

THE BULGARIA COMPETITIVENESS ANALYSIS EXERCISE

What is Competitiveness?

Competitiveness can be defined as continually sustained increases in productivity resulting in higher wages and living standards. It is also characterized by increasing export market shares. Competitiveness, therefore, is demonstrated by "the ability to meet the test of free international markets while expanding real income."

True competitiveness is not based on cheap labor, special tax exemptions or continual devaluation of currency. It is based on generating more value through improved productivity, quality, service and innovation. Competitiveness has also been shown to be an intensely regional and private sector-driven phenomenon, characterized by clusters of supporting and competing enterprises. Effective business strategies are the generators of competitiveness.

The role of the government is to generate an effective platform for competitive enterprises. Government reforms alone are a necessary but not sufficient cause, as has been demonstrated by many countries which have undergone structural adjustment reforms but have not achieved rapid and sustained growth. Competitiveness is not about the ability of governments or donor agencies to pick winners and losers at the industry or firm level. This has been shown to be extremely difficult and for every success story there are other examples of failure and great waste. However, government does have an important role to play in facilitating investment in capital, investment in human resources, the freeing up of untapped resources, strengthening the efficiency of market forces and the ability of entrepreneurs to translate their visions into reality.

Growth in productivity is driven by many factors that can be grouped under three major headings: macroeconomic conditions, microeconomic conditions, and the quality and execution of business strategy.

Macroeconomic conditions include fiscal, monetary, trade, and other broad and overarching policies that are a necessary but not sufficient cause for growth.

Microeconomic conditions refer to such elements as tax codes, infrastructure, utilities, regulation, education, public administration, and many other factors influenced by both the private and public sectors that affect the day-to-day ability of businesses to compete.

Quality of business strategy refers to the choices business leaders make about where and how to compete, which industries to be in, and how to position their companies. It also refers to their effectiveness in implementing their plans and their efficiency in managing their operations.

To achieve competitiveness, effort must be devoted to all three of the key competitiveness components - for example, by:

- working with business associations, government institutions, private enterprises and other stakeholders to reorient attitudes toward the private sector;
- modernizing and simplifying official oversight and regulation of commerce and industry;
- Working with private and public stakeholders to define services and service levels that facilitate implementation of effective business strategies;
- Changing business perceptions and the realities of business opportunities; and
- Achieving a directed pattern of public and private investment in upgrading factors of production and access to information and other resources.

Description of the Exercise

Objective

The ultimate goal of the Bulgaria Competitiveness Analysis Exercise is to generate increased business investment and activity, and to help Bulgarian business to become internationally competitive.

The specific objectives of the Bulgaria Competitiveness Analysis Exercise are:

1. To establish effective patterns of and mechanisms for public-private dialogue about competitive business sectors/activity and economic growth.
2. To build consensus among private and public stakeholders in Bulgaria around the strategies and priorities to achieve Bulgarian competitiveness;
3. To outline national competitiveness framework with practical guidance for private and public sector leadership;

The Competitiveness Exercise will focus on deepening and enriching the process and content of public-private dialogue in Bulgaria. It will be the beginning of an ongoing demand-driven that encourages “buy-in” by interested parties.

Steps

The Competitiveness Analysis Exercise will be carried out over a period of approximately 6 months. The principle activities include:

- A Country Competitiveness Benchmarking study for Bulgaria that describes the current status of Bulgaria relative to other countries of the region and the world in areas critical to competitiveness

- Presentations on Bulgaria competitiveness to key stakeholders from the private, public and NGO sector, business and economic media, universities, and the donor community.
- Meetings with various organizations including influential economic policy makers from the various political parties, representatives of industry clusters, and others.
- Analytical work in specific industry clusters and on specific priority bottleneck areas, working with local stakeholders.
- Extensive media coverage of competitiveness, and public discussion and debate on competitiveness.
- Assessments focusing on 4-5 industry clusters and on 2-3 policy or institutional constraints identified in Activity 2, and on the macro environment and micro environment for business.
- A National Competitiveness Conference where the results of the foregoing tasks would be presented.
- Recommendations for strategies and interventions that will have the maximum impact in boosting Bulgaria's competitiveness.

The Competitiveness Analysis Exercise will commence an ongoing process of improving business competitiveness and of improving the business environment.