

Dr. Ognian Shentov

Talking Points

- **Thanks:** Center for International Private Enterprise for fifteen years of high-impact assistance in Bulgaria, Federal City Council who host this second round-table together with CIPE and the Center for the Study of Democracy. Ken Sparks for his hospitality two years ago and for his personal commitment to helping CIPE and CSD in developing public-private partnership.
- Bulgaria has achieved a lot in reforming its economy and society towards democracy and the market in the past two decades. But now, already as a member of the European Union, the country faces new challenges – bearing the full responsibility for its actions and for the well-being of its citizens without the disciplining effect of international institutions. Thus the Bulgarian government, the business and the civic society have to learn how to work effectively together and with the help of international friends and partners for improving the nation's well-being. A particular challenge in this respect is the delivery of public services through the introduction of public-private partnerships.
- By joining the European Union in 2007 the country will receive regional development aid from the European Union exceeding 10% of the overall current government spending (or 4% - 7% of GDP) annually until 2013 - 2016. The funds will flow mostly to infrastructure and public service improvement and would require a substantial increase in the country's capacity to manage and carry out more complex public projects. Taking into account the current limited public administrative capacity for realizing projects of such scale, failure to introduce transparent, accountable and democratic rules for public-private partnership in Bulgaria might result in a substantial increase in corruption and embezzlement. The current Bulgarian legislation governing public-private relations falls short of producing the necessary environment for increased capital investment and private sector participation and might prove a major obstacle to the country's effective management of European Union funds. On the one hand it is too rigid to allow different forms of public-private initiatives while on the other hand it lacks the necessary mechanisms to ensure transparency and accountability in spending public money.
- Currently public procurement and concessions are major channels for corruption and unfair competition in Bulgaria. According to the annual Corruption Assessment Reports and a recent specialized report on corruption in public procurement in Bulgaria produced by the Center for the Study of Democracy more than 1/3 of the companies, which won a public procurement contract in recent years declared they had to pay a bribe of up to 30% of the contract value. Thus currently 400 million Bulgarian leva (roughly \$260 million USD) or slightly above 10% of all public procurement contracts end up being paid as bribes and/or kickbacks. This was the only area of business corruption, which marked an increase in the period 2002 – 2005 as measured by the European Bank for Reconstruction and Development. The negative impact of this kind of corruption is much higher if the impact on competition and loss of consumer welfare are added. The business sector will

benefit substantially should the proper public-private partnership mechanisms be put in place. The private sector (business and non-profit) needs to take the initiative in developing and promoting public-private partnership, especially at the local level where it has potentially the highest leverage.

- The efforts of countries from Central and Eastern Europe to reform and upgrade infrastructure and services put special demands for faster development of public-private partnerships. Various countries in the region such as Poland and the Czech Republic have been quick to develop their own public-private partnership regulations. However, though trying to quickly catch up, the European Union still lacks the tradition and expertise in promoting and delivering efficient mechanisms and examples of public-private partnership projects. In this respect the United States are a natural leader with a history of more than 40 years of practice and sturdy of public-private partnerships. The history of the US presents a unique perspective of the business participants in PPPs and examining the structure and functioning of Business Leadership Coalitions such as the Federal City Council in Washington DC. That is why we turned to our partners and friends from the Center for International Private Enterprise and the Federal City Council to help us get public-private partnership off the ground in Bulgaria.
- One of the key components of democratic governance is the development of strong local public-private partnerships, which involve businesses and think tanks that have a vested interest in an open economy and a democratic political system. We have already done some pioneering work on public-private partnerships in institutional reform in Bulgaria, which were supported by the present Mayor of Sofia and former Secretary General of the Ministry of Interior Mr. Boyko Borissov. With the help of the Center for International Private Enterprise two years ago we have establishment the Sofia Economic Council modeled after the Federal City Council. The Economic Council gathers twenty of the largest investors and employers in the capital city for enhancing the capital city's development. The first meeting of Mr. Borissov after he was elected mayor of Sofia with the representatives of the business community in Bulgaria was within the framework of the Sofia Economic Council. With the experience and practical insights we gather here in the United States in this and the next week, together with Mayor Borissov we will continue our efforts in promoting public-private partnership for improving our capital and the country.
- **Thank you.**