**ESTABLISHMENT OF TRADE INCUBATOR**

Bulgaria has one of the lowest costs of establishing business in Europe and is the cheapest in terms of labour wages too. The tariff for corporate and private investors is a flat 10%. Added to this is the fact that 0% applies in areas with a high prevalence of unemployment. The literacy rate is 98.4%, inflation has been hovering at hardly 2% and GDP growth has been documented at around 3.3% since the last couple of years.

2. Per capita income at the GDP benchmark is US$ 8000, albeit, on the lower side in EU terms. Its global credit ratings are generally positive. The tourism sector is booming and in 2018, it had welcomed approximately nine million visitors.

3. What is also remarkable is the fact that it is one of the top outsourcing destinations within Europe for automobiles, with almost seven out of ten vehicles having some component manufactured in Bulgaria. Globally, it is rated within the top five in terms of outsourcing. It also possesses a burgeoning defence industry that in 2017 earned € 1 billion.

4. Bulgaria is a member of the EU. Although it is a country with a population of a mere 7 million, its geography entails that it can serve markets in the EU, Turkey, Middle East and even the Black Sea rim i.e. Russia and Ukraine. The aggregate market size that Bulgaria could plausibly access ranges between 200-450 million.

5. The country seeks to attract investors for the information technology, food & beverage, outsourcing, education and electronic sectors because these have been singled out as priority by policy makers. The country has been demarcated from the economic perspective into six distinct regions i.e. South-West, South-Central, South-East, North-West, North-Central and North-East. The South-West portion, that includes the capital Sofia, is the most affluent, whereas the North-West sector is the least materially endowed.

Mission’s Concept

6. In light of the above summation, the Pakistan Embassy in Sofia is sharing a scheme that outlines the creation of a hub to serve as a warehousing facility in Bulgaria. This warehouse or incubator would be ideal in sampling, marketing and distribution purposes for Pakistani exports to potential new markets within Europe. The incubator would be adequately placed to oversee the growth of Pakistani start-ups or early-stage firms.

7. To intensify penetration and enhance the outreach of our export goods, the warehousing centre (bonded or otherwise) would be ideal in reaching the eastern European region as well as new markets in Western Europe. Our ambivalence in the quest for emerging markets has resulted in stunted exports.

8. A broad outline of the factors that make instituting such a commercial hub in Bulgaria feasible are:

1. *Sofia is the nearest overland European capital to Pakistan.*
2. *A warehousing facility would accelerate the ease for potential European buyers in visiting Bulgaria for the inspection of samples, negotiate terms and place orders.*
3. *Bulgaria has established itself in the EU with one of the lowest rates of import tariffs, corporate tax and dividend tax.*
4. *The country prides itself on its highly educated and digitalized, young manpower available at the most competitive wages within Europe.*
5. *Bulgaria is endowed with low rates of utility charges, especially electricity charges. Power outages are very unusual. Almost one-third of the electricity grid is nuclear-generated.*
6. *Warehousing facilities and office space in Bulgaria are available at lower than average costs when compared with other parts of Europe. The mean offer ranges between € 8-15.*

9. The trade incubator will assume the simultaneous roles of a creator, coordinator and accelerator. It will (a) access potential traders through e-marketing; (b) facilitate and finalize transactions in Sofia by digitally connecting the two sides; (c) arrange requisite space for sampling and warehousing; and, (d) ensure logistical arrangements for the transportation of goods to destinations within the EU and beyond. Like all versatile projects, it will develop an interactive website.

10. Its e-experts will be responsible for: (1) searching and accessing new European buyers; (2) offering products and coordinating visits of European buyers to Sofia; (3) making a preliminary sales pitch by exhibiting samples and quoting prices; and (4) connecting the traders with Pakistani producers/entrepreneurs through video-conferencing on Skype and other social media. The staff will be incentivized on the strategies to be employed in securing deals between Pakistani exporters and European importers.

11. Our commodities that hold a comparative advantage and have already proved their niche in larger EU markets are also saleable in similar markets of other EU and non-EU members. At the outset, products that enter this category are textiles, sports gear, leather, surgical and dental equipment, auto spare components, designer apparel, gems, jewellery & accessories, software and web designing, kinnows & mangoes, rice, spices, meat & dairy preparations etc. Mango and kinnow promos have already been organized by this Embassy.

12. The trade incubator’s underlying inspiration would be to magnify the gains secured by GSP+ while diversifying into hitherto markets of the other twenty-one EU states that remain under-accessed and under-utilized. This would initiate with Southeast Europe (SEE) where Bulgaria is located. Resembling Pakistan’s economic paradigm where cottage industries/micro-enterprises assume a pivotal role, SMEs could construct supply lines in Europe by offering port-handling, warehousing and logistical services, through the auspices of Bulgarian ports on the Black Sea.

Estimated Recurring Costs

13. Keeping in purview the above aspects, several options and sites are available for adequate premises to assume the role of a warehouse or incubator. Moreover, the financial component for bringing this project to fruition has been worked out in terms of daily operations, rent, staffing, logistics and overheads.

|  |  |  |
| --- | --- | --- |
| **HEAD OF EXPENDITURE** | **MONTHLY** | **ANNUAL** |
| ***Employees*** |  |  |
| *Remuneration for 10 individuals* | BGN 10,300/- | BGN 123,600/-  US$ 69,830/- |
| Overtime Allowance | BGN 1,500/- | BGN 18,000/- |
| ***Communication*** |  |  |
| Courier/Pilot Ser./Postage | BGN 1,500/- | BGN 18,000/- |
| Landline/GSM | BGN 2000/- | BGN 24,000/- |
| ***Utilities*** |  |  |
| Electricity | BGN 1,600/- | BGN 19,200/- |
| Cold Water | BGN 200/- | BGN 2,400/- |
| Heating and Hot Water | BGN 2,000/- | BGN 24,000/- |
| ***Occupancy*** |  |  |
| Rent Office Building | BGN 10 per m2 | BGN 120 per m2 |
| ***Miscellaneous*** |  |  |
| *Stationery* | BGN-1,500/- | BGN 18,000/- |
| Printing & Publication | BGN 100/- | BGN 1,200/- |
| Printing & Publication | BGN 75/- | BGN 900/- |
| ***Repair & Maintenance*** |  |  |
| Machinery & Equipment | BGN 250/- | BGN 3,000/- |
| Furnitures & Fixtures | BGN 250/- | BGN 3,000/- |
| General Upkeep | BGN 100/- | BGN 1,200/- |

**Demarcation Of Costs**

Staff Emolument

1. Four E-Marketing Experts BGN 1,200x4 = BGN 4800/-

2. Two Public Relations Coordinators BGN 1,200x2 = BGN 2,400/-

3. One Telephone Operator cum Receptionist BGN 1,000/-

4. One Dispatch Rider BGN 700/-

5. One HelperBGN 700/-

6. One Guard BGN 700/-

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BGN 10,300/-per month or US$ 5819\*

BGN 123,600/-per annum or US$ 69,830/-per annum\*

***\*At prevailing forex rates***

**Initial Purchases**

* Ten Computers BGN1,200x10 = BGN 12,000/-
* Ten Printers BGN 200x10 = BGN 2,000/-
* Five Telephones BGN 50x10 = BGN 500/-
* Ensemble Furniture BGN 10,000/-

14. Oversight and management of the incubator could be a joint endeavour and collaboration of the Pakistan Embassy in Sofia, Ministry of Commerce, Trade Development Authority of Pakistan (TDAP), Federation of Pakistan Chambers of Commerce & Industry (FPCCI) and any other major stakeholders. Everyday functions of the incubator would be conducted with an additional compliment of Pak-based staff and an appropriate number of local employees.

15. This project ought to receive meticulous and serious consideration in order to identify pros and cons because it would be of great utility in magnifying Pakistan’s exports in this part of the world.

16. Likewise, we have included the link <http://nciz.bg/en/industrial-zones/zones-under-development/bozhurishte/bozhurishte-economic-zone> that may be accessed for ancillary data from this perspective. An added option is InvestBulgaria Agency at <http://investbg.government.bg/en>.

17. A prospective tour by analysts/experts from Pakistan would be deemed appropriate at the outset in exploring this possibility and conducting a feasibility study.