

European Program

Six and a half years after Bulgaria signed its Association Agreement with the European Union, in December 1999 its relations with the EU took a crucial step forward – the European Council at Helsinki invited the country to start membership negotiations in 2000. 1999 also marked a broadened involvement of non-governmental actors in the integration efforts.

For CSD's European Program 1999 was an year of sustained efforts for keeping representatives of informed opinion in Bulgaria in touch with developments in the EU and for producing and disseminating a body of expert analysis on the various aspects of accession.

I. Facilitating Dialogue

The European Program's *building bridges* activities were implemented in two directions – bringing policy makers and public officials to a dialogue with the expert and NGO community on the crucial accession policies, and providing forum for discussion with EU experts and officials.

At the request of the Ministry of Regional Development, CSD hosted a public discussion of the National Development Plan (NDP) 2000-2006. The NDP is part of the preparation of the country for using the EU pre-accession funds. The discussion meeting was attended by representatives of the Council of Ministers, the district administrations, the Bulgarian National Bank, the trade unions, business associations, non-governmental organizations, universities, the EU Delegation to Bulgaria, the UN Development Program,

Bulgarian and foreign donors.

The discussion outlined the most important problems and prerequisites for balancing national and European priorities: a tax reform which will stimulate investment activities by Bulgarian enterprises; completion of the agrarian reform and consolidation of land property; comprehensive assessment of the accession costs and their socio-economic implications.

Mr. Vassil Garnizov, Deputy Minister of Regional Development, pointed out five main priorities of the National Development Plan:

- Completion of the institutional reform;
- Increasing the competitiveness of the Bulgarian economy;
- Human resources development;
- Reduction of regional differences;
- Infrastructure development.

As a follow-up to the meeting, CSD collected and processed a number of written suggestions and comments to the Plan by interested organizations throughout the country. The feedback was then provided to the Central Coordination Unit at the Ministry which was responsible for the drafting process. The NDP was subsequently adopted by the Council of Ministers.

CSD's *Forum Europe 2000* started in January with a visit by Mr. Eric Boel, International Secretary to the Social-Democratic Party in Denmark and Foreign Policy Adviser to the Danish Prime Minister. One of the emphases of Mr. Boel's presentation was the importance of the security dimension of the enlargement of the European Union. In

this aspect, it is of no less significance for stability in Europe than the expansion of NATO. He shared the Danish experience in this respect, in particular with the ratification of the Maastricht Treaty, pointing out that the majority of the Danes support the enlargement to the East. The participants asked Mr. Boel about the role of political parties in the process of European integration. Answering, Mr. Boel commented specifically on the contacts of the Danish Social Democrats with their colleagues in the applicant countries. In this context there were two major goals pursued by his party – promotion of multiparty democracy in these countries and promotion of social-democratic values.

In February guest speaker at *Forum Europe 2000* was Mr. Claude Cornuau, Senior Councillor at the European Court of Auditors, and Adviser to the European Commission for Institution Building of Candidate Countries to the European Union. Mr. Cornuau is author

of the twinning mechanism, which is part of the institution building assistance of the European Union for the applicant countries. Mr. Cornuau outlined the policy and institutional context of twinning. It is an initiative of the European Commission to assist the applicant countries in acquiring the independent capacity to adopt, implement and enforce the full *acquis* in accordance with Agenda 2000, before accession to the European Union. Twinning will involve precise, timed and budgeted work programs, aimed initially at certain key sectors – agriculture, environment, finance, and justice and home affairs. Mr. Cornuau made a distinction between two groups of member states from the point of view of institution building assistance – those having more advanced “*acquis culture*”, i.e. the older member states with longer experience in implementing the EU legislation, and those with “*accession culture*”, i.e. with more recent experience in accession preparations. Answering questions by



Mr. Eric Boel (center) at CSD's *Forum Europe 2000*.

the participants, Mr. Cornuau pointed out the importance of the participation of non-administrative bodies in the institution building exercise. It was institution, not simply administration building that twining is aimed to achieve, and non-governmental organizations are a key partner in the process.

On July 2, CSD's European Program hosted a meeting of the *Europe 2000* Forum with Ms. Bridget Czarnota, Director of the Technical Assistance Information Exchange Office (TAIEX) of the European Commission. TAIEX, intended to provide a range of services to the applicant countries, was created in 1995, following the completion and publication of the White Paper of the Commission on the integration of the associated countries in the internal market of the Union, which was also coordinated by Ms. Czarnota. Initially designed to provide assistance to the executive on issues of the single market, TAIEX has now expanded its range to

include the whole of *acquis communautaire* providing assistance to all legal entities in the applicant countries. One of the most significant developments at TAIEX is a movement from the provision of assistance on legislation to fostering the establishment of partnerships between institutions from member states and the applicant countries. Thus the office is seeking to address the process of approximation not merely as a legal exercise but in its entirety from development to implementation.

Ms. Czarnota stressed that it is not sufficient to rely on mechanisms which serve the accession needs of the applicant countries from Brussels. Assistance exchanges need to be driven by the countries themselves exercising stronger ownership of the process.

CSD has also been active in networking with other policy institutes in CEE. In early 1999, the Bertelsmann Foundation and the World Bank launched a collabo-



Ms. Bridget Czarnota, Director of the European Commission's TAIEX service at the Forum Europe 2000 breakfast meeting.

rative initiative aimed at enhancing the involvement of policy institutes from the CEE countries in the enlargement process. The initiative will establish a network of institutes which will maintain an informal cross-border dialogue among governments, policy institutes and civil society on a number of EU accession issues. CSD and the Economic Policy Institute were invited to participate from Bulgaria.

As a first step, the network collaborated in drafting study reports on the dynamics of “winners and losers” of EU integration in CEE. Country reports were commissioned to various institutes which were then summarized in three papers – on the five CEE countries, on Bulgaria and Romania and on the Baltic states. The papers were presented at a conference *Towards European Integration: Network for Integration of Central and Eastern European Countries into the European Union* organized by the Bertelsmann Foundation and the World Bank in Guetersloh, Germany in November 1999. The purpose of the conference was to identify a number of areas of interest to the network on the basis of the research carried out in the “winners and losers” analysis. The areas include institutional development, promotion of intra-accession countries trade and regional cooperation, the relation between growth and convergence. These will be addressed in a discussion forum based on the network’s Internet site (www.euintegration.net). The network will hold a number of meetings annually to be hosted by the member institutes in their respective countries.

The timing of accession will be crucial to the winner-loser balance in Bulgaria and Romania. Meeting the Copenhagen criteria is a goal for both countries but in the pre-accession period

they have growing needs of financial and investment support. In the European Commission's Agenda 2000 it is foreseen that beyond 2001 there will be some diverging trends for financial support to new members and for the later entrants. If this becomes actual policy, then new members will be at an advantage in terms of financial support compared with those who join later. This will make the task of catching up for Bulgaria and Romania all the more difficult.

Excerpt from the paper
“Winners and Losers of European
Integration: The Case of Bulgaria
and Romania”

In March, CSD was visited by a World Bank delegation including Mr. Johannes Linn, World Bank Vice President, Mr. Pieter Stek, Executive Director, and Mr. Andrew Vorkink, Country Director for Bulgaria and Romania. The discussions focused on the role of non-governmental organizations in the Bank’s work in Bulgaria, specifically as regards the Bank’s assistance to Bulgaria’s EU accession efforts. Dr. Ognian Shentov, CSD President, hosted a lunch for the World Bank delegation, joined by Dr. Lubomir Christov, Adviser to the Executive Director, and Mr. Thomas O’Brien, Head of the World Bank Mission to Sofia, other representatives of the Mission, several Bulgarian NGOs, representatives of government agencies and the judiciary. Issues discussed included the legal environment for NGOs, corruption in the context of development, Bulgaria’s EU accession and the Bank’s assistance strategy in this respect.

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In 1999 the European Program continued several years of cooperation with the Bologna Center of Johns Hopkins

University. Under an arrangements with the Center, the European Program hosts student interns who spend several months with CSD carrying out research and helping with the preparation of the Program's publications.

II. Policy Studies

Developing and publishing policy analyses and recommendations in the key accession areas is one of the priorities of the European Program. In 1999, in continuation of the work started in the volume "Bulgaria and the European Union - Towards an Institutional Infrastructure", it published five papers in the field of EU integration (also available at www.csd.bg/publications.htm):

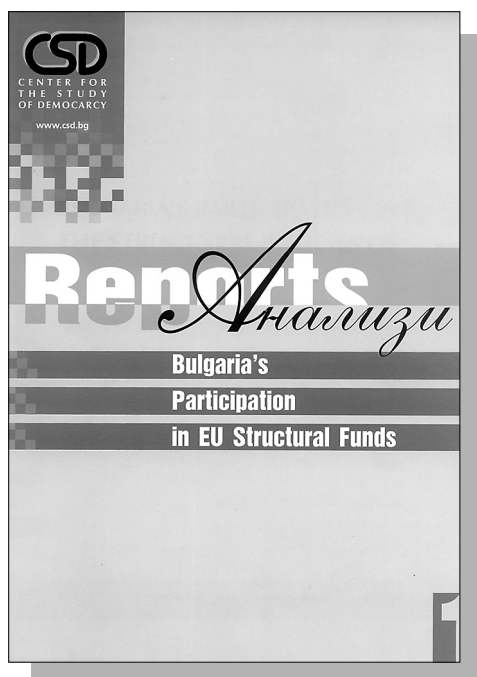
- Bulgaria's Participation in EU Structural Funds;
- Social Policy Aspects of Bulgaria's EU Accession;
- Preparing for Bulgaria's EU Accession Negotiations;
- The Role of Political Parties in Accession to the EU;
- Bulgaria's Capital Markets in the Context of Accession: A Status Report.

The first of these reports **on preparing for EU's structural policies** was published in September. The report examines the necessary organizational, administrative, legal and financial measures Bulgaria has to undertake in the next few years in order to fulfill the prerequisites for participation in the EU structural funds. The publication outlines: a) the main steps of the pre-accession strategy for the preparation of Bulgaria's participation in EU structural funds with a view to the existing problems and achievements in the spheres of regional policy, transportation, telecommunications, the labor market, and social policy; b) the new financial instruments of the pre-accession policy, ISPA and SAPARD; c) conclusions and recommendations of practical importance, and priority tasks in each sector, some of



Mr. Johannes Linn, World Bank Vice President and Mr. Andrew Vorkink, Country Director for Bulgaria and Romania meet with CSD President, Dr. Ognian Shentov (left).

which were already carried out in 1999, such as the National Development Plan 2000-2006, the National Plan for Development of Agriculture and Rural Regions, etc. A *EU Structural Funds: A Brief Guide* was published as an addition to the report.



The paper on the **social policy aspects** of accession, discusses a number of key issues: What is the scope of the economic and social criteria for integration in the social sphere? To what extent does the Bulgarian social protection system correspond to the European models and values? What are the prospects for development of the social reform in the light of the strategy for accession to the European Union?

The reform of the social protection system in Bulgaria is analyzed within the context of the pre-accession strategy. The main conclusion is that the national legislation meets the substantial requirements of the European Social

Charter signed in 1998. The insufficient financial and administrative resources are obstacles to the effective exercise of the social rights. They determine the main gaps in the field of social protection, the removal of which is a condition for membership: pension reform aiming at reduction of pension burden for the active population and work incentive promotion; investment in the active labor market programs; practical enforcement of the principle of equal treatment in the employment sector and job creation for minorities and disadvantaged groups; institutional strengthening and injection of resources in the health sector.

At its Helsinki meeting in December, the European Council decided to convene bilateral intergovernmental conferences in February 2000 to begin negotiations with Bulgaria. CSD's paper on **preparing for negotiations with the EU** was developed in anticipation of this decision and addressed the topical issue of preparing the country for effective negotiations. The study emphasizes some lessons from previous EU enlargements, and their relevance to the current stage – customs union, agricultural and regional policies, fisheries, environment and health care standards, state aids, fiscal issues, etc. The paper discusses the impact of enlargements – the last one in particular – on the Union, especially on its institutional arrangements. Among the lessons to be drawn from previous enlargements, the study highlights that:

- negotiations are conducted with each candidate country individually and it is for that country to find the best solutions;
- in the course of negotiations, the EU would not allow any candidate country to export significant new problems to the Union;
- openly stating any problems could only bring dividends during the negotiations;

- political support from the capital city would be decisive throughout the process of negotiations;
- public opinion would play an ever increasing role in the process of negotiations;
- clear fixing arrangements reached at each stage would warrant the successful movement from one stage in the negotiations to the next.

In April 1999, CSD was commissioned by the World Bank to develop a background report on the **status of the Bulgarian capital market**, particularly as regards preparations for accession to the EU. The project was envisaged as part of the Bank's contribution to the enlargement process of the Union towards the CEE countries. The report contributes to the discussion of capital market reform in Bulgaria in preparation for eventual integration into the European Union. The report views accession on two levels. The first is whether the necessary capital market institutions and legislation are in place.

The second one is whether capital markets are functioning in a manner that supports economic growth and development. The report also analyzes the equity market, including the concentration of ownership and investment companies, the capital market institutions - the stock exchange, investment intermediaries, the Central Depository, and the Bulgarian National Securities Commission. Particular attention is paid to the securities legislation and its harmonization with the EU acquis and the issues of corporate governance.

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In both policy analysis and dissemination of results, and facilitating the policy dialogue the Center's European Program has provided an indispensable public service in the field of European integration. In this, the Program meets an apparent need in Bulgaria and its efforts would be even more relevant now that the country enters a crucial period of accession negotiations.