



BULGARIA IN INTERNATIONAL RANKINGS

70 Recommendations for Prosperity

Summary

Authors:

Zornitsa Manolova, IME
Velin Peev, IME
Georgi Angelov, OSI
Tsvetelin M. Tsonevski, IHS

Editor:

Svetla Kostadinova, IME

June 2009

The analysis is prepared by the Institute for Market Economics (IME), Bulgaria in cooperation with the Friedrich Naumann Foundation for Liberty and with the support of IMMORANT Bulgaria.

FOR FREEDOM AND RESPONSIBILITY IN ECONOMY AND POLITICS

For the third year running Bulgaria holds membership in the European Union. In spite of all difficulties faced in the course of adaptation to a "Life according to the Rule", undoubtedly this is an extremely important strategic investment. European integration is the most successful model of the liberal politics. Freedom underlies this success. Individual freedom, democracy and a law-abiding State, market economy and free trade, decentralization and effective local government are the fundamentals of the common European home. The European Union grants to its citizens a territory of freedom, security and justice, without internal frontiers and with an internal market where free competition reigns.

Where is Bulgaria's place not only in this prospering community of freedom and democracy, but in the constantly changing global world? The Institute for Market Economics (IME) got an extremely timely idea to organize into a general edition the widest used international indexes tracing out the development of societies, and to subject to comparative analysis Bulgaria's place in terms of the best practices and successful policies in the different countries. The successful implementation of this idea, jointly with the Friedrich Naumann Foundation for Freedom, considerably enriches the economic and political debates which are often emotional rather than rational. But it is the rational political ideas, recommendations and decisions that would be needed both by the new Government and the business and civil society in general.

Although at first sight this publication may seem to belong to the field of exact sciences, it has a distinct political and cultural aspect. The good governance practices organised in the publication prove the overall liberal approach to politics, irrespective of the motives - economic or political. The successful liberal economic reforms have favourable political implications for the entire society. On the other hand, the liberal political goals, such as freedom and supremacy of the law, have a positive economic effect and ultimately reflect on the social prosperity. The optimal combination of liberal political and economic moves is the best safeguard for a successful anti-crisis policy. For instance, decreasing the burden of social security and reduction of the administrative expenses would exercise a visibly positive impact on the retaining of jobs.

Essentially, *Bulgaria in International Classifications* is dedicated to the theme of freedom and responsibility in economy and politics. The 70 generalised measures for advancement of Bulgaria's prosperity shape up the fundamentals of a modern governance programme. The authors offer it in earnest to all Members of the 41st National Assembly, the first Bulgarian Parliament elected after Bulgaria's accession to the EU. Once again the civil society with its vast potential of experts offers to assist the politicians. Let us hope they will lend an ear!

Sofia, June 2009

Peter-Andreas Bochmann, Asparuch Panov

Friedrich Naumann Foundation for Liberty

INTRODUCTION



Different international organisations and initiatives across the world are calculating the indexes focused on the various important aspects of life, economy and technologies. They all are aimed chiefly at showing the best practices in the different countries, at gauging the advancement in time from the application of specific policies, and at showing that the measured fields exercise a notable impact on our life.

We have selected the widest used international indexes which trace out the development of societies.

The main goals of this analysis are to show where Bulgaria stands, to offer an overview of her advancement through the years, of the opportunities for reform, and to suggest recommendations which, if applied in practice,

would bring about higher prosperity and standard of living, and would ease up the country's efforts to handle the crisis.

Each Government has its own vision about the future policy of Bulgaria. Some of the proposals and ideas are good; others are not always justified from an economic viewpoint. The lessons drawn from the best international examples and the generalised recommendations could be put to use by all who are in power, or who strive after it, but they would be still more useful to those whose purpose is to use power for improvement of the living conditions and the conditions for business-making for all people in Bulgaria.

Svetla Kostadinova

IME Executive Director

70 RECOMMENDATIONS

Doing Business

1. Issuance of building permits: decrease of expenditures for obtaining such a permit, shortening the time necessary for that, elimination of the Experts Council and transfer of the responsibility on the private expert advisers, removal of the now existing three phases: preliminary design, technical and operational; optimisation of the information relating to the detailed planning of the infrastructure.
2. International trade: decrease of expenditures and shortening of time for the preparation of documents for trade – for instance, technical control documentation; shortening the period for cargo handling at the transport terminals, as well as the period for its transportation from the transport terminals to the sites.
3. Tax payment: decrease of social security contributions and other tax-related fees, notable curtailing of the procedures and speeding up the tax payment.
4. Contract enforcement: reduction of the time needed for court settlements; limiting the number of cases requiring adjudication of the Supreme Court of Appeal; creating conditions for summary proceedings.
5. Starting a business: abolishment of the minimum required capital for registration of a limited company and reduction of the number of requisite procedures thereof.
6. Closing a business: cutting down the ineffective and long procedures of bankruptcy; increasing the percentage of bad debts recovery; limiting the lodging of appeals and use of the Internet.
7. Hiring of employees: reducing the regulation of work hours and social insurance; abolishment of the minimum salary and the minimum social security thresholds; alleviating the regulation of night working and obligatory weekend respite.
8. Property registration: cutting down of the number of registration procedures and related expenditures; Internet registration option.

Human development

9. Privatisation of hospitals in order to step up competition between them and considerably improve the quality of services.
10. Elimination of the monopoly of the National Health Insurance Fund and setting a provisions for competing private health insurance funds.
11. Increasing the capital element of the retirement system: minimum 10% of the gross salary social security payment (against the present 5% for the 3rd labour category) should go into the private retirement funds.
12. Closedown (privatisation) of the National Social Security Institute.

13. Changing the management of schools and universities similarly to that of the private structures, even if they are State-supported.
14. Tying up the remunerations of principals and teachers to the results produced by the educational establishment.
15. Application of business practices so as to attract good specialists to the education system.

Global competitiveness

16. Effective guaranteeing of the corporeal right and the right to intellectual property.
17. Effective guaranteeing of the independence of courts.
18. Abolishment of the differential rates under VAT.
19. Removal of the restrictions to liberal professions.
20. Easing up the state regulation: revision of the list of economic activities (under the Law on Reducing Administrative Regulation and Administrative Control over Economic Activity) allowed to be put under a licensing regime; reconsideration of the existing licensing and registration requirements and criteria to be met by the economic subject with a view of enhancing the economic freedom and the opportunities for economic development.
21. Nation-wide introduction of the "silent consent" principle in the work of the citizens and business with the administration. The silent consent principle should obtain whenever the administrative body did not notify the applicant of its refusal prior to the expiry of the set period for decision.
22. Review of the existing regimes in terms of legitimacy and expedience; reduction of their number and decrease of the administrative periods for processing; determining which bodies shall control the implementation of the provisions and what are their responsibilities; setting up a specialised unit for continuous monitoring of the introduction and implementation of regulatory regimes (probably the Impact Assessment Unit with the Council of Ministers).
23. Increasing the effectiveness of legal framework by introducing the obligation for preliminary and follow-up impact assessment of projects for new normative acts and for amendments to normative acts and strategic documents.
24. Removing the possibility for approval of extra expenditures by the Council of Ministers at the proposal of the Minister of Finances (constituting so far up to 1.5% of the consolidated fiscal programme).
25. In singular cases, extra expenditures could be allowed only after being voted by the National Assembly and random expenditures should be avoided at the end of the year, with a special emphasis on the funds granted to the municipalities.
26. More effective combating with unorganised and organised crime and violence.
27. Effective safeguarding of the interests of minority shareholders.
28. Improving the quality of road, railroad, port and airport infrastructure via more competition, distinct rules and privatisation of the state monopolies.

29. More transparency in the implementation of the Government policies: publication of regular, thorough and accessible information on the work of all administrative structures – budgets, programmes, administration, services.

Corruption

30. Changes in the Law on Privatisation and Post-Privatisation Control, Public Procurement Act and Political Parties Act in order to remove the opportunities for corruption.
31. Strong legal and political environment: introduction of clear-cut rules on predictability, necessity and substantiation of the changes in legislation and bylaws; introduction of programme budgeting in the management of justice expenditures.
32. Independence of judicial authorities: introduction of clear-cut rules and impact assessment of legislative changes, in order to reduce the political and business influence on the judiciary system.
33. Supremacy of the law: clear-cut requirements and strict rules for State management solely according to the law; requirements and strategy for distinct, comprehensive, accessible and universally valid laws; strict observance of their powers by the ruling figures and civil servants.
34. Obligatory public consultation during the development of normative acts within short terms; distinct responsibilities of the administration, clear rights and obligations of the stakeholders and full publicity.
35. Reducing the number of the administrative structures and of those employed in the administration.
36. Publication of all administrative documents in the Internet (except those with a special access regime).
37. Publication of all replies to the applications under the Law on Access to Public Information in the web pages of the structures that have issued them.

E-Government

38. Legislative changes: application of ICT technologies in the administrative services in order to facilitate and speed up the build-up of an e-Government.
39. Assessment of the expedience of each activity for the build-up of an e-Government, especially of the contribution and benefits for the users and those who are directly affected.
40. Modification of the organisational structure of administrations in line with the work processes.
41. Cooperation with the business, educational establishments, NGOs, and citizens for the build-up and introduction of an e-Government.
42. Standardization of the applied hardware and software products, which should meet a specified set of generally accepted open standards.
43. Nation-wide application of Internet-based solutions to ensure considerable savings in transfer, maintenance and development.

44. Transfer and use of open data exchange channels to ensure the exchange of all documents between business, citizens and the State, as well as effective data exchange between the various units of the Government administration, in order to facilitate and save time and money from multiple handing of one and the same information.
45. Enhancing the security of networks and information: protection of personal data, protection of intellectual property, and protection of consumers.

Property Rights

46. Guaranteeing independence of the judicial system and supremacy of the law by means of reform and setting the judicial authorities free from the influence of political and business groups; effective judiciary system and optimisation of the periods for adjudication.
47. Facilitating the registration of property: introduction of Internet options for registration in the Property Register; simplification of the registration procedure.
48. Combating copyright piracy: protection from piracy in four different fields – business products, recordings and musical products, films and entertainment products.

Education

49. Annual external evaluation of the students/schools and of each educational degree (matriculation), according to a unified standard and by an independent evaluator. Publication of the results used for assessment of the school management.
50. School autonomy in terms of budget management and selection of the manuals and content of the school subjects, setting of the salaries, appointment and dismissal of teachers, determining how many students should be in a class.
51. Application of the “money follows the student” principle in private schools too.
52. Encouragement of the top school and university students to turn to the pedagogical specialties. Improvement of the qualification of teachers. Use of the business practices to attract good specialists to the educational system.
53. Tying up the payments under the social programmes to the regular attending of school by the children in a family.
54. Decentralised appointment of school principals and possibilities for their dismissal when they fail to fulfil the objectives set for quality of education. Bonuses intended for the principals and schools maintaining a high level of education, or enhancing the quality of education.
55. Special monitoring of schools with poor results in external evaluation and stopping the unified standard funding, if the situation is not repaired within a set period of time.

Economic freedom

56. Cutting down on corruption with the help of more transparency and reduction of the uncontrolled power of bureaucracy.
57. Limiting of excessive regulation.
58. Reducing the number of Government members through higher effectiveness of the Government expenditures and their decrease as a portion of the GDP.
59. Effective application of the programme budgeting system.
60. Entering the Eurozone.
61. Liberalisation of prices.
62. Abolishment of the state subsidies.
63. Privatisation of the remaining state assets.

Open budget - budget transparency

64. Fewer refusals to grant access to information.
65. Publication of budget documents now used only for inside information.
66. Creating a mechanism for inspection of the implementation of recommendations given by the National Audit Office.
67. Publication of a more detailed information, including on the quasi-fiscal activities of the Government, public companies, State monetary and non-monetary assets, and conditional obligations.
68. Improving the indicators for implementation, which measure up the accomplishment of the goals set by the different programmes and policies; regular evaluation of the different programmes.
69. Increasing the opportunities for participation of the civil society in the process of budget-making.
70. Increasing the control function of the Parliament and its expert capacity to fulfil it.

Media coverage of the press-conference, July 09, 2009

More than 20 media were present at the Bulgarian Telegraph Agency where the analysis was presented.



Press-coverage (July 09-11, 2009)

Electronic media

1. Focus News agency
2. Money.bg
3. News.bg
4. Investor.bg
5. Bulgaria-actualno
6. Insurance.bg
7. Vsekiden
8. Mediapool.bg
9. Bulgaria-news.bg
10. Econ.bg

Newspapers

11. Standart
12. Stroitelstvoto
13. Novinar
14. 24 chasa
15. Monitor
16. Sega
17. Capital

TV

18. Bulgarian National TV
19. ReTV
20. BBT
21. bTV

Radio

22. Darik Radio
23. Bulgarian National Radio
24. Radio K2
25. RFI