



Project 2014: Allied in the Crisis, Strong in the Success!



CONFEDERATION
OF EMPLOYERS
AND INDUSTRIALISTS
IN BULGARIA

THE VOICE OF BULGARIAN BUSINESS



Margaret Thatcher

5th March 2001

MESSAGE FOR THE EMPLOYERS ASSOCIATION OF BULGARIA

The task which Bulgaria faces in completing the transition from Communism to freedom is not an easy one, but it is one which must be seen through. As all the countries of Central and Eastern Europe have discovered, in throwing off the yolk of oppression there are no short cuts and no quick fixes. Political freedom and economic freedom must go hand in hand. They are two sides of the same coin. And one will not flourish long without the other. Just as democracy gives the people a say in the way their country is governed so it is free enterprise which will generate the prosperity which all your people deserve.

We now know what works. Around the world the centrally planned and controlled economies are in ruins and the people are suffering. Only by unleashing the natural talents of the people and encouraging them to take greater responsibility for their own lives will you secure the future development and stability of your country. I wish you well.

Margaret Thatcher

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Foreword by the Chairman

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Who Are We

The Confederation of Employers and Industrialists in Bulgaria - KRIB is the biggest organisation of large and medium-sized enterprises in the country. KRIB unites over 6000 economic operators and 45 branch organizations, who together produce more than 2/3 of the GDP of Bulgaria and secure 450 000 jobs. The main goal of KRIB is to protect the interests of employers and to voice their positions in the society. The Confederation also works, through the abilities and the energy of its members, for the further progress of the economy of Bulgaria so it could meet the needs and the goals of its citizens. We are convinced that we offer solutions that combine in the best possible way the corporate interests of our members and of the Confederation in general with the national interests and the interests of the Bulgarian citizens.

KRIB is an independent organisation, a social economic partner, working in favour of the society and depending only on its members and their membership fee. KRIB is not a political party and was never meant to be one. We assume that our interests require the Confederation to stand at equal distance from the main political forces in the country and to support their efforts in favour of the nation's progress.

In the same time, we realise that the vast responsibilities that democracy lays with the politicians call for sharing those responsibilities with the business as the main driving force of the economic development of the country.

This is highly relevant amid the present global economic and financial crisis that has no precedent in history. For Bulgaria the impact of this crisis is multiplied by the natural gas cut-offs – a peril that becomes permanent. KRIB is deeply convinced that if a political instability or a political crisis as worst scenario is added to the present circumstances, the Bulgarian business would face the most evil part of its history and this will affect the whole of the country with no exemptions.

KRIB is aware that if we are united in the crisis we will be strong in our success. In the last five years the members of KRIB have doubled their business in terms of goods and services offered, and we would like to help the whole of the economy to do the same. We are ready to share our experience and our resources to increase public wealth. Notwithstanding we strongly point that we shall require from the next government to guarantee the preservation of the achievements we had so far and to speed up the economic development of the country when the crisis is over. For this purpose we will ask the political parties to pledge to maintain the Currency Board arrangement until Bulgaria joins the ERM-II and the Eurozone, as well as to finalize the reforms in the public sector.

Our Vision

Before every electoral cycle in our platforms “Project 2005: Bulgaria – a market economy” and “Project 2010: Bulgaria – strong economy, wealthy people”, KRIB demanded from the future government of Bulgaria concrete action that would help the country to increase its wealth and to cement its membership in NATO and in the European Union (EU). It is a fact that the Bulgarian governments have implemented a large part of our programmes. Today, Bulgaria is stronger, wealthier; it is a NATO and EU member. Due to the sustainable development, the country has reached a state, which allows Bulgaria to cast a look in the future and to clearly define her national priorities that would outline its sustainable development in the future.

All this is feasible and realistic. Nonetheless to make it happen we have to preserve everything achieved so far amid the present global financial and economic crisis. To that end a clear vision for the most needed

anti-crisis measures and policies is necessary. They should be elaborated and implemented in a closest cooperation with the European Commission, ECB and IMF. We believe that after the crisis the next Bulgarian government should start such reforms so that by 2015 the average Bulgarian to be as wealthy as the average Greek or Portuguese citizen. To accomplish this strategic goal, we believe that the Legislature and the Executive in Bulgaria should focus on the following priority areas:

- I. Energy sector
- II. Infrastructure
- III. Management of EU Funds
- IV. Security and strengthening of the state

For the ultimate success however a consensus among the major political parties is needed and KRIB will do its best to achieve it.

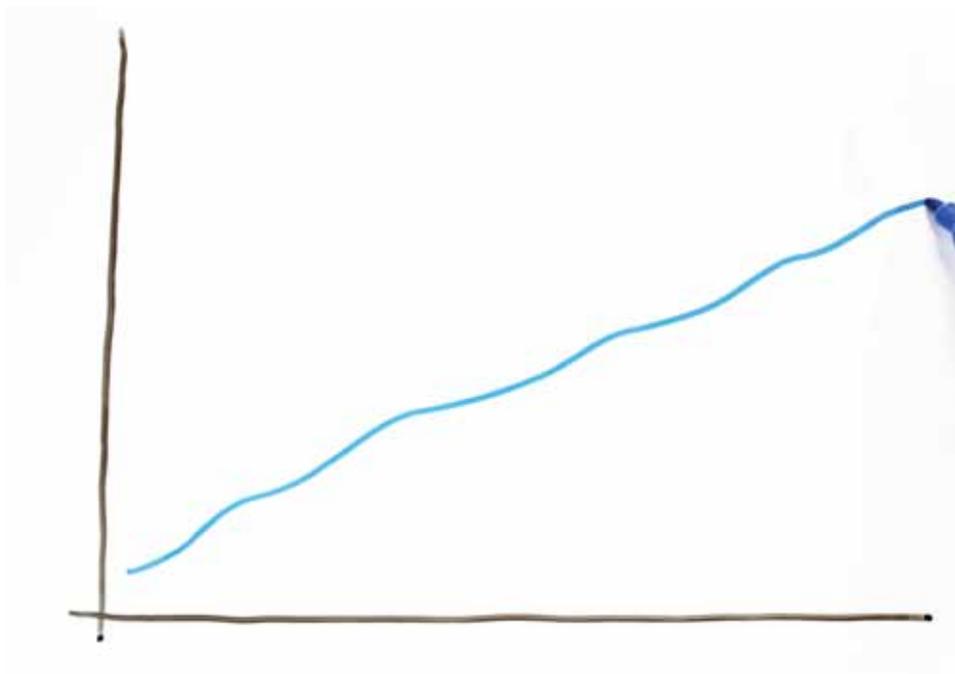
A handwritten signature in black ink, appearing to read 'Ivo Prokopiev', with a stylized, cursive script.

Ivo Prokopiev



Urgent anti-crisis policy measures

- In close cooperation with the European Commission, the Bulgarian Government should initiate negotiations with the IMF for signing a Precautionary Agreement.
- Conduct of prudent fiscal policies.
- Monetary policy measures: retention of the Currency Board till joining the euro-area; mobilizing a maximum of political support to activate the policy dialogue between the BNB and ECB and EC on joining the ERM-II and Eurozone.
- Investments in infrastructure: enhancement of the capacity of Bulgaria to manage with EU funds.
- Structural measures: successful finalization of reforms in education, healthcare, public administration.



Annual percentage change of the Bulgarian economic indicators

Source: European Commission, IMF

*IMF Projections are given in brackets

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------------------------|-------|-------|-------|-------|--------------|-------|
| GDP, real | 6.2 | 6.3 | 6.2 | 6.4 | -1.6 (-3.5)* | -0.1 |
| Employment | 2.7 | 3.3 | 2.8 | 3.3 | -2.2 | -1.0 |
| Unemployment rate | 10.1 | 9.0 | 6.9 | 5.6 | 7.3 | 7.8 |
| Unit labour costs (ULC) | 2.4 | 4.4 | 14.2 | 16.2 | 5.9 | 3.3 |
| Real ULC | -1.3 | -3.8 | 5.9 | 4.8 | 0.9 | 0.2 |
| Harmonised Index of Consumer Prices | 6.0 | 7.4 | 7.6 | 12.0 | 3.9 (1.5)* | 3.6 |
| Trade balance/GDP | -20.2 | -22.0 | -22.5 | -25.8 | -19.9 | -19.2 |
| Current account balance / GDP | -11.5 | -18.6 | -22.5 | -24.7 | -18.8 (-12)* | -17.2 |
| General government balance / GDP | 1.9 | 3.0 | 0.1 | 3.2 | -0.5 (-1.0)* | -0.3 |
| General government gross debt / GDP | 29.2 | 22.7 | 18.2 | 14.1 | 16.0 | 17.3 |



From crisis to stability and growth

- The crisis as an opportunity to achieve economic restructuring, enhance productivity, efficiency and competitiveness of the economy.
- Working with EU funds – the largest source of liquidity amidst the crisis.
- Bulgaria in the euro-area: in close collaboration with the ECB, European Commission, ECFIN and IMF prepare Bulgaria for fast but sustainable convergence and euro adoption.
- Look at our EU membership as an engine for integration in the global economy.
- Improve business climate as a main argument to attract investment.



The fiscal policy – a warrant for stability and growth

- Maintain the stability of public finances: conduct prudent fiscal and public debt policies; prepare and pass a law treating the Fiscal Reserve (FR) accumulation and spending, the floor below which the FR should not be allowed to fall, as well as the ratio in which it should be deposited with the BNB Issue Department and commercial banks.
- Maintain the level of direct taxation.
- Reduction in social security payments of the business down to on a par levels with the payments of the labour.
- VAT – stop extortion with the participation of the tax administration. Introduction of incentives for the loyal taxpayers, who at present are crediting the state indeed.



Start and successful completion of the reforms in the public sector

- Science and education; innovations - finalize the reforms in education, science, research and innovation; strengthen Bulgaria's participation in EU research, scientific infrastructure and innovation programmes and initiatives.
- Healthcare - start and successful end of the reform in the sector. Guarantees for the healthcare rights of the citizens and halt on corruption in the sector. Healthcare is an industry and the state must abide by its social duties for the poor and needy.
- The public administration – active supporter of the business. Enforcement of an end to corruption.



Bulgaria – a trustworthy member of EU

- Successful completion of the reform of the Judiciary.
- Reform of the Law enforcement agencies. The private property and personal safety of the European citizen are to be guaranteed on Bulgarian soil.
- Bulgaria to become a Schengen member not later than 2011.
- Admit the fact that so far the behavior of Bulgaria as EU member brought about an image problem for the country. Design and implement a plan to overcome this hurdle and to restore the good name of Bulgaria in the EU.



Competitiveness through flexibility of the labour market

- Labour market goes back to the starting point (year 2000). The Labour code should reflect this and should provide for more flexibility.



Addressing the climate change – work with the business

- Reducing CO₂ emissions – consider the view of the business.
- Transition to extensive approach in the energy sector. Stimulate the use renewables and energy efficiency.



Bulgaria – a sovereign of its energy sector

- Make the energy sector part of national security.
- Beyond our Euroatlantic relations no dominating foreign presence in the energy sector of above a threshold of 30% - both by sector or in equivalent.
- Introduction of a legally bound system of guaranteed alternative suppliers of all energy imports to provide independence for Bulgaria in the energy sector for at least 3 months.
- Interlinks with the gas pipelines of Romania, Greece and Turkey. Create new infrastructure for gas supplies.



Infrastructure

- Only massive investments in the big infrastructural public projects can help Bulgaria out of the crisis.
- From 90 km/h to 130 km/h.
- By the end of 2014: Bulgaria - a country on 4 highways – Trakia, Hemus, Strouma and Black Sea.
- Restore BG positions in the maritime transport.



Transition to a proactive demographic policy

- Unity in the poly-ethnic diversity. Balance of rights and obligations.
- The traditional Bulgarian ethnic tolerance must come back as national feature.
- Aging of the population – problem and opportunity. Pension reform to pledge pensions for the retired of at least 70 percent of their social security income.

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