

Economic Program

In year 2001 the work of the Economic Program focused on the following major issue areas:

- Building critical advocacy capacity for corporate governance reform in Bulgaria. The successful completion of the project **Transforming Business Practice through Corporate Governance** brought the Corporate Governance Initiative (CGI) to a stage at which it is widely recognized as the major national advocate of reform. The efforts of CSD also aimed at including the mass media in this process through the project **Corporate Governance Reform and the Mass Media: Building Critical Advocacy Capacity in Bulgaria**.
- Enhancing the business environment for foreign direct investments. Special efforts to bridge research and policy were made through the project **The Impact of European Union Enterprise Relocation on Inter-Firm Relations in Bulgaria**. In cooperation with partners from other Balkan countries CSD assisted the Applied Research and Communications (ARC) Fund in the implementation of the project **Foreign Direct Investments in Balkan Countries: Alternatives to Reduce Existing Barriers**.
- Exploring the frontiers of the new economy. CSD was at the center of the national effort to join the World Bank initiative of a Global Development Gateway which puts the internet at the service of the goals of development by completing the preparatory stage of the Bulgarian Development Gateway.

I. Building Critical Advocacy Capacity for Corporate Governance Reform in Bulgaria

In year 2001 CSD continued to serve as the Secretariat of the *Corporate Governance Initiative* which also includes the Association of Industrial Capital, the Association of Voluntary Pension Funds, the Center for Economic Development, the Investors' Union and the Securities Holders Association, all working together to change corporate governance practices and introduce standards and procedures ensuring transparency and accountability (www.csd.bg/cgi).

1. Transforming Business Practices through Corporate Governance (CGI)

The specific context of the business environment in Bulgaria and the need for comprehensive measures toward acceptance of the principles of corporate governance in Bulgarian companies have determined the approach followed by the CGI team on this project, completed in April 2001. The main activities included: a) monitoring the state of corporate governance in the country and the impact of the activities undertaken within CGI; b) consensus and coalition building; c) cooperation with partners

from other countries facing similar challenges; and d) dissemination and advocacy for further reform. A task Force of experts held 12 meetings aiming at elaborating the corporate governance indicators in Bulgaria for the purpose of improving the quality of national corporate sector data. The Task Force developed a set of indices to measure the progress in reforming the legal framework for corporate governance, the efficiency of the relevant institutions and the corporate governance practices in Bulgaria. A pilot monitoring survey of Bulgarian publicly traded companies was carried out, designed together with experts from the National Securities Commission, the Bulgarian Stock Exchange - Sofia and the Association of Industrial Capital in Bulgaria and conducted with the help of Vitosha Research.

Corporate Governance Assessment Report

On the basis of the survey results CGI experts drafted a *Corporate Governance Assessment Report* which was discussed at a Policy Workshop held at CSD on April 18. The report provided an overview of the general framework and particular dimensions of the corporate governance in the country; it contained information unavailable up to that time to the professional community and the media. With regard to the **legal and institutional framework** the index of corporate governance was assessed at 3.26 (on a scale of 1 to 5) covering the role of the judicial system, capital market development and efficiency of its institutions, and above all the extent in which the existing legislative framework facilitated or constrained proper governance. The **internal factors of corporate governance as well as company practices** received a lower rating – the value of the index was 3.11 as a whole, including 2.42 on protection of minority

shareholders' rights, 3.47 on composition of boards and boardroom practices, and 3.43 on disclosure of information.

The Corporate Governance Assessment Report is an effective advocacy tool for better understanding of the issues by the public, which can also serve as an important resource for the international business community. CGI intends to replicate it in order to track the changes and trends in the course of corporate governance reform in the Bulgaria.

Corporate Governance Guidelines for Bulgaria

Building on the work already done and in line with the 1999 CGI a Policy Recommendation Paper entitled *Corporate Governance Guidelines for Bulgaria* was drafted; it focuses on the following issues:

- responsibilities and motivation of boards;
- role of the judiciary and improvement of judicial practice;
- promotion of capital market development and role of institutional investors;
- residual state shareholding.

The Guidelines include practical measures for the promotion of a culture of compliance with the existing regulations and appropriate disclosure of information. The set of policy instruments which need to be developed or elaborated should focus on regulation and enforcement along with dissemination and education.

Corporate Governance Policy Workshop – April 18, 2001

The Policy Workshop was the main public event in the project. It brought together more than 30 experts - representatives of

government agencies (ministries, Privatization Agency, Center for Mass Privatization, Foreign Investment Agency), business associations (Bulgarian Chamber of Trade and Industry, Bulgarian Industrial Association, Association of Industrial Capital in Bulgaria, Association of Private Pension Funds), development organizations (World Bank and USAID), academics and journalists from the mass media. The workshop provided a practical framework for consensus building among all parties involved in the implementation of modern corporate governance principles in Bulgaria. All the participants agreed on the role to be played by key actors in this process – the government, Stock Exchange, the business community, the shareholders' associations and the media. The discussions which took place helped prepare the final version of the Corporate Governance Guidelines for Bulgaria.

Dissemination and Advocacy

In the period under review CSD paid a special attention to dissemination and advocacy of the need for corporate governance reform and used all available means for this purpose. The web site of CGI (<http://www.csd.bg/cgi/>) was regularly updated to cover current activities and events - it contains the final version of the Policy Recommendation Paper, legal and other documents, publications of CSD and CGI, such as summary reports, draft documents, press releases, etc.; in addition, it provides links to the websites of partner organizations to facilitate access to relevant information.

The CGI activities received broad coverage in the specialized economic and financial press. Articles on the project outputs were published in specialized daily and weekly newspapers with national distribution, namely *Dnevnik Daily*, *Demokratzia Daily*, *Pari Weekly*, *Pari/Capital Market Weekly*, *Kapital Weekly*, etc.

2. Corporate Governance Reform and the Mass Media: Building Critical Advocacy Capacity

CSD's work in year 2001 aimed at launching a network of corporate governance advocates in the mass media, giving publicity to the efforts undertaken so far in the course of the reform and creating a wide constituency and public opinion in favor of implementation of corporate governance principles in business. For this purpose CSD's efforts focused in particular on:

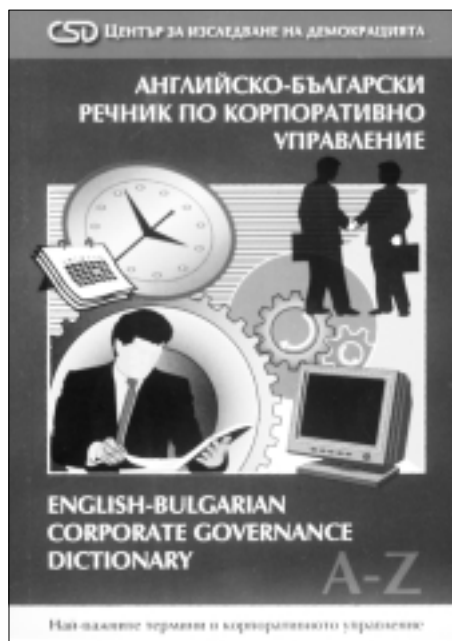
- assessment of the capacity of the Bulgarian mass media to advocate corporate governance reform;
- training a significant number of journalists to cover developments in corporate governance and disseminate the ideas and the know-how formulated in the course of previous projects within CEI;
- providing these journalists with tools necessary for conveying their message to the public.

A preliminary assessment of the coverage of corporate governance reform was instrumental for the success of the project. A survey of about 100 print and electronic media was conducted to assess the capacity for corporate governance advocacy, including journalists responsible for editorial policies as well as reporters. This study helped formulate the major issues for discussion and the forms and methods of training. A set of materials on corporate governance for the seminar is available on the CSD website.

The central element of this project was a training seminar organized by CSD for representatives of the national and regional print and electronic media and held in Sofia on November 20-21, 2001. It had five sessions, each of which devoted to a major issue area of corporate governance (corporate governance

and the relationship between shareholders and management, corporate governance and capital markets, corporate governance and governing bodies, corporate governance and disclosure of information, etc.). Experts who participated in previous projects on corporate governance and representatives of the relevant state bodies (Professor Bistra Boeva, Chair of the Department of International Economic Relations at the University of National and World Economy, Professor Stefan Petranov of Sofia University who is also Chairman of the Board of Directors of the Zlaten Lev Investment Fund, Mr. Manu Moravenov, Director of Trading Surveillance at the Bulgarian Stock Exchange, Professor Plamen Chihev of the Economic Institute of the Bulgarian Academy of Science, Ms. Ralitsa Again, Chair of the Parliamentary Subcommittee on Capital Markets and Securities and Professor Margarita Alexandrova, Member of the State Securities and Exchanges Commission) made presentations or moderated the discussions. The participating journalists had the opportunity to share their ideas about how the issues under consideration could be brought to the attention of a larger audience.

The final phase of the project included publication of a series of articles in a number of print media, namely the national papers *Zastrahovatel Weekly*, *Pari Daily*, *Pari Weekly*, *Ikonomicheski Zhivot Weekly*, the regional *Nov Zhivot Daily* and *Cherno More Daily*, broadcasts of the Bulgarian News Agency, Bulgarian National Radio, etc. As a whole, the involvement of the representatives of the media in the project should contribute toward a greater clarity of the language of corporate governance and lead to better understanding, creating a constituency for corporate governance reform and bringing life to the principle of transparency and disclosure of information.



II. Enhancing the Business Environment for Foreign Direct Investment

CSD has an established track record in promoting foreign direct investment since the beginning of the 1990s. In year 2001 it was involved in two projects on this subject in which it worked with partners from such countries as France, Greece, Albania and Macedonia.

1. The Impact of European Union Enterprise Relocation on Inter-Firm Relations in Bulgaria

This project has had the following objectives: a) to explore the impact of cross-border capital flows on inter-firm relations in Bulgaria; and b) to outline the increasing role of FDI from EU member-states in helping accession countries meet the Copenhagen criteria for EU enlargement. To accomplish these objectives the project team, led by Dr. Vesselin Minchev of the Bulgarian Academy of

Science and Petkan Iliev of the University of National and World Economy, studied the structure and motives of foreign investors in the country, the characteristics and evolution of trans-European equity cross-border activities in Bulgaria parallel to the negotiations for EU accession and the characteristics and evolution of trans-European non equity cross-border activities in Bulgaria (including subcontracting, licensing, franchising, management and turnkey projects). The following tasks were undertaken:

- macroeconomic, geographical and branch structure statistical analysis of outward FDI flows from EU to Bulgaria;
- analysis of the policies for attracting FDI flows to Bulgaria;
- econometric analysis of the determinants of the distribution of FDI entry;
- qualitative analysis and identification of the types of European companies operating in Bulgaria (companies-leaders and companies-followers);
- qualitative analysis and identification of the company strategies in the different regions of Bulgaria (“resource seeking”, “market seeking” and “efficiency seeking” strategies).

As the available information and analysis of the motives and strategies of the foreign cross-border initiatives in the country are still insufficient, a survey of 100 EU-based investors in Bulgaria was carried out to explore equity and non-equity cross-border ventures as well as different types of non-equity contractual arrangements and the preferred forms and networks of the inter-organizational relationships between the EU-based MNCs and local enterprises.

The findings of the field research and their initial analysis were reported at a workshop, held in Sofia on April 25, 2001, to policy makers, academics, rep-

resentatives of NGOs, consultants, local private enterprises and foreign companies doing business in Bulgaria. The discussion at the workshop provided significant material for further analysis was which further done in the research papers by the project team.

The dissemination of the research findings included a presentation at the annual conference of the Center for Economics Research and Graduate Education – Economic Institute (CERGE -EI) grant recipients in Prague, held on July 22 and 23, 2001, and publication of the research papers on the web site of CSD. The project received coverage in the mass media in Bulgaria; its outputs will be used in the preparation of teaching materials in economics, business administration and European studies.

2. Foreign Direct Investment in Balkan Countries: Alternatives to Reduce Existing Barriers

This was an on-going sub-regional project with Applied Research and Communications Fund’s participation in which CSD provided expertise and which was completed in the spring of year 2001. Following up on the project activities for year 2000 which included a planning and coordination meeting in Sofia, design of the macroeconomic indicators for FDI, analysis of the legal framework and a survey of the large and medium-size foreign companies doing business in Bulgaria, the project team undertook a number of case studies and analyzed the environment for FDI.

The project team carried out an analysis of the survey results which served as a basis for the Bulgarian Country Report on Foreign Direct Investment. At a workshop, held on March 9, 2001, business, government, media experts and academics discussed a draft of this

report and proposed policy measures aimed at reduction of the existing barriers and attracting foreign capital.

On the basis of the country reports prepared by the institutions participating in the project (Institute for Development Research and Alternatives and Institute for Contemporary Studies, Albania, ARC Fund, Bulgaria and Forum-Center for Strategic Research and Alternatives, Macedonia) a comparative study of the barriers to FDI in the Balkan countries was prepared by the project coordinator (IDRA) and reported to a Balkan Conference on Foreign Direct Investment, held in Tirana on October 22 and 23, 2001.

III. Exploring the Frontiers of "The New Economy" and E-Development through the Bulgarian Development Gateway (BDG)

The Bulgarian Development Gateway (www.bulgaria-gateway.org) represents the Bulgarian contribution to the World Bank initiative of creating a Global Development Gateway as a network of country development gateways. The goals of this initiative are: a) to facilitate the establishment of a virtual community of government, civil society and private sector organizations with common interest in promoting competitive markets and democracy in a business-friendly environment; b) to empower the local development community to use the internet as a low-cost tool for knowledge-sharing, networking and collaboration; c) to assist this community by providing links to ideas and good practices, information about development activities and trends, funding and commercial opportunities; and d) to increase global access to locally-generated development knowledge.

In the year under review the preparatory stage of the BDG was completed. Its goal

was to assess the potential for development of such a gateway in Bulgaria as well as its likelihood of success and potential impact on social and economic development. CSD provided the overall management of the project in which a number of interested parties (donor organizations, foreign and local businesses, government agencies and NGOs) formed a coalition in pursuit of common developmental goals.

The work included assessment of the needs for a Bulgarian Development Gateway (a study of what the stakeholders expect from it as well as what they could contribute to it), drafting a business plan for launching and sustaining the BDG (defining the potential user communities, their key characteristics and information needs, suggest country specific content/services and possible content suppliers, proposing an implementation strategy, organizational structure and financial plan) and creating a special demo site to be tested and evaluated by users. The project team solicited broad feedback on all the preliminary elements of the strategy, the potential gateway objectives and content components.

Partnership Building

A major element of the preparatory stage was forging a partnership which would be able and willing, one the one hand, to contribute to the BDG and, on the other hand, to take advantage of the opportunities presented by the Gateway for furthering the goals of the individual participating partners. The work in this respect began with two coordination meetings of the BDG Steering Committee, devoted to the broad issue of IT for Development and co-organized with UNDP – one with representatives of the government, NGOs and the donor community held on February 15, 2001 and one with representatives of the private sector and business

associations, held on March 8, 2001. The participants in these meetings gave their support to the idea of a BDG and expressed their willingness to contribute in their respective fields of activity.

To guarantee the success of the initiative CSD worked with individual Gateway partners, including foreign and international donor organizations (the World Bank, UNDP, the European Commission, the US Agency for International Development, etc.), private sector entities and business associations (Bulgarian Association of Information Technologies, Bulgarian American Enterprise Fund, Bulgarian Chamber of Commerce and Industry, Bulgarian Industrial Association, Bulgarian Telecommunications Company, Microsoft, Cisco, Hewlett Packard, etc.), NGOs whose activities are related to the issues of development (CED, EPI, Open Society Fund, etc.) and relevant govern-

ment agencies (Ministry of the Economy, Ministry of Transport and Communications, Ministry of Education, etc.). Partnership agreements (Memoranda of Understanding) were signed with dozens of potential Gateway stakeholders. The BDG management team benefited from the help of the consulting missions of World Bank experts (Dr. George Sadowski in February-March and Professor Elias Karayanis in July 2001) as well as the visits of representatives of the Global Development Gateway team (Mr. Oleg Petrov in February and Ms. Denisa Popescu in August 2001).

CSD paid a special attention to partnership building with other countries' development gateways. It hosted a workshop for the country development gateway teams from Southeast Europe on July 6-7, 2001 in Sofia. Experts from Romania, Moldova, Croatia, Poland, Azerbaidjan, Georgia and Bulgaria shared their experi-



Form left to right: Mr. Thomas O'Brien - World Bank Mission Resident Representative, CSD President Dr. Ognian Shentov, and Dr. Boyan Belev - CSD Economic Program Coordinator at the Sub-Regional Workshop of CDG teams from Southeast Europe in Sofia on July 6 and 7, 2001.

ence on planning and implementation of the preparatory phase of the Gateway; they discussed major challenges and possible common strategies concerning not just this phase but also the next stage of the implementation *per se* of the Country Development Gateway.

Conceptualization of the Country Development Gateway for Bulgaria

The BDG Task Force prepared a **Needs Assessment Report** which analyzed the need for a country gateway among Bulgarian development stakeholders. After holding in-depth interviews with representatives of the relevant government agencies, private business, NGOs and donor organizations the Task Force came to the conclusion that a BDG was both needed and feasible; the work on this report also highlighted the expectations of the Gateway partners and their potential contributions.

The Task Force also drafted a **Business Plan** for the BDG after extensive consultations with the individual Gateway partners. Upon its implementation the Gateway is expected to become a point of association of development stakeholders in Bulgaria, a forum for cooperation among the most active civil society institutions, private sector interests, public figures and government and international agencies in Bulgaria, a permanent framework under which different organizations and individuals can promote developmental programs or projects in the field of development. The BDG should help overcome the digital divide and existing knowledge gaps as well as introduce good governance based on public-private partnership within the development community.

The implementation of a CDG in Bulgaria will be based on an already existing structure – *the Internet Alliance for Economic Development* (www.online.bg/iaed/). This

coalition was established in mid-1999 to promote the use of the internet as a tool for accelerated economic development. It provides an excellent platform for combining the interests of various stakeholders. Based on a distributed content model, the BDG will consist of two fully functional parts (mirror sites) in Bulgarian and English, hosted respectively on a local server and on the central GDG server. The BDG will be built upon two parallel taxonomy trees and divided into three main components: background content, development issues and interactive part.

Prototype Development

A technical team of the BDG worked on developing a prototype on the basis of which the implementation of the Gateway could be based. In close cooperation with the Global Development Gateway technical team it provided a solution to the complex problems involved in design, template building and web hosting - two parallel servers (one nationally based at Bulgaria Online and one at the World Bank) are to be used. With regard to content design the possible architecture of the BDG was agreed upon in May 2001. Updates of the topics resources on the main gateway server were regularly carried out. In order to accomplish these tasks the technical team held two workshops – one portal site building involving experts on building portal sites, database management, e-security, server management, etc. (June 25, 2001) and one on the content strategy involving experts and content provider partners for the Gateway (June 29, 2001).

On July 31, 2001 a public presentation of the Bulgarian Development Gateway prototype took place. The Gateway partners expressed their approval for the parameters of its design and for the implementation strategy chosen by the BDG team.

Bulgaria Development Gateway

Back Forward Stop Refresh Home AutoFill Print Mail

Address: http://www.developmentgateway.org/node/94431/

Live News Page Apple Computer Apple Support Apple Store Microsoft HotTopics Office for Macedonia Internet Explorer

BULGARIA DEVELOPMENT GATEWAY - Select Gateway -

[Home | My Gateway | Forum | Downloads | Topics | Partners | Editorial Policy | About Us]

11 May 2002, Saturday

search

This site is a prototype and therefore not fully functional.

Country Overview

Profile

Business Guide

Economic Data

Topic of the week

Economic Growth

See it/hois

e-government

e-learning

SPOTLIGHT

CHINA CUTS DUTIES ON BULGARIAN IMPORTS
Sofia, 30/04/2002, Bulgaria Online - Domestic customs duties abatement for Bulgarian imports will be introduced by China within the next two years, said deputy minister of economy Milan Kamenedchiev. The maximum duty of 66% will be reduced to 4%. The l... more

Focus on Development

Third GSM license to cost BGN 72,800 (000-04-30)

UN To Aloit Money for Private Houses' Repair (000-04-30)

Czechs Interested in Dev of Bulgaria's 2nd Nuclear Plant (000-04-30)

Canadian Cos Interested in Building Bulgarian Nuke Plant (000-04-29)

BCC Sees Initiatives For USR Investors (000-04-29)

[Acknowledgment and Disclaimer]

[Home] [Contact Us] [About this site]

Manual page