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Bulgaria '98

an overview by I.M.E.

Bulgaria caught the last 1998 basket of IMF support to an emerging European economy. It was a major event of the year and a success story for both parties. In terms of curbing inflation, lowering the interest rate and ensuring stability, Bulgaria performed better than most of its neighbors-in-transition, including countries with currency board systems (CBS). Due underdevelopment, local capital market remained untouched by international turbulence. It was the first year since 1989 with one-digit inflation, and sizable (and not conjuncture) GDP growth. On December 31, the central bank fixed the lev to the EURO at a rate of 1,955.83 to one.

The 3-year US $1.6 billion IMF agreement is of political significance in two ways:

• it gives time to maneuver in meeting structural challenges without risking default;

• it tempers populist habits of the government and introduces basic rationale in economic policies.

Areas of caution, however, remain.

In a contrast to macroeconomic success, developments on micro level may still generate trouble. Soft budget constraints to numerous state enterprises remained. Liquidation of loss-makers has been postponed, resulting in false employment. Corporations and individuals pay different utility prices, with the former covering the costs for the latter. Foreclosure procedures take from eight to 24 months. The government has increased the number of activities requiring licenses from 80 to about 130, most of them ridiculous. Business associations have been lobbying for subsidies but frequently failed to promote competitive practices. Corporate governance is particularly poor in the government-run monopolies in the gas and electricity industries, the state-owned oil refinery, and communications. While the telecommunications company is scheduled for privatization (and the deal will be probably finalized by April 1999), in other fields the cabinet is refusing third party access schemes. Discontinuing such habits is a key benchmark on Bulgaria's road to the EU, but in November 1998 Bulgaria's Prime Minister requested that Brussels reconsider previous agreements to close the four oldest units of the Kozloduy Nuclear Power Plant.

Growth Trends

The first six months of 1998 showed real GDP growth of 11.9 percent (based on the same period in 1997), due to the extremely deep crisis in the first half of 1997. Then the third quarter of 1998 brought a GDP that was lower than that for the same period of the previous year by 5.9 percent.

Retail sales are estimated to have increased by 7.5 percent in 1998. However, sales revenue in the industrial sector dropped 19% in October (compared to the same period of the previous year). In the manufacturing industry, revenues contracted by 8.2%. The main reasons were:

• lost markets for chemical products

• falling prices of raw materials (including ferrous and nonferrous metals)

• the Russian crisis

The chemical companies barely produced 46.4% of the value added they used to generate during the same period of 1997. The four main companies in the chemical industry — Agrobiochim, Agropolichim, Neochim and Chimco — suffered 50 percent decrease in revenues from the third quarter 1997. Value added in transport and communications contracted by 40 percent. Sea transport alone, which accounts for 80 percent of revenues in the sector,

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contracted by 80 percent. Thus, GDP growth was only 4.3 percent for the nine month period, calling for the alteration of the original government goal and promise of 5.5 percent real growth. Realistic estimation gives a figure of no more than 4 percent real GDP growth for 1998, which can hardly be viewed as successful recovery from the 1997 recession.

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Nevertheless, a positive development is the increased share of the private sector in net value added (63.5%), and of around 56% in GDP (up from 51.7 % in 1997). Another plus-point here is the increase of value added in manufacturing by 9.1 percent for the first nine months of 1998, despite the contraction of manufacturing sales by 4.5 percent. The latter was a result of the nominal and real contraction in the share of interim products in the total cost of production in manufacturing. The reasons are to be seen in the following:

- Overall economic stabilization
- Structural changes in manufacturing – increase of the private sector share
- Isolation of some of the loss-making state enterprises

Inflation for 1998 is 1,0 percent, which is far below the government forecast of 9 percent

If measured by net value added per employee, productivity in industry is negative 17% (for the first quarter of 1998), mostly due to state-owned enterprises, although wages in the public sector rose by 16 percent (14 percent real change) over the period January-October 1998. Productivity in private sector industries was 2.5 times higher than in the public sector, and privatization set premises for productivity growth next year.

Inflation for 1998 is 1,0 (one) percent, which is far below the government forecast of 9 percent (originally 16%, later amended), resulting mainly from weak domestic demand. Several months even brought price decreases. Throughout the whole of 1998 the prices of services were on the rise, and by November the rate of increase was 21.9%. Adjustments in most utility prices were postponed until 1999.

Stabilization in 1997 and 1998 allowed for reductions in tax rates. The government, however, made cautious amendments.

Investments equaled 11% of GDP for 1998, hardly enough to promote any sustainable economic growth. The savings rate was 13% of GDP. The trend for the coming year is investments to grow faster than savings. The government forecast is for investments in 1999 to constitute 17% of GDP and savings 13.8% of GDP.

The unemployment rate managed to fall by more than two percentage points over the period October 1997 – October 1998, reaching 11.1% by the end of the period. The average monthly unemployment rate for the first ten months of 1998 was 12.3 percent, below the average for the same period in 1997 (14.1%).

Fiscal Policy

Stabilization in 1997 and 1998 allowed for reductions in tax rates. The government, however, made cautious amendments. The VAT rate was reduced from 22% to 20%, applicable to all activities, except public and financial services. The top corporate tax rate was decreased from 30% to 27%. At the same time, voluntary social insurance payrolls will not be taxed, and inter-firm lending will be treated more favorably.

The modest relief in the tax burden was accompanied by an increased share of government spending in the economy. As envisaged by the 1999 Budget, consolidated state budget revenues are expected to reach 35.3% of GDP and expenditures are estimated at 38.0% of GDP, or a deficit of 2.7%. For comparison only, the 1998 figures are about 30.9% and 32.9%, respectively.

In 1998 the central government budget registered a surplus, for the first time since 1989. The surplus last year, as of November 30, was about BGL 260 billion, or 1.4% of the estimated 1998 GDP, and it seems that annual surplus will remain at the same level. For the same period budget revenues reached BGL 3,838 billion, or 112.3% of what was planned, and expenditures were BGL 3,577 billion, or only 88.8% of the figures in the 1998 Budget Act. The government by the end of November accumulated reserves of about BGL 1,670 billion, or a decrease of some 16-17 percent compared to end-June 1998. As for the structure of budget expenditures, the main difference from the 1997 budget was the reduction of interest payments. Their share of overall central government spending fell from 55% (as of end-November 1997) to 23%.

Monetary Dynamics

By the end of December 1998 the foreign reserves of the Bulgarian National Bank were DM 4.84 billion. This figure was 16% higher than that from the beginning of the year. On the asset side of the currency board, the increase mainly affected central bank investment in foreign securities, which increased by 85 percent. The liabilities increase was largest in currency in circulation, which rose by BGL 532 billion, or 41%.

The stable currency board helped to maintain the fixed exchange rate level to the Deutschemark. The BGL/USD exchange rate varied throughout the year, corresponding to fluctuations in the DM/USD rate. The former reached its highest in April (1,853.6), and its lowest in October (1,598.5).

The dynamics of the base central bank interest rate showed a decrease of almost 2 percentage points over the period December 1997 – December 1998, and the base rate was 5.14% at the end of 1998. It is estimated on the basis of the average annual return on the three-month treasury bills. Since the supply of such bills is extremely restricted, it is natural not to expect any significant change in this level. The weighted average interest rate on bank credits (short-term) decreased over the course of year, from 13.85% in December 1997 and reaching 12.78% in late December 1998. The weighted average interest rate on time deposits remained almost unchanged at the level of 3.31%. The interest differential between credit and deposit rates varied significantly; it was almost 14 percentage points in May but closed the year at much lower level (9.47 percentage points).

Privatization

The year 1998 proved to be a tough one for the privatization ambitions of the government. Although a total of 500 enterprises were sold, many more than the figure for 1997 (327 companies), the total financial effect was US $577 million less than that for the previous year. The direct payments and debts covered amounted to US $561 million, slightly below those in 1997. In contrast, the investments contracted amounted to US $361 million for 1998, or more than two times less than in 1997.

The biggest deals in real sector privatization for 1998 are exhibited in **Table 1**:

51% of Druzhba-Plovdiv	**(US $20 million)**
54% of Biovet-Peshtera	**(US $13.6 million)**
24% of Polimeri-Sofia	**(US $12.95 million)**
60% of Novotel Evropa	**(US $12 million)**
38% of SOMAT	**(US $13.7 million)**

Lower revenues in 1998 resulted from the bias for management/employee buy-outs at the beginning of the year and delays in the privatization of blue-chips. The Privatization Agency (PA) failed to sell Chimco, whose price fell several times in 1998. Also, the Balkan Airlines Company was not privatized, due to the PA's incompetence. Other companies whose privatization was postponed until 1999 are: Agropolichim, Neochim, Neftochim, KZM – Plovdiv, OZK – Kurdzhali, and others. The biggest event in Bulgarian privatization (the sale of BTC) is also to take place in 1999.

Since January 1, 1993, a total of 2,497 enterprises have been privatized. The total financial effect is US $3.908 billion, of which US $1.835 billion is in investments contracted. Privatization by sectoris displayed by **Table 2.**

Balance of Payments

In 1998 (up until October), Bulgaria experienced a balance of payments surplus of US $260.8 million, far below the surplus for the same period in 1997 (US $1.18 billion). The capital account showed a US $138 million surplus, and the current account reversed the positive trend of the year's first six months, showing a deficit of US $112 million.

Exports for the first ten months were 40.9 percent of GDP (US $3.58 billion). Imports were 42.4 percent of GDP. The trade balance for the period was negative (US -$137.8 million), the main reasons being the fall in exports due to the Russian crisis as well as the fall in raw materials prices.

The net investment position of the country for the period January-October 1998 worsened by US $211.4 million. Debt to the IMF increased by US $73.4 million, and long-term debt to other foreign creditors increased by US $248.3 million. Foreign deposits of the trade banks increased by US $36 million (US $510.1 million for the same period in 1997). Direct investments in the country for the same period totaled US $161.5 million, three times less than for the first ten months of 1997. Net portfolio investments totaled US -$136.4 million; the same period in 1997 showed a positive figure (US $214.9 million). The main reason for this drop was the increase in Bulgarian portfolio investments abroad by US $77.7 million. Another cause was the fall of the foreign investment activity in Bulgarian T-bills and bonds, as well as ZUNK bonds.

The ratio of the nominal value of Bulgarian securities owned by foreigners to the foreign reserves of the BNB improved, from 13.6 percent in late October 1997 to 2.8 by October 1998. Another ratio, foreign reserves of the BNB / imports of commodities and non-factor services, improved from 5.2 in December 1997 to 6.1 in late October 1998.

Financial Development and Capital Market Trends

In August the Bank Consolidation Company (BCC) managed to sell the Bulgarian Post Bank for US $38 million to the American Life Insurance Co. and Consolidated Eurofinance Holdings of Greece. It was the second state-owned bank to be privatized, after the United Bulgarian Bank. The first half of 1999 promises two more big deals; the government says that Expressbank will be sold by March, and that Bulbank's privatization will be completed in the second half of 1999.

The first anniversary of the Bulgarian Stock Exchange was accompanied by the biggest fall in stock prices since its foundation. The main reasons were the deepening Russian crisis, causing the flight of foreign portfolio investors, as well as the loss-making of some of the blue chips in the chemical industry and the lost market positions of the export-oriented companies. The first year of the Bulgarian Stock Exchange showed no clear tendency of financial deepening of the economy. The liquidity of the major trading positions was extremely low, and the trading volumes of stocks were far from large. This proved once again the simple truth, that the fastest capital market development goes through the public offering of the largest state-owned companies on the exchange, as well as the liberalization of capital flows.

Bulgarian Brady bonds, whose capital capitalization is about US $5 billion, proved to be among the favorite instruments for speculation, as they were extremely dynamic through the year. The DISCs lost almost 40 percent of their value in the third quarter, with that drop accompanied by a similar fall in the prices of the less liquid FLIRBs and IABs. The overall decrease in Brady prices was obviously driven by the worrisome Russian debt situation, as well as expectations of a new crisis in Latin America. Several weeks after the sudden drop the Bulgarian Bradies stabilized and began to recover, soon reaching their pre-crisis level.

The dollar-denominated ZUNK bonds, being highly correlated with the DISCs, behaved in a similar way. The fall in their prices left most Bulgarian banks with higher exchange rate risk exposure. Moreover, most of them suffered huge losses and the ZUNK drop was one of the reasons leading to Credit Bank being declared insolvent.

Outlook

To summarize, it is obvious that the Bulgarian economy suffers international competition pressure adjusting process is just about to begin. Domestic demand is likely to remain low. Delayed consumption would motivate the public at large to spend more on imported goods. Government policies have not changed the investment climate significantly, aside from modest profit tax cuts.

In this situation, the cabinet decided to drag growth through public investment. And the IMF seems to have accepted this strategy. The business community and the public may disagree with it, and resume habits of tax evasion, especially given rising social welfare contributions. The greatest challenge for the cabinet will be to keep the investment program on track while decreasing the costs of dealing with the government.

Table 2

Industry	28.2%
Trade	25.3%
Agriculture	16.3%
Tourism	8.9%
Construction	8.0%
Transport	8.7%
Others	4.6%

Russia's crisis affected exports in 1998. Global capital market turbulence in 1999 would have an indirect but negative impact on direct investments in Bulgaria. However, events in 1999 are to include the privatization of BTC (first quarter), the privatization of the largest bank (Bulbank) and the deregulation of the power and utility sectors (second half of the year). Some markets and services - e.g. insurance, pensions, mortgages and health care funds - are in a nascent state and might be considered challenges to be met.

Minority Nationalism in the Balkans: The Bulgarian Case

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General Framework of the Problem

Nationalism has traditionally held and still holds an extremely wide appeal in the Balkans. For this reason it was and is an effective tool for social mobilization.

The Balkan nations had not attained independence up to the beginning of the 19th century. Since they are therefore new nations with strong primordial roots, and since national affiliation was not historically synonymous with a sense of belonging to a state, relatively objective pre-state attributes such as language, ethnicity, tradition and culture functioned as common denominators for social cohesion or inclusive/exclusive criteria. The sense of a common destiny for the Balkans' ethnic and ethno-national groups was strengthened even further by oppressive empires. As a result, nationalism was (in the case of all Balkan states) and often still is (in Serbia and Macedonia, for example) typically an instrument for building statehood.

The other consequence of centuries-long foreign rule (and thus of the liberation aspects of nationalism in the Balkans) was the shaping of different national identities in the Balkans, in terms of and within the framework of the political dispute. Nationality formed the basis of a political project, such as constructing a state. Placing priority upon subjective aspirations (rather than available resources) was a profound step toward the assumption that national self-determination up to and including the formation of independent sovereign states applied, not only to nations that could demonstrate economic, political and cultural viability, but to any and all groups that claimed to be a "nation." This opened the way to the assumption that national self-determination was feasible only in the form of full state independence; this was the Balkan history of the 19th and 20th centuries, especially the last decade (the Bosnian case being the most vivid illustration).

The way the Balkan nations emerged - simultaneously with the nation-states or even preceding them - resulted, however, in the overlapping of two processes: nation-building and state-building. First, this overlap made the new nationalist identities more suspicious and aggressive. Second, as was the case in Bulgaria, the rebirth of independent states often preceded the accumulation of administrative experience by a significant part of the nation's elite, so that those engaged in policy-making were often incompetent and state bureaucracies were extremely corrupt (a "phenomenon" also present in the experience of post-colonial countries).

Foreign rule had, however, an ambiguous impact. On the one hand, the absence of "state protection" hampered the nation-building process. But on the other hand, foreign conquests stimulated the preservation of ethnic attachments and identity, insulating ethno-national groups from the threat of assimilation and providing the basis for a spurt of nation-building in the 18th and 19th centuries. The multiethnic environment of the empires was not "chosen," it was enforced, and thus remained alien in the perception of the population. For that reason, it was a backdrop against which the basic elements of nationhood — the national language and a common religion — stood out. Since it is a relational ideology, i.e., definable only in relation to a reference point, nationalism needs a backdrop to throw it into relief — and this was provided by the oppressors. After 1945 the issue of foreign rule was "revisited" with the presence of the Soviet Union, which inherited the traditional role of the "oppressor," with all the consequences for national self-determination.

Last but not least, having an interrupted national history turned out to be an ideal breeding-ground for the national historical myths that still play an extremely important role in the Balkans. All sources of national identity in the Balkan nations were and often still are rooted far back in history. That is why history in the Balkans has always been divided and overlapping. The historical myths of different (opposing and conflicting) nations often refer to the same facts, persons and, most importantly, territories.

On the level of contemporary politics this has meant that the nationalist ambitions of all ruling elites in the region have inevitably been in conflict. Conflicting historical arguments could be (and were) easily converted into political ones, and those into military ones. In addition, the various Balkan nationalisms were militant and aggressive, which is rather typical for newly re-emerged nations developing in the context of an "external threat," in which aggressive attitudes are an integral element of the approach to self-defense. All of this predetermined the constant desire to reshape existing borders, a desire which was always based on the assumption of "historical injustice" and which inevitably divided the Balkan states into two groups: the "satisfied" and the "dissatisfied."

This short introduction to the specifics of the nation-building process in the Balkans is necessary for two reasons. First, to point out that the violent, ruthless, sometimes seemingly irrational minority conflicts in the Balkans have their basis neither in the existence of centuries-long hatreds, suppressed into dormancy by their communist regimes and awaiting the right spark to set them off, nor in the "barbarian nature" of the Slav nationalities. These conflicts have a rational explanation. The second reason is to point out that the rational elements of these minority conflicts still exist and must be taken into account when managing minority nationalism. The result of these two elements is the region's high degree of exclusivity of majority nationalism, which perceives every symptom of minority nationalism as a threat. In fact, minority nationalism in the Balkans is perceived solely as exclusive majority nationalism in an embryonic stage.

The Perceived Threat of Minority Nationalism and Regional Stability

There are several prerequisite conditions for the development and spread of a minority nationalism-based conflict. One is the notion of "nationhood" obsessing a certain group that is separated (or even capsulated) on an ethnic or other basis. The second is the element of oppression (whether real or perceived). In this respect the Balkan region has a vast potential for such conflicts, in terms of aggressive new nations (providing the notion of "nationhood") that are at the same time split between different states, with their kin living around and outside the borders of the existing nation-states, in the position of minorities (providing the element of "oppression"). That is why the minority issue and minority nationalism in the Balkans have been an integral part of inter-state (inter-majority nationalism) relations since the very beginning of the 20th century. Therefore, minority issues and minority nationalism have been perceived as having a strategic impact on regional stability.

Minorities and especially minority nationalism have traditionally been viewed as a destabilizing element, and therefore a source of the "strategic insecurity" always present in the region. This strategic insecurity, which resulted partly from the fact that the independent Balkan nation-states had only been in existence for a short time, was further aggravated by the Great Powers' constant intervention in the internal affairs of these states, be it in the form of the Berlin congress or the Yalta agreement. To a great extent this "hysteria" was exaggerated by the minorities' intermingled distribution, which provided the "legitimate basis" for conflicting territorial claims. During the pre-World War II period decisive steps were taken toward "national uniformity" in the Balkans, but the result was negative. All of the countries host ethnic or national minorities on their territory, and all still perceive them as a security threat, jeopardizing the integrity of the state.

Since policies toward minorities were based on the assumption of possible "treason," any practical manifestation of minority nationalism was — and still is — perceived with deep suspicion. This suspicion often led to one of the practiced "techniques" for managing minority nationalism: getting rid of them. In fact, this was usually the policy adopted by all governments during different periods in the Balkans, and as already mentioned, there was always some minority to get rid of. The fact that in many cases such an approach caused a backlash, becoming self-fulfilling prophecy, was perceived as an "objective evidence" that minority nationalism is a real and proven source of threat.

Hence it is not correct, at least in the case of the Balkans, to perceive minority nationalism as a new invention. Periods of "ethno-national harmony" in the Balkans were brief and, as a rule, harmony was illusory, the temporary result of previous violent "solutions" to national issues. All of the local wars in the Balkans in the 20th century were fought in the name of reuniting nations with their minorities, reuniting territories, or at least, they all involved an extremely strong "nationalistic component." The same emotions also motivated the Balkan countries' choice of sides in both World Wars. The same emotion provided the driving force for the latest conflict in the former Yugoslavia.

This history has shaped one of the special characteristics of the Balkans: an unusually high sensitivity to the national issue on the part of the region's people, and their extraordinary susceptibility to nationalistic appeals from both "their own" and "alien" leaders. The difference between the two is reverse perception: of their "own" nationalistic appeals as a source of positive motivation and those of the "aliens," of negative motivation. As a result, people in the Balkans generally succumb easily to the temptation of "historical retaliation" (claimed by their leaders), or vice-versa, if there is the slightest possibility of "historical retaliation" against themselves (claimed by the "aliens"), they immediately feel threatened.

In other words, the peoples of the Balkans are potentially much more open to manipulation on a nationalistic basis than are, say, the peoples of Western Europe, whose nation-building processes were completed centuries earlier and whose societies are divided along many more cleavage lines than purely ethnic ones. This is also why political mobilization on nationalist grounds has been more significant in the Balkans than in other countries in Eastern Europe. Thus it has been widely used by the local elites. Given the fact that "historical retaliation" is usually perceived as possibly coming from national minorities, minority nationalism as such is perceived as a threat, thus in turn fueling majority nationalism.

The Approach of Different States to Minorities in the Region

Most of the Balkan states still perceive their minorities as security threats. Evidence of this can be found even in their legislation.

For Greece, this is evident in its non-recognition of minority status on the basis of ethnic or linguistic criteria. The Greek Constitution, dating from 1975, does not provide any possibility of the existence of any minority status or the execution assertion of collective minority rights. The term used is to "Greek citizen," which is distinct from "nationality" and aims to define the responsibilities and duties of

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Nationalism both minority and majority, and in terms of both doctrine and political movements is elitist. For this reason, its main role is inevitably an instrumental one.

the individual. The latest census containing data on ethnic affiliation took place in 1951.

Greece has signed the Council of Europe Framework Convention for the Protection of National Minorities but has not yet ratified it. At the same time, it has undertaken a concrete commitment to respect the rights of persons with Muslim religious affiliation, whose status is codified by the Lozana Treaty of 1923. On the basis of a Greek-Turkish protocol of 1968, Muslim schools are permitted in the country. However, the Greek civil code still prohibits the granting of Greek citizenship to persons with non-Greek linguistic roots.

The Constitution of Turkey, which was adopted in 1982 and amended in 1995, also does not deal with the term "minority." Its Article 66 states that every person having citizenship relations with the Turkish Republic is a Turk. Official data on the number of different ethnic groups are nonexistent. The right to use one's mother tongue is granted indirectly by Article 26, while banning the use of any language is prohibited by law. Article 28 declares the existence of "indivisible unity between state and nation," opening the way for the prosecution of persons declaring the existence of national minorities. At the same time, the above-mentioned Lozana treaty of 1923 recognizes the existence of non-Muslim minorities, but not Muslim minorities defined along denominational lines. In 1994 the Turkish representative refused to sign the Framework Convention for the Protection of National Minorities, on the grounds that not all cultural, linguistic or religious distinctions lead to the emergence of national minorities. Turkey still has not signed the convention.

Yugoslavia demonstrates the greatest discrepancies between legislative regulation and administrative practice. Article 11 of the Constitution adopted in 1992 recognizes and guarantees the right of national minorities to preserve, develop and manifest their ethnic, cultural and other distinctions, as well as to use their national symbols, in accordance with international law. Article 15 allows the official use of their native languages in regions populated by minorities. Article 49 grants them the right to use their native languages in court, and Article 46 allows them to use it at school Article 48 even guarantees their right to establish and develop interpersonal contacts with persons of their nationality in other states. Two autonomous regions, Kosovo and Vojovodina, existed with their own local parliaments and legislation, which for a period further extended their minority rights. However, the discrepancy between generally democratic legislation and current practice is most evident in the Yugoslav case. A direct sign of this discrepancy is the fact that Yugoslavia has not signed the Framework Convention for the Protection of National Minorities. The relatively advanced legislation concerning minority rights is in some respects inherited from the old Yugoslav constitution, and the tradition to codify all possible minority rights. As a result, the inherited legislative framework clashes with current attitudes toward the issue of minority rights, which are far from respected. The case of the conflict in Kosovo is a clear example in this respect, proving that when necessary, formal rights can easily be ignored.

In FYR Macedonia the entirety of the country's legislation is built upon the assumption of the ideology of "Macedonianism", with its basic pillars: the existence of the "historically rooted" "Macedonian nation" and "Macedonian language." The preamble to the Macedonian constitution declares Macedonia to be a "nation-state of the Macedonian nation," which coexists with other nationalities. In the annex to the signed Framework Convention for the Protection of National Minorities, the Macedonian side points out that the term "national minorities" is treated exactly as it is treated in the country's constitution. These are listed as including Albanian, Turkish, Wallachian, Roma and Serbian minorities. According to the constitution, these minorities can use their national languages as official languages in the communities and regions where they constitute the majority of the population (Art. 7). They are also allowed to declare their national identity, to teach their native language and to establish their own cultural and educational institutions (Art. 48). The Bulgarian nationality does not exist as a minority, according to the Macedonian interpretation.

This Macedonian experience, similar to the case in Yugoslavia, explicitly show that a developed legislative framework regulating minority issues is not sufficient, either for managing minority nationalism or for providing objective evidence of the degree to which minority rights are respected. Usually rights are granted, but only to the recognized minorities, which act as some kind of "official dissidents." The recognized minorities are marginal, in terms of both number and possible security impact. In some cases the recognized minorities do not exist, and are invented in the name of a "democratic" approach to the issue of minority-based conflicts. And vice-versa: any significant minorities are treated as nonexistent. As a result, the reported picture depicts a nonexistent, illusory "reality," which fits perfectly into the "comprehensive" legislative framework. This means that a detailed normative structure is not sufficient for handling minority nationalism.

Nationalism as a Result of What?

In general, nationalism — both minority and majority, and in terms of both doctrine and political movements — is elitist. For this reason, its main role is inevitably an instrumental one. The ideology of nationalism is mainly a "technology," a means for mass mobilization. So, in the Balkans, is minority nationalism. It can utilize individual attitudes (such as patriotism) or the desire to protect a distinct identity; but they are utilized by a certain elite, and as a result of initiative taken by an elite. It is always an elite or an elitist group that launches a massive nationalist campaign. In the Balkans, this has for decades meant that the ruling elite always succeeded in gaining support, whenever it requested such support on nationalistic grounds. And this is one of the reasons for which the nationalist argument is often exploited by Balkan elites.

It would also be reasonable to distinguish two types of minority nationalism, according to emotional or pragmatic objectives. Of these, the former is more susceptible to historical or other mythology, and has greater support among the less educated strata of the population or in regions at a lower stage of civilizational development. This type of minority nationalism usually promises the restoration of historical glory and all its requisites, and is directed toward state-building, rather than the preservation of distinct identities. Here we have a direct correlation: the lower the state of development, the less certainty in the community that it can lose in a nationalism-based conflict. This is the main reason why the less educated and poorer strata of society are more susceptible to nationalist-type mobilization.

The second, pragmatic, type of nationalism deals mainly with the issue of enhancing the rights of the minority, of granting it equal access to opportunities in political and economic terms, and of preserving its identity, rather than with the building of a nation-state. Its emergence is closely connected not with the desire to establish of a "state of our own," but rather with the evolution of the existing state structure. The pragmatic type of minority nationalism is in this respect more integrationist, more oriented toward seeking solutions within the existing legal framework. Of course, such an approach is possible only at a certain stage of development of the state itself, when a necessary minimum of democratic traditions and procedures are in place.

On the other hand, the desire of a certain community to be distinct and separate is often a consequence of the "erosion" of the state, of its decentralization. With the advancement of market reforms and modern communication technologies, the state is no longer the same important source of social cohesion as it used to be few decades ago. Inter-community relations and locally-defined links become more and more significant. This phenomenon is even more evident in the case of the post-socialist countries in the Balkans, where after the collapse of the old system a civilizatonal vacuum arose. On a declarational level the countries "switched" to liberal democracy and market economies immediately after the start of the 1990s, but in practice the whole normative framework of the new system was absent for a long time. In such a situation minority nationalism is often a means of self-realization. It no longer has the objective of creating a nation-state, but rather aims to create new sources of social cohesion as a means to achieve individual realization. In this respect minority nationalism verges on a "strategy" of defending individual, rather than collective, rights. That is why in this case the accent should be placed on the word "minority," rather than on the word "nationalism." If properly understood, this should be a much smaller threat than that which is usually (traditionally) perceived.

In summary, the elite and society at large have different motivations when launching a nationalistic project. The elite is, by definition, statist. The members of the community at large are more inclined to seek guarantees for their individual rights. As a result, incorporating the elites into the process of governance is one way of managing minority nationalism.

When speaking about the objectives of a minority nationalism movement in the Balkans, it is also important to distinguish internal from external sources of motivation in those processes. Driven from "inside" are those cases of minority nationalism whose representatives (elites) have the consciousness and the desire to be distinct on an ethnic or national basis. Usually they are representatives of a broader social body, from which, due to historical circumstances, the group has been separated. The pattern of "creating" a minority is driven from outside. According to this pattern, certain political elites (usually not belonging to the minority in question) can push for the group's separation from the common multiethnic and multinational body, creating new ties and loyalties in order to achieve short- or long-term political objectives.

The Parameters of the Bulgarian Political Environment

Given the reality in the Balkans, Bulgaria did not have too many options to choose from. It has minorities on its territory. It has the tradition of perceiving them as a security threat. It has also had experience in attempting to find violent "solutions" for the problem.

According the latest census (1992), Bulgarians accounted for 7.271 million, or 86 percent, of the country's population; Turks accounted for 0.8 million or 9.4%, and the Roma accounted for about 0.3 million. However, almost half of the Roma population declares itself to be either Bulgarian or Turkish, so the real number is estimated to be

In the Balkans the ruling elite always succeeded in gaining support, whenever it requested such support on nationalistic grounds. And this is one of the reasons for which the nationalist argument is often exploited by Balkan elites.

The desire of a certain community to be distinct and separate is often a consequence of the "erosion" of the state, of its decentralization. With the advancement of market reforms and modern communication technologies, the state is no longer the same important source of social cohesion. Inter-community relations and locally-defined links become more and more significant.

about half a million. Several thousand people reported themselves to be Macedonians - almost a quarter of the 13,000-strong ethnically Armenian community.

The Bulgarian political environment has a few characteristics that are important from the point of view of possible minority nationalism: there exists in Bulgaria a de facto minority party and th level of secessionist attitudes among minorities is generally

No special law on minorities has been adopted in Bulgaria, but according to the constitution international legislation ratified by the parliament becomes an integral part of Bulgarian legislation. Bulgaria's president signed the Framework Convention for the Protection of National Minorities in October 1997, but it has still not been ratified by the parliament. Its ratification will probably be accompanied by an intense public debate on the issue of what exactly constitutes a minority, and in what areas the convention is applicable. At the same time Bulgaria has signed and ratified all internationally-adopted conventions on human rights protection, automatically making them part of its own legislation.

The dominant approach of the Bulgarian government toward minority issues is based on several general assumptions. These are:

- the territorial integrity of the state;
- the priority of individual over collective rights;
- the openness of the borders for the free movement of people, and thus the decreasing significance of the borders;
- treatment of the minority issue as an element of the political debate.

At the same time, the Bulgarian political environment has a few characteristics that are important from the point of view of possible minority nationalism. First, there exists in Bulgaria a de facto minority party. Although the constitution rules out the existence of political parties based on ethnic or confessional lines, the Movement for Rights and Freedoms (a Turkish minority-dominated party) was registered in 1990. The registration was the outcome of a complex political compromise (described in detail in the next section). From the perspective of the eight years of transition, however, it would appear that the existence of a minority party on the political landscape has contributed to political stability.

However, this is not a result of ethnic discrimination but rather of the declining social role of the state and the collapse of the state-dominated economic structure. The state no longer provides every citizen with guaranteed employment, including the low-qualified and uneducated labor force (as is usually the case with Roma workers).

The second significant parameter of the political environment in Bulgaria is the low level of secessionist attitudes among minorities. This is partly due to the fact that the existing minorities did not have (and still do not have) a really important motive for seceding (neither political nor economic). On the other hand, after the small-scale ethnic conflict in Bulgaria in the 1980s (the forced name change and expulsion of Bulgarian Turks) society at large became extremely sensitive to minority issues, and ethnically-based political mobilization (which is a necessary condition for the secessionist agenda) is now perceived with suspicion.

The third important parameter of the political environment in Bulgaria is the fact that the possible societal division lines (wealth vs. poverty, inclusion vs. exclusion, etc.) do not coincide with ethnic affiliation. The case of the Roma minority is different. Poverty is common for Roma communities. However, this is not a result of ethnic discrimination but rather of the declining social role of the state and the collapse of the state-dominated economic structure. The state no longer provides every citizen with guaranteed employment, including the low-qualified and uneducated labor force (as is usually the case with Roma workers).

In this environment, historical experience has also played an extremely important role. The only relatively contentious issue was that of the Bulgarian Turks, although in this case too the "perceived threat" was more serious than the real one. Nevertheless, the "perceived threat" — in this case self-determination and secession — did bias Bulgarian politics, and in fact led to assimilation attempts during the 1980s. Other minorities in Bulgaria (no matter whether these are labeled as "ethnic," "ethno-national" or "national") have marginal significance in terms of possible minority-nationalism conflicts. These minorities are the Roma, Pomaks (Bulgarian Muslims) and Macedonians. Neither the Roma nor the Pomaks can be treated as a "national minority," and the issue of the Macedonians is rather an example of a successful nation-building project that took place over the last five decades outside Bulgaria. Thus the latter can be treated in terms of the foreign policy debate, rather than in terms of minority nationalism.

The Benefits of a Small-Scale Ethnic Conflict: the Case of the Turks in Bulgaria

Bulgaria’s ethnic Turks mainly inhabit two parts of the country: the regions around Kurdjali in the Rhodopi Mountains and around Razgrad. They are descendants of Turkish peasants who settled in the Balkans during Ottoman rule. Until the 1989 crisis, they numbered about 900,000. After attempts by the Bulgarian government to change their names to Bulgarian ones, about 250,000 of them emigrated to Turkey. Some 40% of these returned to Bulgaria at the beginning of the 1990s. As mentioned, Turks comprised 9.4% of the population in 1992.

The emigration wave in the 1980s was not the first of Turks from Bulgaria, nor was it the first assimilation campaign. All Balkan wars were followed by larger or smaller Turkish emigration flows, beginning with the Russo-Turkish war in 1878, when Bulgaria was liberated and about 1.5 million Turks left the country. Turks constituted about 26% of the Bulgarian population in Northern Bulgaria in 1876. By the turn of the century this percentage had dropped to 14%, and to 10.5% in 1926. The next significant wave of emigration took place after World War II: some 250,000 Turks left Bulgaria between 1949 and 1951, about 155,000 left at the beginning of the 1950s, and 55,000 to 130,000 (Bulgarian and Turkish data differ) left between 1968 and 1978.

Attitudes toward the Turkish minority have been a strange mixture of two extremes: from complete recognition of their rights and even preferential treatment on the one hand, and total rejection of the very existence of minorities on the other. Preferential treatment was for years part of the state policy of "incorporating" that population into Bulgarian society, the practice in itself an indirect sign that the group was perceived as an alien body. Preferential treatment was, however, mainly conducted in economic terms, through higher prices for the traditional product of the Turkish-inhabited regions (tobacco) and subsidized prices. Direct evidence of this treatment is the fact that, according to incomplete data from the State Savings Bank (the largest savings institution in Bulgaria), in 1989 regions with compact Muslim populations held 1.2 to 1.5 times more savings than the rest of the country. Preferential treatment was a rather constant element in the Bulgarian "landscape" after World War II.

This was not the case with political attitudes toward minorities, and in particular the Bulgarian Turks. The regime hesitated between recognition of their rights and status and total rejection of the very idea that minorities exist, which was the ideological basis of the forceful assimilation attempts. The 1947 constitution guaranteed the rights of "national minorities," but the 1971 constitution mentioned only "citizens of non-Bulgarian origin" (Article 45). This was how the official attitudes evolved. Until 1970, Turks could study in Turkish schools, Turkish-language newspapers were published and Radio Sofia broadcast in Turkish. In the middle of the 1970s, this attitude changed drastically and the Turkish minority was perceived as a potential secession-oriented group, whose very existence threatened the country's integrity. The conflicts in Lebanon and Cyprus were used by the political establishment as a "point of departure" for projecting similar scenarios for Bulgaria. The fact that Turkey was a NATO member and thus perceived as potentially hostile was rather of secondary importance; the "perceived hostility" had also been present in the 1950s and 1960s. From today's point of view, things do not look that clear-cut, but the fact is that the "perceived threat" was a strong enough motive for action. As in the case of the Pomaks, it was undertaken through the forced changing of names of Arab origin, once again proving that one of the basic problems in the Balkans was that of questioned identities, both collective and personal. The campaign was cynically labeled a "renaissance process," since the official version of assimilation was that it was a "voluntary process" on the part of the Turkish population which, it was claimed, is in fact not Turkish but ethnic Bulgarian converted to Islam during Ottoman rule and had become conscious of its Bulgarian roots by the mid-1980s. The name changes were also voluntary from a procedural point of view: people had to sign a standard form in which they stated their wish to change their names. The campaign completely blurred the difference between those who were forced to change their names (the majority) and those who did so voluntarily (a number of Turks as well as Pomaks preferred to use names of Slav origin for reasons already described).

Forced assimilation was too ignorant as an attempt to change the Turkish minority's identity. For that reason, a change of identity was probably not the real aim but rather just camouflage for a smarter "project.". According to one of the many hypotheses about the reasons for this abrupt change in the regime's strategy, enforced assimilation and the changing of names of Arab origin were designed as a means of antagonizing Bulgarian society along ethnic lines in order to lay the groundwork for the nationalistic mobilization of the Bulgarian majority, "under the auspices" of the Communist regime. According to this scenario, communism could play the role of the "redeemer" of the Bulgarian nation. From today's point of view, and following the development of events in Serbia in the second half of the 1980s and the 1990s, this explanation of the ethnic conflict in Bulgaria in the 1980s now seems to be the more reasonable one.

Assimilation attempts, and especially reactions by the Bulgarian majority in 1989, revealed the real dimensions of the "Turkish minority problem" in Bulgaria: the problem does not lie with the minority but with the majority. It is based on the division between those Bulgarians who regard Turks (and in broader terms, Muslims) as citizens with equal rights, and those who opt for the Bulgarians' privileged political status. It is not surprising that after 1989 the latter group found itself concentrated mainly within the Bulgarian Socialist Party, the former Communist one, which was playing a patriotic card with nationalist overtones, although on a far lesser scale than its Serbian counterpart.

The totally pragmatic approach that was adopted in this respect was obvious from the BSP's attitude toward the MRF. The MRF was registered in 1990 thanks to the support of the BSP, and it was thanks to the BSP that it took part in the 1990 parliamentary elections. The aim was to split the non-Socialist vote, and this was achieved: the MRF took 7% and entered parliament, and the Union of Democratic Forces (UDF) came in second. Later,

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Thanks to the dramatic events of 1986-89, a Bulgarian opposition was formed in the context of the minority issue and became extremely sensitive to it. The "small scale conflict" in 1989 was a necessary experience in order to prevent a nationalist clash on a broader scale.

when the MRF started supporting the UDF at the parliamentary level, it was the BSP that raised the issue of the unconstitutional character of the MRF, since it was perceived as an ethnically-based party and the new Bulgarian Constitution adopted in 1991 forbids the existence of such organizations. The issue was addressed to the Constitutional Court, and the MRF won by a margin of one vote. The BSP, however, continuously uses the Turkish problem for nationalist-based mobilization.

The assimilation campaign of the 1980s had a crucial effect on both the Turkish minority and Bulgarian society in general. The Turkish minority was the real winner in the long term. Thanks to the attempt to force assimilation, the prevailing part of that population began to identify itself along ethnic and national lines. Also, for the first time in probably a century, the Turkish minority became emancipated. For the first time it felt the obvious support of its "kin state."

In a paradoxical way, the dramatic events of 1986-89 cemented the future of the democratic process in the country. Thanks to them, a Bulgarian opposition was formed in the context of the minority issue and became extremely sensitive to it. The "small scale conflict" in 1989 was a necessary experience in order to prevent a nationalist clash on a broader scale. But what is more important is that the Turkish minority itself turned into a rational political actor, and the problems it faces can now be solved at the political, parliamentary level. Although many issues are still disputable (such as the nature of the constitutional limitation forbidding the existence of ethnically-based parties), the MRF is now part of the political landscape just as the Turkish minority is part of the Bulgarian one.

Managing Minority Nationalism: the Outcome of the Last Decade

Being a "small-scale ethnic conflict," these attempts were to shape the future policies of both the state and the minority communities. Both sides joined the transition process with incomparably higher sensitivity to the minority rights issue. The concrete manifestation of this sensitivity was the fact that secession — the reason for the "perceived threat" in the 1980s — was simply ruled out as an option. Thus, from the very beginning, both sides set certain "invisible limits" in solving the minority issue.

The second aspect of the problem was the mutual understanding of the opponents' rationales. The majority's representatives in the democratic political elite had a kind of "guilt complex" as a result of the violation of Turkish and Bulgarian Muslim human rights in the 1980s, and they were therefore "willing to cooperate." The minorities' representatives were aware of the Bulgarian public's sensitivity to the state integrity issue, and they based their strategy on the assumption that this integrity should be maintained. This is obvious from all the bylaws the Movement for Rights and Freedoms, in which the integrity of the state and the affiliation to the "common fatherland — Bulgaria" is stressed.

The "invisible limits" were also obvious in the debate on the legitimacy of ethnicity- and religion-based political parties. After serious discussion, the registration of such parties was forbidden, and that is one of the reasons why the MRF is registered as a "Movement." However, at the same time, the Turkish minority party does exist, and for more than one year was practically a ruling party: MRF deputies' votes were decisive and responsible for the survival of the government formed on the MRF ticket in 1993-94. This seemingly paradoxical situation demonstrates the existing de facto consensus that national and religious minorities (in this case, Turkish) exist, that their interests should be represented and their rights defended at the political level, but within the framework of the existing multinational community, defined as the "Bulgarian people." Ethnic tensions are translated into political language that rationalizes ethnic conflict, and makes it much more manageable. It does not presuppose the impossibility of violence, but the approach to conflict management is essentially political, based on the presumption that the ethnic disputants behave as rational actors, deploying their resources to promote and defend group interests that are real, not illusory.

The issue of "invisible limits," or to put it more directly, limited minority rights, may sound provocative and discriminatory. However, the basic assumption is that in every multiethnic community there are some collective — not individual — minority rights, which are inevitably limited by definition, due to the fact that they are minorities. Especially in intermingled communities with existing historical prejudices (as in the Balkans), this seems to be the only realistic option. Having to choose between full respect of collective and individual minority rights, it seems more reasonable to choose the latter. The ideal — absolute equality of collective rights, including the right to territorial self-determination through secession without affecting the individual rights of the representatives of other communities (other minorities, or the majority, who are a minority on the local level in areas dominated by the minority) — seems unfeasible, at least because of the high degree of intermingling of the representatives of the different ethnicities.

The basic limitation in this respect concerns the right to secede, which is, in fact, part of an agreement between the minority and the state. This agreement raises the integrity of the multiethnic community to a higher level of priority. It also means that other minority rights should be applicable, depending on their impact on the integrity of the broader community.

Minority language status is a good case in point. Elevating a minority language to the status of an official language is more than dubious, since it may be a direct step and a powerful tool for alienating minorities, a real obstacle to their integration into societies (which is a far cry from their "assimilation"). As a result, such an approach may foster the isolation of the minority, preparing the ground for the dissolution of the multiethnic entity. Hence, the only reasonable approach seems to be the guaranteed right, but by no means obligation, to use or study a minority language. Otherwise, majority or smaller minority groups' rights (as in the case of the Pomaks) may be violated.

Paradoxically, in terms of minority nationalism issues Bulgaria benefited from its economic collapse. First, the economic hardship pushed the perception of the issue from the discourse of mythological, emotional, potentially militant and secession-oriented nationalism toward a more pragmatic approach. As a result, secession from a multiethnic state was not perceived to be of value as such. Real value was given to economic rights: equal access to capital, credit, privatization. Second, the euphoria over secession-oriented self-determination ended quite quickly, thanks to the war in former Yugoslavia. So Bulgaria's approach can be defined as "nonviolent and non-secessionist." It is a model that opts for realistically limited, and thus defensible, minority rights. This is also indirect evidence that in the civilized world ethnic conflict is more metaphorical than real.

However, the problem of limited rights is not that evident. Minority and majority status are usually asymmetrical. Sides that are deprived in some respects are often privileged in others. One of the advantages minorities usually have is access to a distinct culture (that of the majority), which in broader civilizational terms means an additional opportunity for individual development (a case in point here is the uniqueness of the Pomak tradition, as a result of their "location" on the border between Islam and Christianity). Another example is seen in the broader political rights of national minorities with recognized dual citizenship. The case of the Bulgarian Turks who emigrated to Turkey and still participate in parliamentary elections in Bulgaria is an example. On the eve of parliamentary elections on December 18, 1994, the possibility of significant support for the MRF from Bulgarian Turkish voters in Turkey was strongly debated in the Bulgarian media. Their number is estimated at 150,000 eligible voters. The main question was whether citizens with dual citizenship who are not resident in Bulgaria have the right to influence Bulgarian internal politics. In the 1997 parliamentary elections the debate simply did not exist; the population had much more serious problems to solve, coping with survival. The same group is also somehow privileged in economic respects. For example, dual citizens may receive their pensions in Turkey while continuing to use free Bulgarian health-care services.

Another example of the "enhanced rights" of minorities is the situation in which they have the right to secede (the case of national minorities with their own nation-state outside the disputed community). The idea is a very rational one: that the right to secede must be recognized after certain procedural or economic obstacles have been overcome, and this may be seen as a test of determination and the real need for secession. It does not "forbid" but rather converts the political issue into economic one, establishing a "price of separation." However, it would seem reasonable to apply this approach only in cases when a minority has no other possibility of becoming a majority, except via secession. When the possibility of choice exists, as in the case of minorities with a "national home" outside the existing state borders, secession should be ruled out. This is the case with most Balkan minorities that have a right to choose a state where to live (the choice is between the state where they are living as minorities and their "national home"). The majorities do not have such a right to choose. However, there is also a problem with the option of choice, since it is based on the assumption that complete freedom of movement, in political as well as economic terms, does in fact exist. As experience of the consecutive migration waves from Bulgaria to Turkey shows, the recipient country is often unable to absorb all of the immigrants. Lower population mobility in Europe in comparison to the United States also has to be taken into account. All of this makes the "choice option" less realistic than the consensus-oriented, "invisible limits" approach.

The Bulgarian approach to minority issues was not a model that was invented and introduced; rather, it simply happened. It resulted from a peculiar set of circumstances — which does not mean, however, that it cannot be introduced elsewhere. It turned out to serve as an existing and functioning model of a nonviolent approach to the issue of minority nationalism. Its core is comprised, first, of recognition of the inevitable "invisible limits" to minority rights and, second, of the primacy of the multiethnic community's integration. In other words, the formula "democracy means self-determination through secession from a multiethnic state" was treated as inapplicable in the Bulgarian case, and the chosen option was "democracy means constitutional guarantees of minority rights in multiethnic communities."

Bulgaria's approach can be defined as "nonviolent and non-secessionist." It is a model that opts for realistically limited, and thus defensible, minority rights. Its core is comprised, first, of recognition of the inevitable "invisible limits" to minority rights and, second, of the primacy of the multiethnic community's integration.

Higher Education in Economics and Economic Institutes in Bulgaria

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Introduction

This report presents the level and capabilities of both economics education and economic research institutes in Bulgaria. Economics education, as with all other areas of the public sector, has been under transformation for the last 9 years.

During the past 9 years, private universities have been established and the existing state universities have also been transformed. According to Bulgarian legislation, the parliament is the body that may grant autonomy to universities. All of Bulgaria's universities are autonomous units. This allows them to make decisions regarding programs, subjects taught and introduction of internal regulations and rules. Three universities were recognized in 1991, and one in 1995. This means that the universities have the right to use the name "university" and have better chances when applying to have the Ministry of Education accredit their programs.

A university's being recognized by the parliament has never meant budgetary subsidies. Subsidies were reserved for Sofia University and other old universities in the major cities, but since 1990 have been constantly declining. Meanwhile, other bodies call themselves universities and have their programs accredited, while remaining unrecognized by the parliament. Most of the socialist-era "higher learning schools" (HLS[1]) received new names designating them as "universities," still retaining their specific profiles (technological and computer science, architecture, agriculture, medicine, etc.) Even these, however, have launched study programs in economics and economics departments. This is for two reasons:

1. Most or all professionals and professional fields anticipated privatization and/or limited subsidies, and students were demanding such programs;

2. Since Bulgarian university education was nominally ideological until the very end of 1989, every HLS used to have a department of "Marxism/Leninism" (M/L); professors of M/L promptly switched to economics and political science, thus persevering their jobs[2] and providing a service to the students who were desperate to gain some knowledge of market economics and public policy, especially if it could have some remote relation to their professional careers.

In general, budgetary constraints allow limited government resources for higher education, and most universities are faced with scarce financial resources. Teaching economics (and political science) has become one of the vehicles to overcoming these sacristies, collecting fees from students in these fields in high demand. The present report is an attempt to draw a concrete picture of Bulgarian higher education in economics, but avoids two particularly difficult tasks: reviewing and commenting on the economics curricula in all "professional" universities (former HLS).

Budget and general background

Besides newly-established universities, which often began with post-graduate courses, the number of undergraduate students has increased by approximately 10% per year since 1991, while the number of Ph.D. students fell by half for the period 1991 (4,811) - 1997 (2,283).

The state universities gained autonomy[3] and new private universities emerged, but the quality of education deteriorated. A great part of the teaching is based on outdated programs, and computers and other technical facilities are either worn out or not available at all. Subscriptions to periodicals and purchases of new books by the libraries were reduced to the very minimum, if such a minimum exists at all. Although the number of students who pay for their education has increased tenfold, from 10,401 (1991) to 108,394(1998), Bulgarian universities still rely strongly on financing from the budget, and the funds available for education in 1996 were less than 40% of their 1992 level, in real terms.

Differentiation among the different categories of spending is significant. Funds for scholarships, for example, decreased by 78%, and expenditures for research and books fell by the impressive 86% in real terms.

Since being established in mid-1990, the Open Society Fund - Sofia (OSF, a Bulgarian branch of the George Soros charity network) has financed about 2,000 Bulgarian post-graduates to study abroad and extended about 500 scholarships to economics, political science and humanities students at home (60% of them in the field of economics and political science).[4] OSF also spent US $2 million to support (the computerization of) university libraries, and about $2.5 million to support emerging private universities. There are virtually no private or public economics libraries that does not have books donated by the Sabre Foundation.[5]

The average wage in education in 1996 was 33% less than the average for the country, and 46% less than the average for industry. The low level of wages is discouraging for people involved in teaching and research, and many of them leave the country or move to other sectors in which they receive better pay.

The financial situation in the science sector is similar to and even worse than that in education. Bulgaria's stock of economics and market knowledge is rather concentrated outside universities, in governmental and non-governmental economic think tanks, consulting companies and chambers of commerce. Often economic knowledge that resides in universities is transmitted by private research facilities, through individuals who combine a university position with a job in the government, a private think tank, the banking sector or, more rarely, a consulting company. In the period between

1991 and 1997, almost all members of the board of the central bank were active professors at the Economics University (University of National and World Economy); currently, most of the members of the Securities and Exchanges Commission and the Commodity Exchanges and Wholesale Markets Commission (both government bodies) teach economics and finance, or have a position in a research facility, or both.[6] Many top bank managers retained professorships, and after their banks failed went back to teaching. Non-governmental economic institutes have predominantly been financed by foreign foundations and assistance programs. Only in 1998 did the situation begin to change, slowly.

The total number of people engaged in science at the end of 1997 was 25,871, which is 12% less than in 1991. The distribution by field of research is shown in the **Table 1**.

Table 1 does not count economists in private research facilities.[7] The number of scientists increased only in the field of social sciences, thanks mostly to the increased number of economists. Financial problems in the science sector hit R&D in engineering most severely. Engineering is most closely connected with industrial innovation; therefore, the drop in R&D activities in this field may have an adverse impact on economic development in the long run. There is an important difference between Bulgaria and the developed economies. Much of the R&D activity in developed countries is concentrated in the private sector. In the United States, for example, about two-thirds of total R&D spending is financed by non-governmental organizations. Bulgarian firms still do not recognize the advantages of investing in research and development.

Early 1997 IME research into charity practices and the potential of businesses and NGOs found that when the private sector finances charities, economic and other research it usually lists the cost as advertisement (which is tax-deductible), thus making concrete measurements very difficult. Between 1994 and 1997, the private sector financed scholarships for economics students through the Atanas Burov Foundation (average US $25,000 a year), but in 1997 this activity virtually stopped. The private sector contributed to the OSF's Economics Scholarships just once: Danone-Serdika Co. financed 10 stipends in 1997. According to social welfare regulations, firms may spend tax-free 6% of their full-time wage funds on education and worker support (food, transport, etc.). Local private companies mostly use service contracts, so they choose not to use this opportunity. Educating employees is a general practice among foreign investors in Bulgaria.

Patents, licenses, concessions and trademarks grew faster in the period being examined, and this can be attributed to the opening up of the economy and obtaining licenses from Western firms, as well as to the registration of new trade marks. Unlike in developed economies, the financial performance of firms in Bulgaria is completely independent of their involvement in R&D.

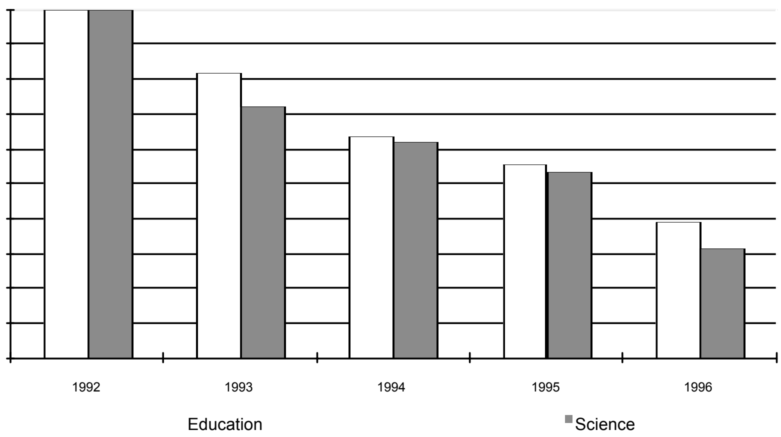
Supply and Demand

Some scientific institutes survive through technical assistance and financial support from European programs: TEMPUS, PHARE, ACE and others. Many existing universities have started to offer a payment form of education and have increased the number of departments outside the university, and they have enriched their economics programs with new subjects. The salaries of professors and researchers at state universities are considered low: their average monthly salary is US $220. As shown in Graph 1 and the tables above, the economic crisis and transition years' deficits have had an overall negative effect on the quality of education. In order to increase their income, professors teach in different universities and colleges all over the country, do not concentrate on one subject and restrict hours for individual work with students, and as a result the quality of education has gone down.

Graph 1

Budget Expenditure on Science and Education

constant prices, 1992=100



Source: MF, NSI, own calculations

During the first years of the transformation to a market economy, people's interest in economics and their quest for economic information and opportunities have risen rapidly. Consequently, enrollment in economics study programs has increased. As mentioned above, this interest in economics was a prerequisite for the creation of curriculums in most of the universities, except for the economics universities. Many of the programs did not live up to contemporary criteria of good quality. Existing forms of education are: regular students, mature students, and new forms in some universities such as continuing education, distance learning education, etc.

Table 1

Distribution of scientists by field of research

	1991	1992	1993	1994	1995	1996	1997
Natural sciences	5,272	5,135	5,227	5,151	5,121	5,101	5,054
Engineering	10,541	9,339	8,583	7,743	7,361	7,421	7,255
Medical sciences	4,917	4,914	4,796	4,802	4,729	4,817	4,760
Agricultural sciences	1,930	1,662	1,632	1,649	1,626	1,653	1,767
Social sciences	6,400	5,548	6,046	6,271	6,740	6,861	7,035
Total	**29,060**	**26,598**	**26,284**	**25,616**	**25,577**	**25,853**	**25,871**

Source: NSI

The problems faced in higher education are the lack of modern equipment, limited financial resources and the low quality of teaching; overall professors popularity is aggravated; students learn on their own.

Since the enforcement of the Higher Education Law (HEL, adopted 1995, replaced the University Autonomy Law of 1990) economics curricula in the different universities have become similar, because of the introduction of general criteria, requirements and uniform standards.

Regulation[8]

Since the boom that established different economics programs and various economics colleges, the Ministry of Education and Science has begun to regulate economics education. Since the enforcement of the Higher Education Law (HEL, adopted 1995, replaced the University Autonomy Law of 1990) economics curricula in the different universities have become similar, because of the introduction of general criteria, requirements and uniform standards.

Higher Education Law

The HEL of 1995 introduced the accreditation of Higher Education Institutions (HEIs). In August 1996, the Council of Ministers adopted a Statute for the Functioning of the National Evaluation and Accreditation Agency (NEAA). These acts established the necessary legislative foundations for the regulation of higher education.

The creation and functioning of the national system of evaluation and accreditation is a result of the support provided by advisers from the Quality Support Center at the Open University, London, who put into practice the first phase of the PHARE project at the Ministry of Education and Science. The first ten accreditations had been granted by the end of November 1997.

The key HEL provisions and the main items of minor regulatory statutes are:

- the National Assembly shall have the right, by the force of a decision, to establish, transform and shut down HEIs, and to determine their subsidies from the State Budget on an annual basis.
- the Council of Ministers, on the basis of a proposal from the Minister of Education and Science, shall have the right (as per Article 9.3.3) to transform and shut down faculties, affiliated units and institutes in state-owned HEIs, and to determine their status. For more than a year now the government has been consecutively adopting the respective Uniform State Requirements concerning the educational degree after the graduation (Article 9.3.5). In connection with this, the Council of Ministers shall also approve a State Register of the Educational and Qualification Degrees of the Programs in HEIs (Decree of the Council of Ministers No 86, of 12 March 1997).
- the Council of Ministers shall also approve the number of students and doctoral candidates (students studying for Ph.D. degrees) in the various programs whose training is financed by the State, as well as the maximum number of students and doctoral candidates to be trained in each HEI (Article 9.3.6. of the HEL).
- the right to diplomas approved by the state and the right to education subsidized by the state are granted only after the program is included in the State Register and after accreditation.
- "HEIs shall issue diplomas for completed higher education degrees and certificates for professional qualifications recognized by the state in cases when the training of specialists complies with the state requirements for the respective educational degree, subject or professional qualifications." (Article 7).
- NEAA is specialized state body for evaluation and accreditation.

The evaluation is made on both the institutional level and the program level. The institutional accreditation process entails a complex evaluation of the condition and the activity of the HEI or of its main structural unit. Features evaluated are: organization, management, social activities, and use of relevant means for improving the educational process and research.

Program accreditation involves a complex evaluation of the quality of the educational process and research within a single program. It includes a number of grades, mainly concerning educational content, methods of teaching, teaching staff, research, modes of teaching, exams, students' grades and their future performance.

In cases of new or transforming institutions or programs it should always be borne in mind that the HEI is an autonomous unit, and that its autonomy is protected by law.

The institution in which a program has been granted the status of an accredited program has the right to receive funds from the State Budget in order to cover the following expenses: fixed costs, capital investments and other infrastructure.

The process of accreditation will be a means for permanent monitoring of the quality of training and teaching capabilities.

Uniform government requirements and economics education

The Uniform Government Requirements (UGR) concerning economics degrees and educational programs are compulsory for all economics institutes. The law identifies the requirements for academic hours for bachelor's degrees and master's degrees. The bachelor's and master's degree programs include obligatory courses, optional courses and elective courses. The university's governing body is free to determine economics programs and syllabuses in regard to program specialization. According to the UGR, the Ministry of Education determines which subjects are obligatory (fundamentals). Only professors and associate professors have the right to teach obligatory (fundamental) courses. The requirements for bachelor's degree include passing a final comprehensive examination or defending a bachelor's thesis. The students in master's programs must defend a master's thesis.

Procedures for a doctorate in economics

Doctoral candidates must observe the following general requirements, which are found under HEL and the Law on Scientific Degrees and Titles (LSDT). LSDT has not been amended since 1974, but HEL equates the degrees designated during Communist times to those internationally accepted (bachelor, master, doctor). The Ministry of Education and Science determines the number of doctoral candidates in economics. Doctoral-level education can have either regular (full-time) or mature (part-time) status. The steps and procedures to obtain a doctorate (not only in economics) are as follows:

1. Students may be admitted to candidacy for a doctorate in economics after they have graduated from a master's program, passed both a qualifying (provisional

special branch of economics) and a comprehensive examination in Advanced Economics (micro and macro) and a foreign language examination. For a regular (full-time) doctoral candidate eligibility is limited to post-graduates no older than 30 years of age.

2. The duration of a doctoral education is three years for a full-time (regular) doctoral candidate. There is no preset term for part-time doctoral candidates. Doctoral students write a dissertation after admission. The dissertation is expected to reflect original and significant practical research. The drafting period begins with the approval of a Summary and a Working Plan, and the selection of a Supervisor.

3. This approval and selection passes two bodies: the Department and the Faculty Council (FC). The FC, as a rule, consists of professors and assistant professors, junior teachers (e.g. teaching assistants) may be FC members only if elected to an administrative position (secretary, scientific secretary, etc.). By law, the FC cannot initiate decisions on its own; they should be proposed by the respective departments.

4. There is no formal requirement for comprehensive study during the writing period and no requirement to teach, and there are no intermediary level exams. Informally, these things are to be assumed as a merit

5. The dissertation must be approved by the department and then submitted for approval by the FC.

6. After that, a candidate may proceed to a public oral defense of his/her doctoral thesis if he/she: a) gets a positive Scientific Recommendation from the Supervisor; b) has three publications in professional journals; c) has at least two judgments on (or assessments of) the qualities (called "scientific contributions" in Bulgarian) of the thesis from other doctors and/or professors; d) obtains at least two reviews of the "contributions" of the thesis from other research institutions by individuals with established "names" in the field. It is believed that at least one of the assessments and all reviews should come from outsiders of the leading department or faculty. Due to delays in publication it is possible to proceed to a public defense with a written statement from the editors that defendant's article is scheduled for publication, although it would hardly be considered as a merit. There is no formal requirement that the candidate publishes in a foreign language or in a foreign professional journal. (See the Brief Review of the Available Economic Periodicals below).

7. The defense of the dissertation takes place before a special body, the Specialized Science Council (SSC). The SSC consist of 25 doctors, professors and/or associate professors. SSC members are supposed to express an opinion, pose questions to the defendant or the reviewers, and vote on whether or not to grant a doctoral title in a secret ballot. The requirement is to win 2/3 of the votes of those present; 50 percent plus one of all members constitutes a quorum.

8. If successful, the dissertation progresses to the so-called Visha Atestatzionna Kommissia (VAK[9]), a Council of Ministers body for awarding "doctor" degrees as well the titles of "professor" and "associate professor." VAK consists of scientists from different scientific backgrounds. VAK's Economics Subcommittee consists of nine economists and is chaired by Garabed Minassian, Deputy Governor of the BNB and a professor at the government-sponsored Institute of Economics at the Bulgarian Academy of Sciences. VAK's Economics Subcommittee members may be SSC members as well. There is an eight-week appeals period during which anyone is eligible to write to VAK to express approval or disapproval of the SSC decision. After that period ends, VAK's Economics Subcommittee approves the degree in a secret ballot.

Brief Review of the Available Economic Periodicals

The economic periodicals and professional journals in which doctoral candidates are required to publish their articles are not issued regularly and used to have short lives, often changing publishers. There is no regular Bulgarian economics publication in English or any other widely spoken language, aside from the IME monthly newsletter published since January 1994, which is rather thick for a typical newsletter, resembling a journal (since the fall of 1997 it is a bimonthly, circulation 200-300, 90 foreign subscriptions). Economics universities do not publish a regular periodical at all.

Although there is no concise bibliographical bulletin on economics publications, due to the limited number of periodicals it is possible to compile an almost full list of the periodicals available in the years between 1990 and 1998.

1. The most stable seems to be Ikonomicheska Misal (Economic Thought), published by the Institute of Economics at the Bulgarian Academy of Sciences. Before end of the 1980s it used to be a monthly. In the 1990s, it is being published under the "when-ready-scheme," once or twice a year. Its circulation is 200 to 500. (Similar is the situation with most of the Academy of Sciences journals, as well as with university periodicals.)

2. Between 1992 and 1996, the most regular Bulgarian economics monthly was Ikonomika (in English this word can mean both "economics" and "economy"). Previously published by the Ministry of Economic Planning, and then in early 1990's remaining the property of the Council of Ministers and supported by the budget, in 1992-1993 Ikonomika was sponsored by OSF and some private corporations. In the period 1994-1996 its major supporters were IME and the German foundation Friedrich Naumann Stiftung. Its circulation used to be 1,000. Currently it is being published sporadically, with a circulation of 500.

3. Statistika is a quarterly journal from the National Statistics Institute (a government body dealing with economic and general statistics), dedicated to theoretical issues of economic measurement. Similarly to Ikonomicheska Misal, it faces problems being published regularly. (Circulation is 200.)

4. Vanshna Targoviya ("Foreign Trade"), a former English- and Bulgarian-language bimonthly of the Ministry of Foreign Economic Relations, is currently sporadically published by a private company.

The duration of a doctoral education is three years for a full-time (regular) doctoral candidate. There is no preset term for part-time doctoral candidates. Doctoral students write a dissertation after admission. The dissertation is expected to reflect original and significant practical research.

During the last nine years doctor's degrees have not been seen as attractive, and young people prefer to work in private business. Often in state economic universities, lecturers with doctorates are not approved as associate professors or professors because of administrative obstacles and the influence of old-time thinking professors on decision-making. Therefore, young people are not motivated to pursue careers in the universities.

Circulation used to be 1,000.

5. Banki, Investitzii, Pari ("Banks, Investments and Money") used to be a publication partially sponsored by the Atanas Burov Foundation, the Association of Commercial Banks and some banks, in an 1994-1996 attempt of the banking community to finance an independent economic quarterly of high quality, but it failed with the bankruptcy of the banks. Circulation was 300-500.

6. Economic universities publish on their own books needed for their curricula, but they do not have a periodical issued by a coalition of universities. The Union of Bulgarian Economists has no publication at all. Individual universities publish the following periodicals:
a) Alternativa ("Alternative") is a recent (since end of 1997) monthly publication of the University of National and World Economy; it is pro domo sua — for the time being no outside authors are published in Alternativa. Every month there is a main topic of the issue (e.g. exchange rate regimes, trade, etc.). Circulation used to be 1,500.
b) Narodostopanski Arhiv ("Archives of the National Economy") is an annual publication put out by the D. Tzenov Economic University of Svishtov (circulation is 300);
c) Ikonomika na Selskoto Stopanstvo ("Agricultural Economics") is an annual publication of the Academy of Agriculture and the Ministry of Land Reform and Agriculture (circulation is 500).

7. Government institutions used to have, and some still have, their own economics publications. Not all of them published work by outsiders. Most important have been:
A) Between 1993 and 1995 outsiders often published in BNB's Bankov Pregled (Bank Review) bimonthly, reprinted in as an English language quarterly. Bankov Pregled was probably the most widely read publication of its type outside Bulgaria.
B) In late 1995 the Securities and Exchange Commission (SEC) started a monthly with four English reprints, Fondov Pazar ("Stock Market"), wherein outsiders were authors of a solid half of the articles printed. In early 1998, the SEC converted the journal into its own bulletin (circulation is 1,000.)
C) The Agency for Economic Coordination and Development (AECD[10]), a government think-tank with a very high reputation, in 1992-1995 used to publish its Occasional Papers, devoting them to major reform challenges and inviting authors from outside. The most interesting papers were translated into English.

8. Private research facilities often publish their on their own. Some of the important publications are as follows. The Center for the Study of Democracy (CSD) is already publishing Monitor na Privatitziata ("Privatization Monitor," circulation 300-500) for its fifth year, a bulletin covering developments on the privatization front. In 1998, it was converted into a Monitor, covering economic reform projects on which the Center works. IME, besides its English-language newsletter, in 1998 launched a series of Discussion and Occasional Papers (circulation 400, in English and Bulgarian), in which it publishes materials by economists working on issues considered by IME to be reform priorities. A number of other think tanks (e.g. Center for Economic Development - CED) plan to publish economic monthlies in English and Bulgarian. In the second half of 1998, OSF - Sofia launched its publication of a series of discussion papers produced by public policy institutes, financing printing costs but not the research itself. It is likely that the economics part of the series will consist of five to seven books a year, and that therein policy institutes will issue papers, research and other material they produce under their umbrella projects. That has been the case so far for most of the private think tanks. Large foreign banks (ING, Raiffeisenbank), consultant companies like PlanEcon, and international auditing companies usually issue their annual observations on economic development in Bulgaria. However, they rarely include outsiders or publish their material under the name of the company.

In general, publishing opportunities in respected periodicals are scarce. There is no journal issued by a consortium of universities, think tanks, and other interested parties. Aside from the publications of private research facilities, there is no English-language periodical to link domestic economic knowledge with the wider community of economists. The head of the VAK's Economic Subcommittee told IME representatives that they consider the absence of respected economic periodicals to be a major problem in setting proper standards of economic knowledge. VAK thus does not have a firm list of journals that meet the full set of a criteria for "a specialized professional journal," publication in which is required for a doctoral degree.

Links between scientific and teaching titles

It is prescribed by the regulations in the HEL and LSDT that professors should be doctors. The bodies that determine both titles are the same (Departments, Faculty Councils, SSCs and VAK). Departments and FCs, when considering granting scientific titles, are often in fact concerned about competition for teaching positions There is no readily available vehicle to reach wider recognition, due to limited and domestically-centered publication opportunities.

Comments

The procedures for awarding a doctor's degree are perceived to be complicated and bureaucratic. The reasons are listed above. It is believed necessary to simplify the general requirements and to increase the role of the Faculty Council and the universities in the awarding of doctor's degrees and titles, such as professor and associate professor. During the last nine years doctor's degrees have not been seen as attractive, and young people prefer to work in private business. Often in state economic universities, lecturers with doctorates are not approved as associate professors or professors because of administrative obstacles and the influence of old-time thinking professors on decision-making. Therefore, young people are not motivated to pursue careers in the universities. Those who are extremely motivated may try to obtain a Ph.D. from a Western university. Of those who were supported by two largest Bulgarian foundations to study abroad, about 350 are Bulgarians who, in recent years, have received degrees in economics and/or business. About 35 of them defended a Ph.D. thesis. Of those, three are back in Bulgaria (one works for a private public policy institute, one works part-time at the BNB and part-time at UNWE, and the third is the Bulgarian Rep for the IMF).

Teaching capabilities

Economics training in Bulgaria is carried out by universities that fall into two categories: traditional (state) universities, and newly-established private universities and various programs in economics at other universities not specialized in the teaching of economics. There are about 40 different economics curricula (See Introduction).

All of the state economic universities have a similar organizational structure and manner of training. The quality of education has improved compared to previous years, as a consequence of the specialization of the members of the faculties' staff in European and American universities. In general, partnerships with economics departments in different foreign universities are a determining factor for promoting the level and quality of education in economics at Bulgarian institutions of higher education.

Teaching methods have not changed significantly; almost all of the professors bear the sign of the communist way of thinking and teaching. They lack ambition for introducing new concepts, so they go on teaching the same way as before.

The dominant method is lectures. This is an appropriate form for the training of many students, but it has a negative effect on the quality of education. Most of the lectures are delivered like preaching. Usually, the seminars are lead by assistant professors. It is difficult to determine the exact number, but many of the assistant professors specialized at various European and American universities and institutes. Some of the younger members of the faculty use contemporary teaching methods, such as games, simulations, case studies, discussions, etc. Modern facilities, audio visual equipment, computers, and others are not used in the training process. The reason is the lack of financial resources to purchase new and modern equipment. The old professors are not very well-educated in market economics, and as a result of that students are not able to get deep knowledge in market economics.

Although driven by outside funding rather then by a concept, the participation of the universities in various projects promotes the level of training, increases the computer labs, and buys new foreign books in economics, management, finance, statistics, accounting and marketing. There has been a positive effect on economics education through foreign aid from EU projects and different American funds. The TEMPUS projects are available for the students. The best students have the opportunity to spend a semester at different European universities. The TEMPUS projects are useful for the improvement of the bachelor's degree programs in economics and for the creation of new master's degree programs in economics, finance and accounting, management, etc. The EU education projects play an important role in the improvement of training capabilities and in the equalization of criteria and standards with those of European universities. The result of these projects for all universities is technical assistance: equipment, textbooks, specialization for the students and the assistant professors, improvement of the syllabus and economics curricula for bachelor's and master's degree.

The evaluation system has changed. Test examinations have been introduced. Despite the transfer of know-how in training, the traditional approach in teaching has not been overcome yet. Professors do not observe how the students study and understand the lectures. Most of them prefer final exams, which do not control the learning process of the students. In that way, the quality of education does not respond to the standards of some European and American universities. Most researchers and professors graduated during the years of a centrally-planned economy, and it is difficult for them to understand the philosophy of the different theoretical market economics conceptions and their practical implementation. The evaluation system is still quite subjective. It 'stimulates' those who love to learn by rote and 'kills' those who prefer the freedom of thinking.

Teaching methods have not changed significantly; almost all of the professors bear the sign of the communist way of thinking and teaching. They lack ambition for introducing new concepts, so they go on teaching the same way as before.

Capabilities and corruption

The existing obstacles to achieving high quality of training in the Higher Institutes are: the low salaries of the academic staff, corruption and the lack of efficient criteria for training. The image of Higher Education has decreased, as a result of increased cases of corruption at the universities. An NGO (anti-corruption society) has recently been established to address the problem. The founders of the NGO were students from the Sofia University "Kliment Ohridski." The NGO made a study about corruption in the Higher Institutes. A mainly interview approach was used in the research. The research covers University 'Kliment Ohridski' of Sofia, University 'Paisij Hilendarski' of Plovdiv, Southwestern University in Blagoevgrad and the University for National and World Economy in Sofia. Corruption has developed as a phenomena during the last couple of years. Some of the reasons for corruption are the low salaries of university instructors and administrative staff and the huge bureaucracy in the universities. The closest things to corruption in the minds of those interviewed were: first, accepting a bribe; second, giving a bribe; and third, by the use of connections to achieve a certain goal without following the conventional ways. On the whole, most of the students did not consider wining and dining somebody or giving "sexual favors" to be forms of corruption.

Eighty percent of the students gave a positive answer to the question "Is there corruption at your University?" Only 7 percent think there is no such thing among the academic community, and another 10 percent are not certain.

The forms of corruption, ranked according to their intensity, are as follows: 1) taking a bribe; 2) giving a bribe; 3) using relatives' connections; 4) wining and dining; 5) gifts. It should be noted that giving a "sexual favor" takes last place on the list; however, it was mentioned by 46% of those interviewed. It was named by 3 percent in first place, by 2 percent in second and by 7 percent in third.

The survey shows that overall, the lowest number of bribes have been requested by administrative personnel. First place is shared by academic staff and residence hall bursars, with 13 percent.

The answer to the next question, "who was the person who asked for a bribe?", increases the number of cases of corruption. In reality, every third person interviewed has been asked to pay a bribe at least once, regardless of whether the party asking was a member of academic staff, administrative personnel or a residence hall bursar. The survey shows that overall, the lowest number of bribes have been requested by administrative personnel. First place is shared by academic staff and residence hall bursars, with 13 percent. There are clearly defined differences between the different universities.

The one closest to the overall picture is the University for National and World Economics, where in 9 percent of cases the bribe was asked for by a member of the administration, in 19 percent by academics and in 15 percent by residence hall bursars.

Twenty percent of those interviewed at the Southwestern University in Blagoevgrad named academic staff as the initiators of corruption. Next came members of the administration, with 10 percent, and the bursars, with 8 percent.

At "St. Kliment Ohridski" Sofia University, most of the cases of bribery were connected with bursars (15 percent), then those connected with the administration (13 percent) and academics (7 percent).

The lowest number of corruption cases was observed at the "Paisii Hilendarski" Plovdiv University, where "only" 7 percent of academics, 8 percent of bursars and 9 percent of the administration have asked for a bribe.

However, one of the most encouraging results was the desire of 37 percent of the students interviewed to fight actively against corruption.

Comments

Since the implementation of HEL, the differences between economics curricula has diminished, but the quality of education in economics is not the same. Here are some comments on the strengths and weaknesses of Bulgarian economics universities.

The *American University in Bulgaria* (AUBG) offers the highest quality of education in economics. The AUBG maintains good facilities: its own modern building, well-equipped laboratories and classrooms. An experienced staff of foreign professors provides instruction. Through seminars and research projects students are introduced to existing knowledge in economics. Many undergraduate students are supported under grants from international companies. Most of the students are eligible for employment in the best Bulgarian and international companies. Price Waterhouse, Arthur Andersen, Louis Dreyfuss, KPMG, Shell Bulgaria, Bull Bulgaria and other well-known companies recruit their Bulgarian staff from the pool of AUBG graduates. We know of an ex-AUBG graduate working for Goldman Sachs & Co., and that a former AUBG student of Albanian origin is a chief economist at the EBRD representation office in Sofia.

Special advantages of AUBG are:
• best links to the international community,
• best links with the Internet;
• a very good and contemporary library;
• international faculty, international student community (25% of students are from neighboring countries.

Weak points in AUBG's status operandi are: different remuneration rates for Bulgarian and non-Bulgarian staff and professors; jealousy on the part of the university leaders against Bulgarians with Ph.D. degrees from Western universities.

The *New Bulgarian University* (NBU) has advantages in distance learning in economics, continuing education, and good facilities for training. Instruction in economics is not on a high level, because up to now the university has not succeeded in developing a professional staff of instructors.

The *Faculty of Economics and Business Administration* at Sofia University has succeeded in developing a good and modern program in economics and in establishing a Master's program in collaboration with the ERASMUS University. It is the only economics learning institution that can manage to attract a promising Bulgarian-born economist with a Ph.D. from a famous Western university. The advantages of its training are:

• basic economic subjects are taught at the faculty by visiting lecturers in their respective languages;
• students at the faculty can obtain a second Major degree and Minor degree in fields of their interest;
• students gain deep knowledge in econometrics and in general economics and perform well in their post-university careers;
• the faculty and staff participate very actively in international projects.

We have the feeling that the faculty is not properly managed, due to difficult relations with the mother university.

The *Bourgas Free University* (BFU), like the other private universities, offers a contemporary program in economics. Its advantage is in the creation by the faculty of a staff of full-time professors, the biggest in southeastern Bulgaria. The main weak point for the time being is the relation between the economics curriculum and other university programs. BFU has not yet found its niche.

The *Dimitar Tzenov Economics Academy* (DTEA) became independent during the transitional years. Its curricula focus more on the finance, banking and insurance sectors. This is a major advantage of the university. DTEA is very well-managed, mostly due to the efforts of the rector and his board, and thanks to the vital relationship between DTEA and the Dimitar Tzenov Foundation. The management of the university is better than that the rest of the state universities. The DTEA is very active member of Association for Southeast Europe of Economics Universities.

The *University for National and World Economy* (UNWE) is the biggest in Bulgaria. It has a tradition and image as the country's only economics university. It has a bureaucratic but workable (in favor of the old faculty members) management. In fact, it leads the SSC and has an influence on VAK's Economics Subcommittee. Through its professors holding government posts, it seems to be on good terms with the government. It has lot of properties and a very convenient (although not properly maintained) building and teaching facilities. It encompasses the largest network of collages and schools outside Sofia, which is rather a disadvantage and contributes to corruption and mismanagement

UNWE has a sort of dual yet mostly understood monopoly:
• on the best Bulgarian professors (with a few exceptions), especially in the fields of finance, accounting, and statistics;
• on the SSC, through its location at UNWE and management by UNWE.
Corruption stems from the huge size of the university and the influence of the old-style, ex-Communist faculty. Particularly weak is the UNWE social sciences teachers' group.
In general, we may summarize that the old-fashioned universities are mismanaged, but the new ones do not compete properly. The latter, besides AUBG and (to some extent) DTEA, borrow their professors from the old universities.

Public and private economics institutes

There are several non-government private economic institutes (PEI), whose activity is focused on research and consulting. They are registered as non-profits, under the *Persons and Family Law* of 1948. They are independent but have different theoretical affiliations, which are often sacrificed in order to obtain funding. This pragmatism can easily evolve into opportunism. But in general, even when activities have been funding-driven, PEIs' analysis, research studies and policy recommendations have been more precise and their surveys were based on better understanding of the principles and concepts of the economic science and market economics. The explanation is fairly simple: even in opportunistic PEIs, foreign assistance was extended under the condition of supporting the values of economic reform.

Also, the average live-span of Bulgarian transition governments was less than a year. In a situation of high political instability, leading PEI were more stable than most government structures. That is why their role in maintaining and propagating the values of market reform has been indispensable. Their economic expertise is preferable for foreign and public administration experts.

Traditional old research institutes gradually lost there reputation between 1990 and 1996. The one and only state research institute remaining in the field is the Economic Institute (EI) at the Bulgarian Academy of Sciences. The institute is funded by the state budget. The average age of its researchers is over 40. The salaries are very low; for example, a senior researcher's monthly salary is about BGL 240,000 (US $134). Another source of funding are the EU ACE projects. The institute's researchers participate actively in ACE programs. Most of the researchers prefer to lecture in the universities. The institute publishes a scientific magazine - "Ikonomicheska Misal".

The *Agency for Economic Coordination and Development* (AECD) was a semi-government think tank, between the time it was established in the fall of 1990 and 1994, when its leadership was sacked for having a different opinion from that of the government. Originally, it consisted of President Zhelev's economic policy advisors, and reported to the Prime Minister. It produced a major draft of the reform agenda in 1991, it compiled and commented on the macroeconomic framework of the budget, and, through one its directors, it was involved in the foreign debt negotiations. In early 1995, AECD was converted into a branch of the Ministry of Economic Development. In 1996 AECD was renamed the Agency for Economic Analysis and Forecasts (AEAF), and became a branch of the Ministry of Finance. It has expelled economic ideologists, and again is a main drafter of the budget macro-framework. It has what is probably the best staff of economists, as compared to other government agencies. Of the other think tanks AEAF has joint projects with the Center for Economic Development, and, informally, with IME.

The *Center for Economic Development* (CED) is another semi-government think tank. Its chairman is George Prohaski, who is an advisor to the Deputy Prime Minister responsible for economic reforms and privatization. He is the chairman of the board of the Bulgarian Stock Exchange - Sofia, and a former executive director of OSF-Sofia. CED was established in mid-1997, after Mr. Prohaski was appointed to the post he now holds. CED's vision is to be involved in all the areas of the economic reforms, drafting regulations and selecting people to key control positions. In its program everything possible is listed, including methodological and curriculum assistance to NBU. CED works closely with the Center for the Study of Democracy (CSD). CSD is a private foundation, one of the few in Bulgaria with an endowment from the Socialist cabinet of 1990, which it preserved in working with the following governments. CSD used to sit on the OSF pump. It defines itself as "a full range of services" think tank: it rents space to foreign agencies like ABA, it hosts human rights and EU accession roundtables, it provides Internet services, and through one of its daughter organizations (the Applied Research and Communication Fund) it participates in projects with the Committee of Telecommunications, it distributes book-donations, and has a library; it also has a research arm for public opinion polls (Vitosha Research Ltd.).

There are about a dozen private economics think tanks, most of them established by university and academy of sciences professors in order to be eligible for applications to international foundations and programs. A typical case is *Club Economica 2000* (CE2000), which was established by a junior researcher from EI. CE2000's founders are involved in managing a privatization fund and a pension fund, drafting pension fund regulations, assisting two EU PHARE programs, etc. CE2000 works closely with CED.
The private *Center for Liberal Strategies* (CLS) is a host policy institute for two of the best Bulgarian economists, Rumen Avramov and George Ganev. CLS as such is political think tank with a broader profile. It was instrumental in tackling political conflict within the democratic camp of political parties in 1996. It has the most popular political observers, and CLS has a reputation as the best advisor on foreign affairs. The volume of CLS projects on economics is about US $30-

In a situation of high political instability, leading PEI were more stable than most government structures. That is why their role in maintaining and propagating the values of market reform has been indispensable. Their economic expertise is preferable for foreign and public administration experts.

The last key factor for improving the level of economics education is the reduction of enrollment at the universities and development of an efficient system for the evaluation of students' knowledge and skills.

40,000 per year.

The public policy institute with a pure economic focus, not affiliated with a government and with a staff working within the institute is IME. Our turnover in 1997 was US $167,000. We have for five years in row audited and published financial reports. It would not be appropriate for us to write about ourselves.

Assessment and needs

Education has been changed during the past two years toward regulation by a government body — the Ministry of Education and Science. Introduction of uniform standards is a prerequisite for improving the quality of education. On the whole there are well-qualified young assistant professors and associate professors. The current problem is the motivation level of the academic staff to work in the universities and to face clearer career development. Most of the young members of universities' academic staffs have acquired training in market economics. The capabilities of the professors to teach economics is better than in previous years. Graduate and undergraduate economics curricula have changed in order to improve. In all universities economics instruction is focused more on theoretical issues than on practical business training. The economics curriculum can be enhanced through involving practical-oriented subjects and diminishing the number of theoretical economics subjects. There is a lack of textbooks in economics, as well as case- studies and hand-outs, which are means for better learning of the principles of market economy.

Some prerequisites for further improvement of the teaching capabilities are: to force interaction with national and international educational and research institutions, to combine teaching experience with research experience, and to create opportunities for the professional development of young academic staff at the universities.

The lack of strict criteria allows students to receive a graduate degree without class attendance. Therefore, the evaluation system needs to be improved. The evaluation system can be made better through the introduction of interim grades during the semester and admission requirements for grades.

The quality of instruction and capabilities of the professors haven't changed seriously because of the current system of payment of the academic staff (professor and assistant professors). The deciding factor for determining salaries is the total number of teaching hours. This domination of quantitative criteria causes a lack of both interest in research activities and improvement of the lecture courses to reflect the new economic concepts. The needed stimulus for achieving better quality of teaching is to be achieved through introduction of such quality criteria as study hours, number of scientific publications, participation in science conferences, and number of books published.

The last key factor for improving the level of economics education is the reduction of enrollment at the universities and development of an efficient system for the evaluation of students' knowledge and skills.

At present there are still the traditional specialized state research institutes, which focus their activity only on research. Maybe there will be better research activity on which to concentrate at the universities. At present there is no link between universities and research institutes.

In Bulgaria, the needs in economics instruction lie toward the development of professional skills in economic policy analysis and research. Many economists are already qualified in market economics. The creation of an efficient incentive system similar to that at European universities will encourage professors to improve their teaching capabilities and do market-policy oriented research. The improvements in economics curricula are the result of technical assistance and transfer of experience from European and American universities. The current objectives for raising the quality of economics education can be probably be achieved via financial and technical assistance from foreign funds, improvement of the evaluation system for student knowledge, introduction of efficient incentives for professors to enrich their knowledge and improve their skills, and giving young academics opportunities for career development.

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1 It is difficult to translate literally "HLS" or "Visshe Uchebno Zavedenie" which in Bulgarian sounds rather like "higher learning establishment" or "higher learning custody"; this meanings explain why old HLS changed their names so eagerly soon after the first democratic changes.

2 Open public discontent with "Marxism/Leninism" led to the higher education lustration law of 1992, which prohibited former Communist party members from exercising administrative functions within universities (including by being elected), but aside from some dozen exceptions most university economics teachers had been such members; and this led to an unexpected problem: in former HLS and some universities, like Sofia, for instance, natural scientists, medical doctors and technical engineers were in the position of approving programs in economics and political sciences.

3 The Universities Autonomy Law was adopted after the political changes started but before first free post-Communist elections.

4 These scholarships were given, after a competition, to the best student, and were roughly equal to 2.5 times a minimum salary.

5 Books were received by OSF, and distributed through one of its daughter organizations.

6 There are two possible explanations: being a professor is a matter of high prestige, and the recruitment reservoir for these posts were universities; these are political posts, and individuals with non-ex-Communist backgrounds could come not from the real sector but from universities and government economic institutes; e.g. after the first free elections all non-Communist members of the economic committee of the Parliament were of university and academy of sciences origin; similar is the situation in other transition economies.

7 Our impression is that full-time researchers in private economic think tanks number no more than a hundred.

8 The content of the regulations can be found in English at the following Internet address: http:\\www.infortel.bg.

9 VAK is a body established under the LSTD, its name in English is the "Supreme Attestation Commission."

10 Renamed the Agency for Economic Analysis and Forecasts (AEAF)in 1997.