries lag behind Bulgaria in the IMD ranking – Croatia, Argentina and Venezuela. All of them ranked lower than Bulgaria in the previous edition of the yearbook, as well. Countries like Greece and Ukraine, both of which ranked below Bulgaria in WCY 2012 move up to 54th and 49th respectively. The fact that countries like Poland and Estonia, which share similar economic and political legacy as Bulgaria are among the fastest progressing countries (Poland is ranked 33rd while Estonia is 36th) clearly demonstrate the significance of an appropriate reform approach while also indicating the untapped growth potential of Central and East European (CEE) countries.

Bulgaria's competitiveness landscape indicates that there has not been a major shift in any of the key performance indicators in the last 3 years (2010-2013) with only mild deterioration of the majority of factors, while a few (mostly infrastructure) have moved upwards (Figure 1). As a whole, the breakdown of the best and the worst

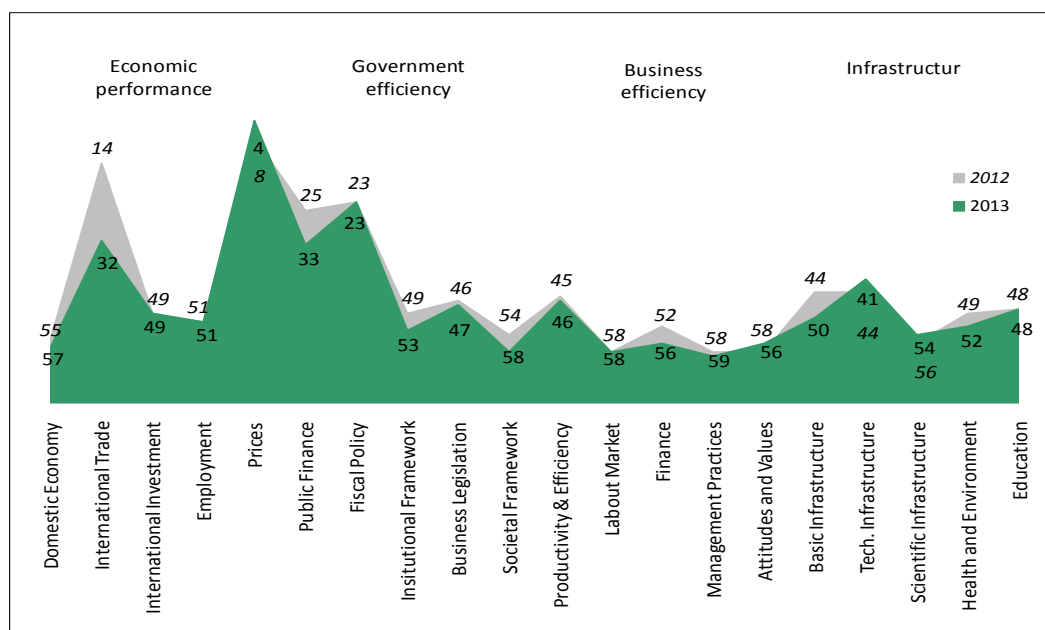
performing areas clearly indicates the main characteristics of the current state of the Bulgarian economy. On the one hand, **the country continues to be fiscally stable, open and export-oriented economy with one of the lowest living and business costs in Europe** as seen by the fact that Bulgaria is ranked highest in terms of:

- Prices /cost competitiveness (4th place among the 60 ranked countries);
- Fiscal policy (23rd);
- International trade (32nd, however falling back from 14th place in WCY 2012).

On the other hand, **Bulgaria continues to suffer from the lack of adequate business culture and institutional framework, while also being plagued by a labor market crisis leading to one of the lowest employment levels Bulgaria has experienced in its post-communist history.** These negative developments are directly related to the **weak domestic economy and social framework coupled with the lack of adequate support for innovation** (through building adequate scientific and entrepreneurship infrastructure). Bulgaria continues to rely on low prices for its competitiveness, and will remain the poorest EU-member, even after Croatia joins in mid 2013. Areas of poor competitiveness performance of Bulgaria include:

- Management practices (59th)
- Labor market (58th)
- Societal framework (58th)
- Domestic economy (57th)
- Scientific infrastructure (54th though improving)
- Institutional framework (53rd)
- Employment (51st)

Figure 1: Bulgaria's Competitiveness Landscape 2012 - 2013



The Center for the Study of Democracy (CSD) has identified the following five main challenges, which Bulgaria faces in improving its competitiveness:

- **Modernise public administration** to increase evidence-based efficiency and regulatory quality;
- Reduce administrative costs and provide **EU funds-backed incentives for innovation**, entrepreneurs and start-ups;
- **Strengthen judiciary** to tackle corruption, speed up insolvency procedures and reduce business uncertainty;
- Reform the governance and regulation of the **energy sector** to preserve cost competitiveness, diversify gas supply, and improve energy efficiency;
- Tackle **hidden economy** and related labor market inefficiencies.