

## INFORMATIONS

### **THE INSTITUTE OF ECONOMICS AT THE BULGARIAN ACADEMY OF SCIENCES DURING 2002**

The scientific policy of the Institute over the last two years has been in accordance with the obligatory priorities in the research field ratified by the scientific council in 2002. They concern the process of eurointegration and consider the following aspects: *strategic aspects of the economic development of Bulgaria in the light of its accession to the European Union; the competitiveness of the Bulgarian economy within the common European market; restructuring of the enterprises and perfection of their management; social policy and employment in the country; adaptation of Bulgarian farming to the mechanisms of the EU common agrarian policy; development of territorial communities and protection of the environment; development of the integration process and the foreign economic policy during the accession process.*

The stress was laid on the implementation of projects on the Institute's research program which covers the issues concerning the major areas, meeting the requirements of contemporary trends in the world economic science and observes the priorities of the country's economic development.

The projects under development during 2002 explored topical issues in the following fields: *peculiarities of the formation and development of corporative management in Bulgaria; conditions for the establishment and functioning of competitive farms in Bulgaria; the role of the institutional factors modeling the interaction between economy and politics; priorities and policies for social protection of children; issues concerning both employment and unemployment of young people during the transition period; the EU foreign economic policy and the trade aspects of Bulgaria's accession to the Community; the experience of East European countries having currency boards; the econometric model for the economic growth under the conditions of foreign economic interactions; state and development of the national food supply security; possibilities for the application of the mechanisms of the EU common agrarian policy in Bulgarian agriculture; state regulation during the process of formation of market relations in the Bulgarian economy; the European finance area and Bulgaria's accession; the policy of economic growth in the developed countries.*

Scientific results arrived the following:

- Research associates have outlined the peculiarities, stages of development, basic issues (concentration of poverty, motivation for corporative behavior, conflict of interests, ineffective management mechanisms), of corporative management in Bulgaria; they have also pointed out their weak points and their strong points determining the fields needing reformation. They have revealed and analyzed the basic trends in the

development of contemporary European models of corporative management as well as the main trends of integration. They have assessed possibilities for the application of modern standards and basic principles of corporative management of the EU. Scientific proposals for priority changes and common conditions of development have been given in the models /systems/, in the institutional and regulation environment of corporative management in Bulgaria with a view to its quick achievement of standards and basic principles on which European management models are implemented.

- The advance of agriculture under the conditions of transition has been assessed. The transformation of property into a private one has been also outlined from the point of capitalization of the economic milieu. The drawbacks of the land reform that impede the development of market relations in agriculture have been pointed out as well as the unfavorable impact of the macroeconomic milieu. The state of the elements of the branch economic milieu has been dealt with as well as the access of entrepreneurs to them /production resources - money, land, means of production, services, sales conditions/; state support for the setting up and functioning of farms has been mentioned, too. The scholars have to come to the conclusion that liberalization of the economic milieu has impeded the establishment and activities of farms. They have mapped out the characteristics of the structural state of Bulgarian farms, the production orientation and their investment capabilities in the light of capitalization. They have grounded the change of the present model of state agrarian policy to a model of active support, and concrete state regulation approaches have been put forward to stimulate entrepreneurs in agriculture through a better access to money and labor resources, to means of production and services, thus providing for them proper internal and external markets.

- Researchers have presented the institutional; factor in the light of normative and value systems of society and its interaction with the institutional determination, with economic and political rationality. Its analysis as well as the analysis of the interactions between economy and policy reveals a new view of assessment of the program for structural restructuring and the intentions of those in power. Results and conclusions confirm that political programs and in the first place political consequences should not be neglected and economists must include them in their analyses. Modeling of political and economic systems delves deeply into basic categories like political rationality and institutional determination. On the basis of the interpreted model they have presented a variant for the connection of the economic and political analyses with the role and impact of the institutional factor. Trends have been summed up leading to considerations as to the possibilities for optimal institutional policy in Bulgaria. They have proved the possibility for preparation and application of models, including variables typical of non-market economies which makes a clear picture of the

institutional milieu and facilitates the assessment of the economic optimum in concrete situations. The overall presentation of issues creates possibilities for establishing variants for optimum institutional rules as an important factor for the functioning of the market system.

- Theoretical recommendations have been put forward aimed at reflecting “children’s aspects” in macroeconomic policies. A system of social and economic indicators has been worked out to provide welfare for children. Special methods have outlined the degree of pauperization of families with a different number of children. Basic risk factors have been determined and children in concrete risk groups identified. Preferential policies for easing and stimulation of risk families have been marked and priorities and recommendations have been put forward how to accomplish them. Selective principles for prevention and reintegration of children have been put forward and they fall in the following groups: “social orphans”, risk children like “school group outs” and “exploitation of child’s labor”. A system of welfare indicators has been prepared to enrich official statistics and recommendations suggest changes on the acting law and social practices along the “child-mother-family” chain. State and local authorities should work in close coordination to solve children’s issues.

Scientists from the Institute of Economics have participated in a number of international projects funded by different EU programs and European organizations and the tendencies are their number to grow. In 2002 they were eight, two of them within the Fifth Framework Program of the European Commission and one within the framework of agreements and contracts between the Bulgarian Academy of Sciences and scholars from the University of Valencia, Spain.

The outstanding results of their research cover the following:

- They have prepared an all-round picture of the contemporary state of the economic science in Bulgaria, after 12 years of changes. The analysis has been carried out in five directions – predefinition of the subject, basic theoretical and methodological orientations, thematical orientation and funding, public space, academic discussions, and views on future development. Scientists have made a brief analysis of the situation in 1989 in order to position more clearly the issues and processes of development. The basic conclusion is that the economic science in Bulgaria has undergone serious changes, deep enough to come closer to its relation to world science, to its methods of exploration and teaching, in this respect the science in Europe, which is a good prerequisite for the successful involvement of Bulgarian economists in the united European research area.

- They have arrived at the conclusion that the present stage macroeconomics, scientific and technological processes to a great degree work in different directions. The integration of scientific and technological policies and their

combination with macroeconomic aspects is a prerequisite for the achievement of the goal in EU development, by virtue of which its economy will become the world's most competitive by 2010 as it will be knowledge-based. The assessment of the development of those policies in Bulgaria shows the lack of coordination between them. Financial stability due to the currency board is not enough to provide a better performance in the field of science and technology policies. The scale, the high degree of openness, determines external demand as an important condition for the effective development and the use of research and technologies in the country. In this respect external factors and EU policies in the first place are decisive, joined by efforts of national level.

- An evaluation of integration process in Bulgaria has been made along with their role for the country's development and social security. Economic disparities and poverty during the 90s have been described over State policies concerning employment and access to minimum incomes have been assessed.

The international scientific cooperation in the Institute of Economics at the Bulgarian Academy of Sciences includes the participation of eight of its scientists as experts assessing projects within the Fifth Framework Program of the European Commission as well as other programs. Institute associates take part in conferences and seminars abroad, which is an expression of long-lasting professional contacts established years ago. Their participation proves the institute's authority, a fresh proof of which is the comparatively large share of their publications and symposia at international scientific gatherings.

The Bulgarian Academy of Sciences maintains its tradition for joint research among its associates and also with the Institute of Economics at the Academy of Sciences of the republic of Macedonia, research being funded by the "Frederih Ebert" Foundation. In 2002 the scientific gathering discussed the topic of *"Economic aspects of the European integration in the Republic of Bulgaria and the Republic of Macedonia"*.

Scientists from the Institute have prepared papers with practical application ordered by state institutions, government and business organizations. Among them as a project of importance was the project on writing a *"Bulgarian Economic Encyclopedia"* following a contract of the "Nauka i izkustvo" publishing house with the participation of 20 scientists holding academic degrees. Scientists from the country's three economic establishments of higher education will contribute to the compilation of this encyclopedia.

Scholars have been analyzing the state of economy in Bulgaria, forecasts for its development, views on the macroeconomic policy under the title *"Bulgarian Economy by 2004"*. Four of them are academy analysts.

Under an agreement with the Ministry of Foreign Development and Public Works scholars have prepared seven papers under a common title – *"Perspectives and policies for regional development"*.

Scientists have also prepared projects with practical application, as well as reports, funded by national and international organizations; they rendered consultations and expressed views. Among those worth mentioning was the report to the Council of Ministers and the World Bank, worked out by four academy associates and the topic was *“Social assessment of the impact of changes in prices to be paid for electrical and thermal energy”*.

Papers with practical application have drawn the following conclusions:

- The papers defined the approaches and possibilities for Bulgaria to meet EU requirements in the field of regional policies in the process of accession. They have assessed the degree of meeting membership criteria and the process of preparation of national regional policies, including the tools of the European economic area. Perspectives of Bulgaria’s development have been mapped out in basic sectors and industrial branches compared to structural changes in different countries and regions. Social and economic characteristics have been pointed out as common and specific in regions to be planned in Bulgaria, and other regions at NUTS II level of the candidate member countries. The development and restructuring of Bulgarian enterprises has been characterized both nationally and regionally. Regional differences and possibilities for the implementation of differentiated regional policies have been assessed as well. Human resources potential has been assessed on the basis of demographic processes in Bulgaria. Perspectives for the development of labor market have been analyzed. The state of the social infrastructure of the country and its six regions to be planned has been characterized, revealing issues and basic recommendations for possible solutions. Perspectives and proposals how to run the policies of developing regions to be planned have been outlined.

- The conclusion of the analysis of the current state of the economy in the country claim that criminalization of the economy has reached dangerous dimensions and the current economic policy does not help Bulgaria’s preparation for EU accession.

- Scientists have assessed the impact of new power tariffs on the income of the population. Proposals have been put forward on the perfection of the system of energy funds for the population, based on negotiations between the government and the World Bank on the PAL-1 loan.

Another basic accent in the activities of the Institute of Economics has been the training of Ph.D. students whose number in 2002 was 57, 22 of which were foreigners. The larger part of them was enrolled in part-time studies. 24 research associates holding academic degrees have trained them following individual plans of study ratified by the scientific council, and which include obligatory Ph.D. exams. The number of Ph.D. students has been on the rise over the last few years. This is an expression of the growing interest in a Ph.D. degree offered by the institute, including paid studies both for

locals and foreigners. Hence the bigger attention being paid to education that has found expression in permanently held PhD seminars. The first opened 2001. Four doctoral thesis and two educational seminars titled "Effective presentation skills" and "The research process in social sciences – main points, scientific way of thinking and methodology" were held.

In 2002 Ph.D. students were offered a course in methods of economic research whose goal was to provide them with methods and methodologies of how to prepare Ph.D. papers. Lectures alternated with discussions in groups of 7 students according to the topics of their thesis.

The course focuses on empirical research-collection, processing and interpretation of primary data, attention being particularly paid to their variety and different branches of economy, as well as their juxtaposition to projects using secondary information. When the course was Ph.D. students prepared a research project and in inquiry questionnaire being one of the major ways of collecting primary data.

2002 marked the 10<sup>th</sup> anniversary of the establishment of a faculty of Economy by virtue of an agreement signed with the Technical University "St. St. Cyril and Methodius" in the town of Veliko Turnovo. A joint conference was dedicated to the jubilee and its topic was "Bulgaria and the European Union: state, issues, perspectives". Scientists from the Institute read 6 reports of both scientific and practical importance.

The bilateral cooperation concerning the Faculty of Economy was carried out along another line as well – Master's studies that have already had their fourth year of existence. In 2002-2003 academic year the program enrolled B.Sc. students in the field of "Finance of the Enterprise", "Business Administration", "Banking", "and International Economic Relations". They all attended part-time studies for a Master's degree in France, Cost Control and Accounting, Management, and Marketing.

23 researchers from the Institute read lectures in the joint Master's program, being scientific advisors and tutors. M.Sc. degree holders who graduated with honors and whose projects concerned issues of municipalities were offered preferential participation in the competition for the Master's program in "Regional development of the Balkans" of two Italian universities – the Trento and Bolzano, funded by the Italian Foreign Ministry.

The Institute of Economics launched another program last year in cooperation with AkaTe-Sofia OOD and "The Argikola" institute in Leipzig. The program offered a one-month student's practice in Germany for those attending the Master's degree program at the Institute, funded by EU programs. 30 students who successfully passed a competition will visit Germany to get acquainted with the systems of Quality Management in leading German organizations. Successful students will get a certificate. An exchange of MSc students began in 2002 between the Institute and the "Suez Canal" University in the Egyptian town of Ismailiya by virtue of a contract

signed between the two institutions. The aim of the exchange was the promotion of cooperation between the academic communities of Bulgaria and the Arab Republic of Egypt. The two parties have reached an agreement on cooperation in the field of Ph.D. studies.

The successful implementation of the joint Master's program with the University of Veliko Turnovo proves the priorities offered by the combination of academic science and educational process in order to obtain a higher degree of higher education. This has been testified by the growing interest of MSc studies, offered by the Institute of Economics at the Bulgarian Academy of Sciences.

The Institute stressed on another activity, too – the broad representation of its research associates in the structure of VAK – the HAC – the Higher Assessment Commission (three specialized scientific councils, an Economic Commission of Economics and Management at the Accreditation Council and the Presidium). They also attend the sittings of the Standing Commission on Economics and Management at the Accreditation Council of the National Agency for assessment and accreditation, in expert groups monitor studies at economic faculties and universities. This is recognition of their authority and that of the Institute of Economics at the Bulgarian Academy of Sciences by the academic community of Bulgaria in the field of national economy.

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