

## Economic Program

The Economic Program launched its first privatization project in 1991. In the years that followed, the scope of research and advocacy activities was gradually extended to include all major aspects of the economic reforms taking place in Bulgaria. Today, CSD enjoys the reputation of an independent institution which provides reliable professional analyses of economic reform issues.

### 1991-1994 Program Highlights

- Held two international conferences on the problems of privatization and private sector development with the participation of prominent foreign experts from the US, UK, Germany, France, the Czech Republic, Poland and senior Bulgarian government officials;
- Published the Privatization and Foreign Investment Monitor - a bi-weekly digest of the Bulgarian media reviewing the privatization and economic reform processes;
- Published four policy recommendation papers containing analyses, evaluations and suggestions for amendments to existing legislation in the field of privatization, foreign investment and debt conversion;
- Held 19 policy-oriented seminars and discussions on municipal privatization, investment funds, mass privatization, foreign investment, debt management and the efficiency of consulting firms;
- Published three brochures on privatization in Bulgaria and other Central and East European countries;
- Published 23 Reform Round Table papers exploring some of the most pressing issues of the economic reform in Bulgaria: tax reform, inflation and pricing policy, agrarian reform, social security and the labor market.

Program activities were facilitated by the cumulative effects of the work carried out in the prior four years - the acquired experience, the network of established contacts, and CSD's position as an institution committed to promoting economic reforms and privatization. This allowed CSD to continue placing a strong emphasis on result oriented initiatives. In 1995, the work of the Economic Program was

concentrated on the following key issues of economic reform:

Privatization and Private Sector Development in Bulgaria;

Privatization on a Dual Track: Mass and Market-Based Privatization in Bulgaria;

Debt Conversion Program: Guidelines for Bulgaria;

Southern Tier Business Association Training Program.

### **I. Privatization and Private Sector Development in Bulgaria**

In 1995, CSD was able to keep the privatization debate alive and continued to assist the policy-making process. The project aimed at achieving three main objectives, namely to:

- Assist the enacting of specific legislative actions and pilot privatization projects in order to accelerate privatization;
- Enhance the understanding and support for privatization and private business development among policy-makers, the business community and the general public;
- Address the lack of information on privatization available to the public and to policy-makers.

The results of the project were presented in a policy paper which set forth a number of recommendations to policy-makers concerning the techniques of mass and market-based privatization, municipal privatization, post-privatization control of enterprises and debt-for-equity swap mechanisms.

#### Research

##### *National Representative Public Opinion Survey*

Conducted in March 1995, the survey's main objectives were to measure public attitudes towards different forms of privatization, the population's readiness to participate in the mass

privatization program, and to reinforce CSD's watchdog role. It allowed CSD to track the evolution of public attitudes towards privatization, comparing results with the data collected during earlier surveys. The survey data were also an important basis for the development of the project policy recommendations. The data were provided both to the media and to the Center for Mass Privatization, thus assisting the government in improving its program and contributing to public education on these issues.

##### *Study of Post-Privatization Behavior of Enterprises: Second Phase*

This study was included in the project because mass media and the state authorities had no information about the behavior of enterprises after the conclusion of privatization transactions. The political and administrative debates typically focus on the conditions of the transactions rather than on the results of privatization transactions, or the behavior of privatized enterprises in the difficult macroeconomic environment.

The study provided information with respect to the financial performance of privatized enterprises. The collected data clearly indicated a speedy recovery and restructuring of the enterprises, expansion of their activity following privatization, positive effects of privatization on employment and labor organization. The principal conclusions of the survey analysis revealed a remarkably good financial condition and flexible market behavior of the privatized enterprises.

The recommendations formulated on the basis of the study included the institutionalization and regulation of post-privatization monitoring, and the exercise of closer control over commitments to privatization contracts. As a result, the Privatization Agency undertook several studies finding that some of the buyers were not entirely fulfilling their obligations. The final paper on post-privatization behavior of enterprises was also presented at the Annual Meeting of the OECD Advisory Group on Privatization in March 1995.

#### *Private Sector Research*

The objective of this research was to outline the main tendencies in private sector development at the outset of the reforms and during the transition to a market economy, and to provide the rationale for some basic policy recommendations in this field.

CSD carried out its analysis of some 450,000 officially registered private sector enterprises and created a comprehensive body of information on the Bulgarian private sector. The analysis included the structure and size of the private sector by branches, legal status and regional distribution. It also focused on the regulatory and legislative framework of private sector development and analyzed its efficiency. The research results were incorporated into a widely distributed report.

#### Dissemination, Education and Promotion

##### *Mass Privatization Seminar*

The seminar was held on March 28. It was attended by experts from the Council of Ministers, the branch ministries, the Privatization Agency and independent consultants. Discussions centered around the government's mass privatization program presented by the experts from the Center for Mass Privatization as well as the conditions for participation in this process, both of investment funds and of the general public.

The discussion conclusions were summarized and provided, together with recommendations concerning the initial stage of mass privatization, to the Parliamentary Economic Committee and the Subcommittee on Privatization, to the Center for Mass Privatization at the Council of Ministers, and the Ministry of Economic Development.

#### Media Coverage of the Project Activities

As CSD deems encouraging public debate a key aspect of its research and advocacy activities, careful consideration was given to publicizing the results of the project. The various project activities received wide coverage in a total of 51 newspaper articles and 13 broadcasts on radio and television. This prompted broad public discussion, and contributed to general public education on privatization issues. A number of privatization success stories were also published and widely advertised, helping to generate public support for the process.

## II. Privatization on a Dual Track: Mass and Market Based Privatization in Bulgaria

Independent research, analysis, and public discussion are essential to ensuring that mass privatization is conducted effectively, transparently and competitively. At the same time, it is essential that independent institutions like CSD continue their research and advocacy work for market-based privatization - a form of privatization that should be intensified at the same time as the mass privatization plan is implemented.

Taking this into consideration, CSD determined the main objective of this project: to assist the efforts of government institutions in the preparation and implementation of mass privatization and to assist the acceleration of market privatization.

In 1995, the research team's interest continued to focus on the issues of municipal privatization with the goal of replicating the positive results accomplished in the joint project with the Bansko municipality concluded in the previous year. An important practical achievement of the project was the assistance provided to the Dobrich municipality. CSD experts participated in a town hall meeting, and provided comments on procedures associated with the different stages of the mass privatization process. The experts also provided know-how to local government officials and the local business community on the

establishment of a regional privatization fund.

A series of sociological surveys on mass privatization and economic reforms, carried out within the framework of the project, allowed CSD to accumulate crucial data for both research and monitoring purposes. The results of the surveys were also used to raise public support for privatization, as well as to heighten public awareness in general.

### Expert Training

#### *Post Privatization Management of Investment Funds I*

The first course took place in Prague on August 18 through September 4. It was attended by 20 participants. The pending start of mass privatization and the lack of qualified experts to work in investment funds preconditioned the organization of this training program. The idea for a similar course was first proposed by the Privatization Project of the Central European University, whose representatives contacted CSD in view of its long-standing experience in research and education in matters of privatization. The training course participants included representatives of investment funds, commercial banks, consulting companies and the Privatization Agency.

#### *Post Privatization Management of Investment Funds II*

This follow-up course took place in Velingrad, Bulgaria on November 26 through December 7. The program focused on the following issues:

- Investment fund regulations in Bulgaria;
- Company analysis;
- Industry analysis;
- Financial instruments and markets;
- Portfolio design;
- Workshops with Czech investment funds;
- Corporate governance.

The feedback received from the participants indicated a high degree of evaluation for the organization and the content of the courses.

#### Institutional Contacts and Networking

##### *Workshop on the Legal Framework of Mass Privatization in Bulgaria*

The purpose of this workshop, held on October 3, was to analyze some problematic aspects, deficiencies and inconsistencies in the legal framework of mass privatization, and to recommend options and solutions for its improvement. The workshop was attended by experts from the Center for Mass Privatization, Council of Ministers advisors, and experts from the branch ministries. Some consultancies, investment funds and companies, researchers and journalists showed interest in the workshop discussions

As a result of the workshop, a document entitled *Mass Privatization Starts Amidst Apprehension* was developed. It set out recommendations for amendments to the legal framework of mass privatization regarding the issuing of shares by privatization funds and the prospective development alternatives for privatization funds. The

document was presented to the Parliamentary Economic Committee, the Center for Mass Privatization, the Ministry of Economic Development and the Privatization Agency. The key impact of this part of the project was that its recommendations were incorporated in the final version of the Privatization Funds Act adopted by the National Assembly in December 1995.

#### Privatization and Foreign Investment Monitor

In July 1995, CSD renewed the regular publication of the Monitor of Privatization and Foreign Investment. Its distribution was broadened in comparison with the previous years. This allowed the project to provide a watchdog or oversight mechanism to maintain the public awareness of how the privatization process is proceeding, and to let officials know that an independent think tank was tracking their performance and encouraging improvements.

#### Media Coverage of the Project Activities

The media coverage was designed to reach two major groups: policy-makers, experts, and the business community, on the one hand, and the general public, on the other. With the purpose of reaching the first group, a number of articles on the legal framework and procedures of mass privatization, foreign debt conversion, and other professional topics were published in selected newspapers. Another set of articles of a more general nature were published in newspapers with wide circulation ensuring coverage of about

50-70% of the country's population aged 18 years and over.

1994, and its activities continued into 1995.



*Dr. Francisco Garcés, former Chief Administrator of the External Debt Conversion Commission of Chile, consulted the CSD's Debt Conversion project headed by Dr. Mariana Todorova.*

### **III. Debt Conversion Program: Guidelines for Bulgaria**

The project was coordinated by Dr. Mariana Todorova, a leading Bulgarian economic expert, currently with the Economic Development Institute of the World Bank. The main objective of the project was to develop a fully-fledged debt conversion program in order to assist Bulgarian authorities in devising the arrangements needed for Debt-Equity Swaps by combining the existing legal framework for privatization with the new regulatory framework, institutional and swap mechanisms. This project started in

#### *Recommendations to the Ministry of Economic Development on Debt Conversion Related Issues*

Drawn up on the basis of in-depth critical analysis of the experience of government institutions in charge of debt conversion, this paper provided valuable suggestions and recommendations supported by concrete arguments. The recommendations were approved by Mr. Entzislav Harmandjiev, Deputy Minister of Economic Development.



*Assistance to the Ministry of Economic Development and the Foreign Investment Agency*

CSD provided assistance to the Ministry of Economic Development and the Foreign Investment Agency in the preparation of an information package on the terms and conditions for the use of Bulgarian Brady bonds in privatization. The material was among the official documents presented by the Bulgarian delegation at the Annual Meeting of the EBRD on April 8-11, in London.

*Workshop on Privatization and Debt Conversion in Bulgaria*

Representatives of commercial banks, the Bulgarian National Bank, the Privatization Agency, USAID, the Ministry of Finance, Members of Parliament, independent analysts and experts participated in this event held on April 25. The workshop was the concluding public presentation of the results of the project. The economic team of CSD presented for open discussion the main results and findings of several months of research. The exchange of views and opinions among the participants was extremely helpful for the project team in drafting the policy recommendations and the final study on debt conversion in Bulgaria.

*Preparation and Dissemination of the Final Study*

The final study of the debt conversion project incorporated the results of the comprehensive efforts of researchers. Its main objective was to propose a fully-fledged debt conversion strategy,

envisaged as an integral part of the overall national privatization program. It provided a thorough assessment of the Bulgarian debt-for-equity swap model as well as a detailed analysis of the regulatory framework and institutional arrangements for debt conversion.

The final document was presented to government agencies involved in the management of Bulgaria's external debt and the process of privatization. It was sent out to over 100 correspondent institutes of the International Center for Economic Growth around the world.

An occasional paper on Bulgarian Privatization and the Use of Brady Bonds was prepared by Sophia Kassidova and Iliya Avramov, Research Fellows at CSD. The paper analyzes the experience in privatization deals where Bulgarian Brady bonds are employed as a payment instrument. It also contains a detailed analysis of the dynamics of the price of Bulgarian Brady bonds

#### **IV. Southern Tier Business Association Training Program**

The training course was held on May 21-27, 1995 in Bistritza, Bulgaria, by the Center for International Private Enterprise (CIPE), Washington, DC, with the assistance of CSD. Representatives of business associations and chambers of commerce from five countries of south eastern Europe - Albania, Bulgaria, Croatia, Macedonia and Romania - in which CIPE has projects, participated in

---

the training course. The lectures were presented by experienced American experts and consultants with knowledge on the incorporation and functioning of business associations.

During the course of the program, the trainees attended lectures and participated in practical exercises on subjects such as strategic planning and programs of work, membership development, sources of non-dues income, public policy advocacy and government relations, communication

techniques, the role of business associations in a democratic society, and small business development.

The participants pointed out that they considered it particularly important that such a course was organized for representatives of the countries in the region since market institutions, including business associations in south eastern Europe, were less developed by comparison with those in central Europe.