

СОФИЙСКИ УНИВЕРСИТЕТ
„СВ. КЛИМЕНТ ОХРИДСКИ“

СТОПАНСКИ ФАКУЛТЕТ



SOFIA UNIVERSITY
ST. KLIMENT OHRIDSKI

FACULTY OF ECONOMICS AND
BUSINESS ADMINISTRATION

REVIEW

By Prof. DrSc, PhD Sonia Varadinova Mileva-Bojanova,

Faculty of Economics and Business Administration "St. Kliment Ohridski", Department
of "Industrial Economics and Management"

Grounds for presenting an opinion: participation in a scientific jury, determined by Order No. 1126/22.11.2023 of the Rector of SA "D. A. Tsenov" - Svishtov and decision of the first meeting of the scientific jury on 24.11.2023 (Decision of Faculty "Finance" Protocol No. 3)

Regarding: public defence of a doctoral student in the field of higher education: 3. Social, economic and legal sciences, professional direction: 3.8. Economy

Dissertation topic "Foreign Direct Investment: Economic Growth and Convergence within the European Union"

With author Anna Dimitrova Petkova, D 0 20219193, part-time doctoral student in the doctoral program "Finance, money circulation, credit and insurance" (Finance)

Research supervisor: Assoc. Prof. PhD. Anelia Radulova

This review was prepared in compliance with the requirements of the Law on the Development of the Academic Staff, the Rules for its Implementation, as procedurally all requirements were met and according to Art. 61 and Art. 64 of the Regulations for the development of the academic staff of the SA "D.A. Tsenov", Svishtov.

I. General presentation of the dissertation work

Doctoral student Anna Petkova's dissertation is dedicated to an extremely topical topic related to measuring the impact of foreign direct investment (FDI) on economic growth based on research and tracking the development of key macroeconomic indicators. The focus is on the degree of real convergence within the member states of Central and Eastern Europe (CEE).

The dissertation has a **volume** of 163 pages. Structurally, it consists of an introduction, an exposition in three chapters, a conclusion, **references** with a total of 118 sources - mainly in English, and three appendices. The three chapters are well balanced, logically connected to each other. Illustrative materials include a total of 24 tables and 17 figures.

The dissertation has a clearly defined object, subject, goals and tasks of the scientific research and a formulated dissertation thesis. **The subject** of research is an assessment of the intensity of FDI in Bulgaria and its impact on the degree and speed of convergence in the EU.

The object of research are the flows of foreign direct investments (FDI) in Bulgaria and the EU member states from Central and Eastern Europe (CEE).

The main goal of the dissertation is to measure the level of impact of FDI intensity on economic growth and the degree of convergence of Bulgaria and the CEE countries in the EU. **The defended thesis** is that the improvement of the investment climate and the implementation of measures to optimize the conditions for increasing the inflow of FDI is a prerequisite for economic growth and acceleration of the real convergence process of Bulgaria in the EU. A total of seven **tasks** corresponding to the objectives of the dissertation are presented - terminological clarifications for the types and manifestations of FDI; degree and direction of impact of FDI on economic growth; economic and non-economic determinants of FDI attraction; analysis (by different indicators) of FDI and structural transformations of investment flows in the country; comparative analysis of the dependences between economic growth and the inflow of FDI in Bulgaria and the CEE countries; an econometric model for assessing the degree of convergence of incomes and FDI flows; assess the degree of impact of FDI on the real convergence of CEE member countries based on macroeconomic indicators of economic growth.

The methodology used corresponds to the specifics of the research, including a systematic approach, comparative and statistical analysis, synthesis and economic modeling. Data were used from a wide information empirical base from the country, as well as from the leading international organizations in the field (IMF, OECD, World Bank, etc.). Empirical data were processed with SPSS , visualized with figures, tables and graphs.

II. Assessment of the form and content of the dissertation.

The dissertation is devoted to a significant, current economic problem, on a topic that is complex, both in terms of the cause-and-effect relationships between FDI and economic growth, and in terms of the determinants of the formation of an investment climate, responsible for this and the measurement of influences through significant macroeconomic indicators. The applicability of the research is in the direction of determining the capacity to attract FDI and adequate measures to improve the investment environment in the country in priority industries with high added value. The dissertation work is supported logically with a transition from the general to the particular.

In **the first chapter** , the issues related to the specifics and forms of manifestation of FDI are discussed and the definitions and characteristics leading in the scientific literature and used by international organizations are presented. The FDI mechanism for resource transfer control (financial, technological and human) and the differences with portfolio investments are highlighted, as well as the various ch. t. on the part of the foreign investor and the host country. The degree and direction of impact of FDI on economic growth in host countries is investigated. As a result, four main groups of impact were derived: conditionally positive, unconvincingly positive, neutral and negative impact of FDI on economic growth. An important conclusion is that the conclusions are drawn on econometric models of different scope and specificity, variables, specificity of the studied countries, level of development and policies.

The second chapter is a comparative analysis of the inflow of FDI in Bulgaria in the period 2010-2021. The business climate in the country, legal regime and strategic documents for the promotion of FDI are studied. The structural changes, differences and disproportions between FDI and domestic investment in fixed assets have been assessed. The preferences of investors by industry and group are shown.

The third chapter is dedicated to FDI and the processes of real convergence measured by equalizing the levels of income and development within the EU and in particular the member states of CEE and Bulgaria. A comparative analysis was made to assess the degree of economic growth and the accompanying trends in the change of FDI based on real GDP, GDP per capita, purchasing power parity in the period 2010-2021. Included are 10 out of a total of 11 CEE - Bulgaria, the Czech Republic, Estonia, Croatia, Latvia, Lithuania, Poland, Romania, Slovenia and Slovakia. Hungary is excluded due to missing data for the analyzed period. The main results of the research show that the average annual growth rate of real GDP (at market prices for 2020) in CEE countries is growing twice as fast as the EU-27 average, which is an indication of convergence processes. CEE countries were found to retain the lowest levels of real GDP per capita, with Latvia, Croatia, Romania and Bulgaria singled out. There is a directly proportional relationship between the average annual growth of FDI and the average annual growth of GDP per capita. Bulgaria lags behind, with the average annual growth of FDI being 3.29% compared to 4.12% on average for the EU-27. Testing the hypothesis that faster growth rates are associated with higher FDI inflow absorption is done by estimating beta (β)-convergence (Baro, 1992) and cross-sectional regression based on the assumption that the studied economies approach the same steady state. A correlation dependence of the value of the decimal logarithm \ln of FDI in the initial year of the analysed period and the average annual growth rate to the CEE member countries was derived, which shows a convergence to the average levels of FDI inflow in the EU. An average positive interdependence was confirmed between the average annual growth rate of FDI (%) and the change in FDI compared to the initial level of 2010. The studied CEE countries are grouped by indicators of absolute values of FDI and average annual growth rate, with Bulgaria falling into the group with relatively high levels of FDI, but also with the lowest average annual growth rate, together with Slovakia and Croatia. The results of the regression model measuring beta (β) – convergence by income and FDI income show that the rate of convergence implies a “catch-up” to the average levels as well as a convergence to the average levels of intra-EU FDI inflows on average positive interdependence of parameters. In addition, the degree of influence of FDI on the real convergence of four countries - Bulgaria, Romania, Lithuania and Latvia - was additionally “measured” through correlation and regression analysis on three macroeconomic indicators. A direct causal relationship between FDI and the main macroeconomic variables included in the model is demonstrated, but not as a general conclusion.

Stylistically and linguistically, the text is robust in terms of the terminology and stylistics used. Citation of the used sources is correct. The data and statistical processing used conform to the rules of computing and scientific ethics.

The abstract is 44 pages long and reflects the content, main results and conclusions in a synthesized form. It contains all the necessary elements for an abstract of a dissertation work, including justifying the topicality of the topic, the degree of development, outline of the object, the subject, the goals and tasks, the research thesis, structure and content of the dissertation,

directions for future research, as well as a reference to the contributions, a list of publications on the topic, a reference to compliance with the national requirements under the Regulations for the Application of the Law on the Development of the Academic Staff (PPZRASRB) and a declaration of originality of the dissertation work.

The two studies included in the abstract are on the subject of the dissertation, are in Bulgarian and included in the annual almanac "Scientific research of doctoral students" - 2021, 2022.

III. Scientific and scientific-applied contributions of the dissertation work.

The dissertation submitted for review is an independent and completed study on the impact of FDI on economic growth and convergence in the EU and the CEE countries in particular. The doctoral student convincingly demonstrates his skills for scientific research work on significant and current issues, including to systematize and formulate problems and seek guidance for their solution.

The main contributions of the dissertation are the determination of the form and manifestation of FDI, the degree and direction of impact on economic growth in the recipient country. The main determinants - economic and non-economic - responsible for the attractiveness of FDI have been identified. FDI and the structural transformations of investment flows in Bulgaria were analyzed, and the dependences between growth and inflow of FDI in the CEE countries were determined. An econometric model was constructed to assess the degree of convergence in terms of income and FDI flows in the studied countries for the period 2010-2021. "Measured" is the degree of impact of FDI on the real convergence of CEE countries.

IV. Dissertation critical notes, questions and recommendations.

As a main note and recommendation to the doctoral student is an increase in publication activity, incl. in English and in global and indexed databases with the aim of greater visibility and recognition of the achieved research results.

Based on the structure of the dissertation, I would recommend expanding the conclusion with a greater degree of detail, reflecting the actual conclusions reached from the conducted research.

Question for the PhD student: Based on the research carried out, can you highlight where FDI promotion measures should be prioritized, specifically for Bulgaria (in the context of such areas as increasing capital investment, increasing employment and productivity, transfer of technologies etc.)?

V. Summary Conclusion and Opinion.

The dissertation submitted for review meets the requirements of the Law on the Development of the Academic Staff of the Republic of Bulgaria and the Regulations for its

implementation, as well as the additional requirements of the Regulations of the SA "D. A. Tsenov". It is a completed research paper containing scientific and applied contributions on a current and important topic regarding measuring the impact of FDI on economic growth and convergence in the EU.

Bearing in mind that the dissertation is an independent work of the doctoral student, as well as the fact that the candidate possesses the qualities, experience and competences to conduct independent scientific research and fulfils the minimum national requirements for obtaining the educational and scientific degree "doctor", I propose to the respected members of the scientific jury to vote positively and make a decision to award Anna Dimitrova Petkova the educational and scientific degree DOCTOR in PN 3.8 Economics.

12/18/2023

Reviewer:

Prof. DrSc, PhD. Sonia Mileva-Bojanova