

## Economic Program

The Economic Program launched its first privatization project in 1991. In the years that followed, the scope of research and advocacy activities was gradually extended to include all major aspects of the economic reforms taking place in Bulgaria. Today, CSD enjoys the reputation of an independent institution which provides reliable professional analyses of economic reform issues.

### 1991 – 1993 Highlights:

- two international conferences on the problems of privatization and private sector development with the participation of prominent foreign experts from the US, UK, Germany, France, the Czech Republic, Poland and senior Bulgarian government officials;
- *Privatization and Foreign Investment Monitor* - a bi-weekly digest of the Bulgarian media reviewing the privatization and economic reform processes;
- two policy recommendation papers containing analyses, evaluations and suggestions for amendments to existing legislation in the field of privatization, foreign investment and debt conversion;
- thirteen policy-oriented seminars and discussions on municipal privatization, investment funds, mass privatization, foreign investment, debt management and the efficiency of consulting firms;
- three brochures on privatization in Bulgaria and other Central and East European countries;
- twenty occasional papers on the key issues of privatization and foreign investments;
- seventeen Reform Round Table papers exploring some of the most pressing issues of the economic reform in Bulgaria: tax reform, inflation and pricing policy, agrarian reform, social security and the labor market

The efforts of the CSD Economic Program in 1994 were focused on the following major projects:

Privatization and Private Sector Development in Bulgaria;

Investigating the Efficiency of West European Consulting Firms Working for East European Companies;

Migration: European Integration and the Labor Force Brain Drain;

Reform Round Table;

Debt Conversion: Guidelines for Bulgaria;

Bulgarian-American Economic Cooperation Forum.

### **I. Privatization and Private Sector Development in Bulgaria**

This project achieved several important practical results in 1994. CSD enlisted the support of a number of key figures in privatization as contributors, discussion participants and recipients of the project results. These included the Deputy Prime Minister, heads of departments at the Privatization Agency, the Chairman of the Supervisory Board of the Privatization Agency, heads of privatization departments of the branch ministries, Members of Parliament from all parliamentary groups, the Head of the Privatization Commission at the National Assembly, and privatization advisors at the Council of Ministers.

Research activities of the project enabled CSD to be a major participant in the discussion of privatization and economic reform issues through the elaboration and promotion of proactive standpoints. Thus, CSD emerged as one of the principal independent institutions in Bulgaria professionally engaged in privatization studies.

In addition, CSD maintained close contacts with different news media and succeeded in obtaining wide coverage of the project activities, thereby encouraging broad public discussion of privatization issues.

These results were made possible through a wide variety of activities:

#### Institutional Contacts and Networking

The Economic Program provided opportunities for contacts and the exchange of views and information between officials and experts involved in privatization issues. It also provided practical assistance to the state administration in the privatization process and to municipal authorities in the implementation of the Privatization Law.

The specific activities through which the Economic Program achieved this are described in greater detail below.

#### *Municipal Privatization in the Bansko Municipality*

The project attained practical results including elaboration of a Regional Development Program, development of a Municipal Privatization Program, and conclusion of privatization transactions. The Economic Program prepared and carried out an opinion poll on privatization and regional development in Bansko. Finally, the Program prepared the Regulations of the Private and Investment Fund for the Bansko municipality.

#### *Mass Privatization Seminar*

This seminar, held in February 1994, was attended by senior executives and representatives of key institutions in privatization, including deputy ministers, advisors at the Council of Ministers, heads of departments at the

Privatization Agency and various ministries, representatives of investment funds in Bulgaria, and researchers. One of the main topics of the seminar discussions was the results of a national sample survey on public attitudes towards mass privatization. Discussions led to the elaboration of specific recommendations which were forwarded to key decision-makers.

*Investment Funds: Economic, Institutional and Legal Framework Seminar*

The seminar, held in March 1994, was designed to suggest various means for raising and utilizing municipal financial resources for advancing privatization and regional development in nine municipalities in different parts of the country. Another objective of the seminar was to bring together representatives of the existing investment funds and provide opportunities for the exchange of experience. Several forms of interaction between the municipalities and the private investment funds were suggested, including participation in the flotation of investment funds, confidential management of financial means, issuance of securities and guaranteeing the flotation, intermediation in privatization transactions, real estate transactions, swap operations and futures deals with local resources.

*Bad Debts: Nine Months after the Passage of the Settlement of Non-Performing Loans (Extended up to 31 December 1990) Act Seminar*

This seminar brought together representatives of all the institutions involved in the adoption and implementation of the Privatization Law, including the National Assembly, the Council of Ministers, the Bulgarian National Bank, the Ministry of Finance, the Privatization Agency, and several commercial banks.

The Economic Program, with the support of other CSD programs, formed several working groups which brought together experts from CSD and the responsible ministries, and government agencies. The following documents were prepared as a result of the seminar and working group meetings:

a) Bylaws of the Funds:

- Mutual Fund pursuant to Article 8 of the Law on Transformation and Privatization of State-Owned and Municipal Enterprises. Adopted by Council of Ministers Decree No. 68/01.09.1994;
- Investment and Privatization Fund with the Ministry of Agriculture pursuant to Council of Ministers Decree No. 248/02.11.1994;
- Municipal Privatization Fund - Bansko, approved in principle at a municipal council meeting on December 20, 1994.

b) Explanatory Notes to the Regulations for Organization and Operation of the following Funds:

- Mutual Fund

- Investment and Privatization Fund with the Ministry of Agriculture
- Municipal Privatization Fund

### Research Activities

The Economic Program conducted the following surveys:

#### *Case Studies on Post-Privatization Behavior of Enterprises*

The survey included six case studies of privatized enterprises. The main objective was to examine the dynamics of post-privatization behavior and to provide recommendations to decision-makers.

#### *Public Attitudes towards Mass Privatization (National Sample Survey, January 1994).*

The survey estimated the degree of public acceptance of the government's mass privatization project and provided analysis and suggestions to make the project more appealing to Bulgarian citizens and more relevant to the financial potential of different socioeconomic groups.

#### *Public Attitudes towards Mass Privatization (National Sample Survey, April 1994).*

A block of questions requested by the Center for Mass Privatization at the Council of Ministers was included in the National Media Omnibus of CSD. The survey results were based on a representative sample of 1,019 respondents.

### Dissemination of Information

#### *Privatization and Foreign Investment Monitor*

This bi-weekly press digest in Bulgarian has been published by CSD since 1992. In 1994 it was regularly distributed among 350 key politicians, experts, researchers, members of the Economic, Budget and Legislative Committees of the National Assembly, cabinet ministers and members of other government agencies, non-parliamentary political parties, Bulgarian and foreign consultant firms, embassies, trade unions, associations and employers' organizations. Since December 1993, the Monitor has also included a statistical supplement containing information on privatization and foreign investments for the two weeks under review.

The Economic Program maintained regular contacts with "Plus Minus", the most popular program on economic issues on Channel One of the Bulgarian National Television, the Horizont and Hristo Botev national radio programs, and private radio stations in Sofia, Varna, and Plovdiv. Contacts were also maintained with the major independent daily newspapers, such as Standart News, Pari and Kontinent.

### **II. Investigating the Efficiency of West European Consulting Firms Working for East European Companies**

The second major project of the Economic Program aimed at providing a qualitative and quantitative

evaluation of the efficiency of western consulting firms advising East European companies. The project was supported by the European Union and was carried out by research teams from eight European countries including Hungary, Lithuania, Poland, the United Kingdom, the Czech Republic, Ireland and Bulgaria.

Project activities included:

- conducting an in-depth survey of eight enterprises that had used the services of western consulting firms;
- gathering information (via interviews) from 85 enterprises;
- interviewing managers of western consulting firms which had advised Bulgarian companies;
- organizing a seminar on "Efficiency of West European Consulting Firms Advising East European Companies". The seminar took place at CSD on November 9 and 10, 1994. It was chaired by Dr. Gabor Hovany from the Hungarian Academy of Sciences, Professor Marek Belka from the Warsaw Institute of Economics and Dr. Daniela Bobeva from CSD;
- preparing an analytical report and working papers.

### **III. Migration - Europe's Integration and the Labour Force Brain Drain**

The third major focus of CSD Economic Program was a two-year international research project to examine the brain drain from Bulgaria, with a view of identifying the scientific and economic consequences from the migration of

scientists and experts. This project, supported by the European Union, involves 15 research teams from eleven Central and East European countries including Poland, Hungary, Lithuania, Latvia, Estonia, the Czech Republic, Slovakia, Romania, Slovenia, Albania and Bulgaria. CSD coordinates the work of the research teams.

To accomplish the first-year project objectives, the Economic Program:

- examined the real migration of Bulgarian scientists and experts between 1989 and 1995;
- evaluated professional skills and performance, professional motivation, internal mobility and potential for emigration of Bulgarian scientists and experts to other countries;
- prepared statistical analyses and over 40 international comparative tables (for all participating countries) in six blocks, including comprehensive information on the population, economy;
- unemployment, migration, science (structure, employment, funding and development);
- developed and coordinated the project research strategy;
- developed and coordinated with the participating countries the selection of the instruments for gathering empirical information;
- conducted four pilot surveys and organized a focus group. The pilot surveys included unemployed scientists, scientists employed in the private sector, real migrants and potential migrants among

undergraduates and graduate students of the Technical University. The program carried out a total of 127 interviews and organized a focus group of unemployed scientists;

- prepared statistical analysis including data for Bulgaria and available data for all of the countries participating in the project;
- organized a working meeting of the international team in Sofia in December 1994. This meeting was attended by three representatives from the European Union and 13 coordinators from 10 country teams participating in the project.

#### **IV. Reform Round Table**

The fourth major focus of the Economic Program was its participation in the Reform Round Table. Since its beginning in October 1991, the major objective of the Reform Round Table has been to regularly exchange information among East European countries on the crucial macro- and microeconomic issues raised by the economic and legal reforms taking place in these countries. The principal aim of the project is to disseminate documents to experts, policy-makers and the general public. The topics for these documents are selected in accordance with the economic priorities of each country and are reconsidered and adjusted annually on the basis of the reform measures underway in each country.

The following Reform Round Table papers were prepared in 1994:

Ivan Tabakov, *The Reform in the Bulgarian Banking System*

Vesselin Pashev, *Price Reform and Pricing Policy in the Transition to Market Economy*

Yordan Hristoskov, *Unemployment and Labour Market in Bulgaria*

Ivo Kovachev, *Privatization in Bulgaria: A Revolution that Never Happened, an Evolution that is Sweeping Everything Around*

Ivan Angelov, *Nature and Main Trends of Development of the New Agricultural Cooperatives in Bulgaria*

Stefan Ivanov, *Financing Private Enterprises in Bulgaria*

A collection of papers (in Bulgarian) on tax reform issues in Latvia, the Czech Republic, Hungary, Romania and Slovenia has also been prepared. This collection was published in 1995. CSD's main concern in preparing this publication has been the expected impact it would produce on policy-making and legislation in the field of tax reform.

#### **V. Debt Conversion: Guidelines for Bulgaria**

Another project of the Economic Program was the preparation of debt conversion guidelines for Bulgaria. The project was coordinated by Dr. Mariana Todorova, a leading Bulgarian expert, currently with the Economic Development Institute of the World Bank. The main objective of this project

was to develop a fully-fledged debt conversion program in order to assist Bulgarian authorities in devising the arrangements needed for Debt-Equity Swaps (DES) by combining the existing legal framework for privatization with the new regulatory framework, institutional and swap mechanisms.

The main activities carried out within this project were:

- a preliminary study of the initial conditions and probable macro- and microeconomic implications resulting from the application of DES. A paper entitled "Debt-Equity Swaps in the Context of Privatization: The Case of Bulgaria", prepared by Sophia Kassidova, member of the project team, focused on these issues and argued that there are opportunities for combining DES schemes with privatization efforts in Bulgaria;
- a comparative analysis of the major successfully applied debt conversion models was prepared by the project coordinator, Dr. Mariana Todorova. The paper outlined the pros and cons of the models employed by other countries and the relevance of these models to the Bulgarian pattern;
- a workshop on Economic Reform and Debt Conversion in Bulgaria was held at CSD in October 1994. This workshop was the first official presentation of the project before representatives of relevant government agencies and the media. The workshop received wide

coverage on radio and TV and in specialized newspapers;

- a visit by Dr. Francisco Garces, Foreign Advisor to the project, and former Chief Administrator of the External Debt Conversion Commission in Chile. Dr. Garces visited CSD in October 1994 and met with legal experts, key government officials from the Bulgarian National Bank, the Privatization Agency, the Foreign Investment Commission, and representatives of the International Monetary Fund and the World Bank. During the discussions, and with the help of Mr. Garces' recommendations, a consensus was reached on the basic elements of the Bulgarian debt conversion program.

## **VI. Bulgarian-American Economic Cooperation Forum**

This one-day forum was held on December 7, 1994. The Forum brought together 42 representatives of American and Bulgarian institutions involved in promoting bilateral trade and investment. It was organized at the initiative of the Bulgarian Ambassador to the United States, Mrs. Snezhana Botousharova, with support from the Open Society Fund, Sofia. The objective was two-fold:

- to identify those factors that currently constrain American investment in Bulgaria and hinder trade expansion; and,
- to define a framework of actions to be undertaken by the Bulgarian and American institutions to promote

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expanded bilateral economic cooperation. Particular attention was paid to the legal framework of foreign investment in Bulgaria.

The Forum was chaired consecutively by Mrs. Botousharova, and Mr. William Montgomery, US Ambassador to Bulgaria. It was attended by the Minister of Foreign Affairs, the Minister and Deputy Ministers of Trade, Members of Parliament, key

government officials, and representatives of American companies investing in Bulgaria.

The output of the forum was a recommendation paper suggesting ways to facilitate expansion of bilateral trade and investment. The paper was presented to the governments of the US and Bulgaria on the occasion of the US-Bulgarian summit in February 1995.