

Economic Program

The two major thematic accents that have dominated the work of the Economic Program in 1998 have been:

- *Extensive involvement in the Coalition 2000 initiative.* This has made it possible to explore the impact of corruption on economic growth focusing on the costs of corrupt behavior and to elaborate suggestions for amendments to the existing legislation and business practices. Anti-corruption efforts have been among the principle activities in the work on the project: “Market and Democratic Values in the Transition Period,” supported by the Center for International Private Enterprise (CIPE), Washington D.C.
- *The study of the effects of the implementation of the currency board in Bulgaria on social policy.* This effort has been based on the project “Social Implications of the Introduction of the Currency Board in Bulgaria” which is designed to explore the alternatives for social policy in the context of the restrictions of the currency board.

Overall the major facets of the work of the Economic Program in 1998 could be summarized in the following categories:

I. Consensus and Coalition Building: Participation in The Coalition 2000 process

Implementing the major elements of the Coalition 2000 initiative

The main objective of the participation of the Economic Program in the *Coalition 2000* process has been to enhance the awareness, adoption and practical implementation of democratic values (such as transparency, trust, integrity, etc.) in the

economy and the policy process. The support of CIPE for this activity has made it possible for CSD to sustain and accelerate the *Coalition 2000* process in the first half of 1998 and to adopt the role of Secretariat for the coalition.

1. Elaborating the Framework of Transparency and Integrity: the Anti-Corruption Action Plan for Bulgaria

Immediately following the official launch of the *Coalition 2000* initiative in early April 1998 a task force including more than 30 experts in the fields of political science, history, economics, business management, law, media analysis, survey research, and criminology was formed to draft the Anti-Corruption Action Plan for Bulgaria. The Plan deals with institutional, legislative, awareness, international and other aspects of corruption.

I am pleased to forward you a copy of an innovative anti-corruption action plan developed by Coalition 2000, a group of Bulgarian NGOs including the Center for the Study of Democracy. I believe this program, which is designed as part of an important initiative to combat corruption in Bulgaria, is worthwhile and merits review. It may be helpful to each of you as you consider ways in which to address the issues of corruption and transparency in your own countries.

George Soros,
financier and philanthropist:
[e-mail to Open Society
foundations]

The draft version of the Anti-Corruption Action Plan was elaborated by the end of May 1998. Following the completion of the work by the task force, the background

document was circulated among governmental, non-governmental and international institutions in order to solicit their comments. Overall, more than 70 people have provided suggestions that have been incorporated in the Action Plan and this effort has resulted in a comprehensive anti-corruption strategy for Bulgaria.

2. Conducting a Policy Workshop to discuss the draft version of the Anti-Corruption Action Plan (July 7, 1998)

On July 7, 1998 CSD hosted a Policy Workshop to discuss the Anti-Corruption Action Plan drafted by *Coalition 2000*. The Policy Workshop was convened at an expert level in order to finalize the suggestions and comments to the background document. All institutions consulted were invited and the workshop was attended by more than 50 participants.

3. Facilitating the Coalition-Building Process: Coordination Meeting with NGOs (October 7, 1998)

In addition to being the result of a partnership effort, the *Coalition 2000* initiative aims to contribute to the establishment of a favorable environment for the formation of other coalitions among NGOs focusing on anti-corruption measures. At the meeting, attended by representatives of 15 Bulgarian non-governmental organizations, the general framework of the activities of *Coalition 2000* and the evolving subcontracting opportunities were presented. The participants acknowledged the importance and the timing of the initiative. A view was also expressed that *Coalition 2000* should become more active at the regional level. NGOs, which have regional branches, expressed their readiness to help *Coalition 2000* in this respect.

4. The Policy Forum of *Coalition 2000* (November 11, 1998)

The Policy Forum has been designed as the major element of the *Coalition 2000* process. The main objective of the first Policy Forum, conducted with the active



(Left to right): Mr. Emil Georgiev, Coordinator of *Coalition 2000*, Mr. Michael Hager, Director of the International Development Law Institute, Rome, Ms. Ekaterina Mihailova, Chair of the UDF Parliamentary Group and Dr. Ognain Shentov, CSD President at the policy workshop.

involvement of CSD as Secretariat of *Coalition 2000*, has been to adopt an anti-corruption agenda (Anti-Corruption Action Plan for Bulgaria) supported by politicians, the business community and the public in general.

In this respect the success of the Policy Forum of November 11, 1998 has shown that the efforts of *Coalition 2000* have been widely appreciated and respected. Senior government officials, members of Parliament, diplomats and resident representatives of the international organizations, policy and opinion makers, businessmen, academics, and journalists attended the Forum.

By enlisting the support of key political figures and institutions at the Policy Forum, *Coalition 2000* has managed to build up a consensus on the actions needed for creating a favorable legal framework for the implementation of an effective anti-corruption strategy. This achievement paves the way for the coordinated

implementation of anti-corruption initiatives that would be supported by state institutions and monitored by civil society.

II. Assisting the Social Security Reform

1. Drafting Social Security Legislation

The Social Security Task Force has been established as a joint initiative of CSD, the Center for Economic Development, and the Association of Private Pension Funds. Its priorities include:

- Privatization and Social Security Reform
- Development of Voluntary Pension Funds in a Reformed Social Security System
- The Role of Voluntary Pension Funds in the Accelerated Privatization Process
- Health Care Reform.

In 1998, the Task Force prepared the draft Law on Voluntary Pension Funds, which



Mr. Kenneth Lay (second from left to right), Director of the Southern Europe Department at the World Bank, visited the CSD in January 1998.

has been widely discussed and submitted to the Council of Ministers in April 1998. In late 1998 the Task Force started work on the Pension Reform Strategy for Bulgaria.

2. Social Policy Research and Analysis

In July 1998, CSD started work on a one-year project entitled "Social Implications of the Introduction of the Currency Board in Bulgaria" to be implemented with the financial support of the SOCO Program of the Vienna Institute of Human Sciences. The implementation of the project involves experts from the Ministry of Finance, the Ministry of Labor and Social Policy, the Ministry of Health Care, the National Statistical Institute, the Agency for Economic Analyses and Forecasts, sociologists and economists from the Bulgarian Academy of Sciences and non-governmental organizations.

The main goal of the project is to analyze the changes in the social sphere and explore the alternatives of social policy in Bulgaria. A system of indicators is to be developed to measure the effect of social safety programs in the areas of labor markets, unemployment benefits, income regulation, collective bargaining, social security, health insurance and social assistance. Project results will help focus public attention on the most vulnerable social groups, who are most likely to be negatively affected by the implementation of stricter financial discipline and the cuts in government spending. Comparative analysis of the experience of other countries that have implemented currency boards (Argentina, Lithuania, Estonia, and others) will make it possible to elaborate relevant policy solutions that would improve social policy and would help overcome the social exclusion of at-risk groups.

The project envisions a series of sociological surveys, analysis of statistical information, and seminars. In 1998 the project

team completed the preliminary assessment of the effects of the currency board on labor markets, health care, pensions and income policies and has conducted the qualitative sociological surveys envisioned in the project. This has made it possible to prepare the research instruments for the quantitative surveys to be conducted in 1999.

III. Dissemination and Advocacy

1. The Draft Law on Securities: Promoting Transparency and Rule of Law in Capital Markets

This conference was conducted on April 16, 1998 as a follow-up to the process initiated by CSD in the summer of 1997 aimed at identifying the problems impeding the development of capital markets. It was organized by CSD in cooperation with the Securities and Stock Exchange Commission and the Economic Policy Institute. The main objective of the conference was to discuss and comment on the draft of the Securities Act. Special attention was devoted to exploring the legal regulations and practices necessary to achieve greater transparency and rule of law within capital markets.

The conference was attended by more than 40 representatives of government institutions, NGOs, the Bulgarian Stock Exchange-Sofia, brokers, investment intermediaries and bankers. Seven leading experts on capital market issues were invited as speakers. As a result of the discussion between regulators and market participants, many recommendations for amendments to the draft law ensuring fair access, confidence and openness of the capital markets have been developed and submitted to the Economic Committee of the National Assembly, the Bulgarian Stock Exchange-Sofia, the Bulgarian Association of Investment Intermediaries, foreign banks and consultancy firms.

2. Consultations with major credit rating agencies (February 4-5, 1998)

At the request of the Ministry of Finance, CSD representatives participated in the consultations concerning Bulgaria's new credit rating and the forthcoming issuing of Eurobonds. CSD was the only participating policy institute in the meetings between credit rating agencies (Standard and Poor's Corporation, Fitch-IBCA, and Moody's Investors Service) and members of Parliament, senior government officials, and representatives of the IMF and the World Bank resident missions.

3. Introducing Corporate Governance and Capital Market Mechanisms to the General Public: Town Hall Meetings in Plevn and Blagoevgrad

The main objective of the Town Hall Meetings was to introduce the mechanisms of capital market (privatization with investment vouchers) and corporate governance to the general public and potential investors. The two Town Hall Meetings were organized jointly with the municipalities of Plevn and Blagoevgrad, the Center for Economic Development, the Association of Securities Holders with the support of Commercial Bank "Biochim."

The meetings were attended by about 70 representatives of local authorities, state-owned and private companies, investment intermediaries, trade unions, and the public throughout the regions of Plevn and Blagoevgrad. Both Town Hall Meetings have generated considerable interest from the participants who have raised many questions concerning the forthcoming investment voucher privatization scheme, private pension funds, minority shareholders' rights.

4. International Business Club Meetings

Since its establishment the International Business Club (IBC) has provided opportunities for high-ranking public officials

and policy makers to express their views on topical political and economic issues in the presence of senior diplomats, trade envoys and business leaders. In 1998 IBC organized four meetings:

- March 12, 1998. Guest-speakers were Mr. Ivan Neikov, Minister of Labor and Social Policy, on Major Aspects of the Government's Social Reform Policy and Mr. Antonio Vigilante, UNDP Representative on UNDP-Sponsored Early Warning Report and Human Security Survey for Bulgaria.
- April 30, 1998. Guest speaker: Mr. Antoni Slavinski (Chairman, Committee of Posts and Telecommunications) on Privatization of the Bulgarian Telecommunications Company: Problems and Prospects;
- On June 17, 1998 the IBC celebrated its fifth anniversary since it was founded in 1993 on the initiative of CSD and the Ministry of Trade. The guest-speakers invited on this occasion were Mr. Alexander Bozhkov, Deputy Prime Minister and Minister of Industry, and Mr. John Tennant, Resident Representative, United States Agency for International Development in Bulgaria. This joint presentation of the position of international donor organizations and the position of the Bulgarian government made it possible to compare different points of view on recent developments in the country;
- December 22, 1998. Guest speaker Mr. Yordan Sokolov, Chairman of the National Assembly on Legislative Priorities of the National Assembly in 1999.

5. Publication of CSD Monitor - Issues 1-3

In 1998 three issues of CSD's Quarterly Monitor were published. The Monitor covers a wide range of topics: status of the Bulgarian economy; privatization and budget issues; corruption as a problem of market reforms and transition; prepara-

tion of Bulgaria for participation in the structural funds of the European Union; the media, and civil society.

The Monitor is published in Bulgarian and in English (1,000 copies in total) and is

available both in paper and in an electronic format at the web site of CSD. The publication has been widely distributed to policy makers, government officials, NGOs, media, municipalities, and international donors.



Mr. Yordan Sokolov at the International Business Club.