

Economic Program

In 2002 the main objective of the Economic Program was to contribute to the economic development and good governance in Bulgaria. The efforts focused primarily on understanding the nature of informal economy, formulating strategies to minimize its negative social effect and promoting the concept and values of good corporate governance in the country.

2002 Highlights

- The Economic Program initiated a process of building a network of experts, policy makers and think-tanks in Europe actively involved in studying and drafting policies to counter informal economy. Two international conferences were held in April and November 2002 to strengthen the network and discuss results of academic and policy research.
- Parallel to the networking process, the Economic Program institutionalized its efforts through the creation of a Working Group on Informal Economy of experts from governmental agencies, NGOs, academia and investigating journalists within the *Coalition 2000* institutional structure.
- The Economic Program developed a new methodology for informal economy assessment based on synthetic indicators. The methodology was tested with two pilot surveys of population and business, and a draft assessment of informal economy based on representative survey of population was prepared.
- Discussion Topics on the Economy of Crime were drafted.
- The Economic Program continued to promote good corporate governance values and standards through series of publications and conference participation.
 - ◆ A reader entitled *In Search for Better Corporate Governance Mechanisms* was published targeted at policy makers, high executives, students and university professors.
 - ◆ The Economic Program fellows participated in the OECD set of conferences aiming to create a White Paper on Corporate Governance in Southeast Europe.
 - ◆ An article on Corporate Governance as Antidote to Corruption, prepared by two fellows of the Economic Program was published by CIPE in March 2002.
 - ◆ The Corporate Governance Dictionary published in 2001 was widely disseminated.
- The Economic Program was actively involved in the creation of regional partnerships against corruption and organized crime by holding international conferences and building networks of experts.

I. Exploring the Nature, Scope and Impact of the Informal Economy

Multiple definitions of the term *informal economy* exist, referring to *gray, underground, criminal, shadow* or *unrecorded* economy, etc. Being *informal* could be a market “exit” option or a symptom of its non-existence. Despite the variety of reasons that may lead to informal economic activities, the real challenge lies in its impact on growth, social welfare, democracy and international trade.

The Economic Program undertook a number of activities to build an international network of experts, policy makers and think-tanks in Europe actively involved in studying and drafting policies to counter informal economy in order to propose effective governance strategy for informal economy in Bulgaria and the region. The activities of this network were institutionalized through the creation of a Working Group on Informal Economy coordinated by Petkan Iliev from CSD.

The Working Group consists of experts from General Tax Directorate, National

Statistical Institute, National Investigation Office, Ministry of Labor and Social Policy, Bulgarian Presidency, National Assembly Administration, Bulgarian National Bank, NGOs, academia and investigating journalists within the *Coalition 2000* institutional structure. The Economic Program organized two international conferences in 2002 aimed to strengthen the network of experts and to discuss the Working Group draft assessments of informal economy.

Round table The Informal Economy in the EU Accession Countries: Size, Scope, Trends and Challenges to the Process of EU Enlargement

The round table was organized by the Center for the Study of Democracy, the World Bank and the Bertelsmann Foundation on April 18-19, 2002. The round table brought together experts involved in policy and research coming from EU member states (Austria, Germany, Italy, the United Kingdom), accession countries (Bulgaria, the Czech Republic, Hungary, Lithuania, Poland, Romania and Slovenia), states participating in the Stability Pact for Southeast Europe



From left to right: Ms. Gabriele Schroers, Program Officer Central and Eastern Europe, Bertelsmann Foundation, Mr. Oscar de Bruyn Kops, Country Manager, World Bank, Sofia, Dr. Ognian Shentov, Chairman, CSD, Mr. Franz Kaps, Senior Partnership Adviser, Office of the Vice President Europe and Central Asia, and Dr. Boyan Belev, Ministry of Foreign Affairs

(Albania, Bosnia, Croatia, Moldova and Serbia) and other countries (Canada and Russia) as well as representatives of international organizations, multilateral and bilateral aid agencies.

The discussion at the round table focused on the following topics: size and scope of the informal economy, methods of assessment, general views and cross-country comparisons, and case studies from Central Europe, the Baltic republics and the Balkans. A special panel was devoted to a related issue - risk reporting and early warning for good governance and against corruption. About 100 experts and policy makers attended the round table. The papers presented by the speakers as well as the written comments submitted by the discussants will be published as proceedings of the round table.

Informal Economy Assessment

On 29 November, 2002, the second International Conference *Informal Eco-*

nomy in the EU Accession Countries: Size, Scope, and the Trends in Trafficking and Corruption was held bringing together leading experts in the field - academics, policy makers, representatives of relevant NGOs and others from Bulgaria, EU members states and candidate countries, other SEE countries and the US to discuss the institutional response to the gray economy and the transnational crime.

The presentations and discussions during the first day provided an adequate picture of the size and the scope of the informal economy in the EU accession countries, explored the nature of the informal economy through application of the available methods of assessment, suggested recommendations on the applicability of specific approaches depending on a dynamic set of variables and contributed to consensus building on the role of the informal economy in Europe and its possible implications in the process of EU enlargement.



From left to right: Mr. Ruslan Stefanov, Project Coordinator, CSD Economic Program, Dr. Maciej Grabowski, Vice President, Institute for Market Economies, Gdansk, Dr. Ognian Shentov, CSD Chairman, Mr. Nikola Yankov, Deputy Minister of Economy and Mr. Michael Cayton, OECD Consultant, Ministry of Economy of Bulgaria

Dissemination activities

CSD activities received broad coverage in the specialized economic and financial press as well as national dailies. Articles on Economic Program outputs were published in *Ikonomicheski Zhivot Weekly*, *Capital Weekly*, *Pari* and *24 Chasa*.

II. Building Public Awareness for Corporate Governance Reform

Throughout 2002 the Center for the Study of Democracy continued to raise awareness on corporate governance issues by bringing out and providing relevant publications to interested parties, and participating in public discussions on relevant legislation changes and in international conferences.

The Economic Program organized the publication of a comprehensive reader on Corporate Governance "*In Search for Better Corporate Governance Mechanisms*". The reader consists of original studies of recent corporate governance

policies, e.g. those of the World Bank, and basic documents on good corporate governance of international organizations like OECD. The papers are written by well known authors like Marek Hessel. The reader is organized in four chapters – the first summarizes the fundamentals of corporate governance; the second is devoted to the reforms in corporate governance systems; the third presents an overview of regional and national strategies for better corporate governance; the fourth provides original documents of leading organizations in corporate governance as well as a detailed reference guide for further reading as appendices.

Copies of the Corporate Governance Dictionary published in 2001 were distributed to journalists from economic sections or specialized economic newspapers and magazines, policy makers and business associations, university professors and graduate students, including participants of the Corporate Governance Summer School organized by Bourov Foundation and others.

Participation in the Regional Debate on Corporate Governance

Two CSD senior fellows - Plamen Tchipev and Boyan Belev participated in the Second and Third Southeast Europe Corporate Governance Round Tables in 2002. The series of round tables in Southeast Europe were initiated by OECD in 2001 aiming to foster regional debate on corporate governance and draft policy measures. The first round table was held in September 2001. The second round table took place in May 2002 in Istanbul and focused on transparency and disclosure, while the third round table was held in November in Zagreb and identified key areas for improvement of corporate governance practices. Based on papers and discussions at these round tables participants



drafted a White Paper including a set of practical recommendations and designed to serve as a means for setting priorities and implementing reform at national or corporate level.

A paper entitled "Corporate Governance as Antidote for Corruption: Examples/lessons learned in Bulgaria and transition countries" written by two fellows of the Economic Program - Todor Yalamov and Boyan Belev - was published in *Corporate Governance: An Antidote to Corruption*, March 2002, CIPE, Washington DC.