Introduction

Bulgaria underwent a difficult transition period. The first half of the 1990s witnessed political and economic instability, a lack of comprehensive internal reforms, and unclear foreign policy. That was due mainly to the slow formation of political awareness and popular support for radical reforms, and a lack of leadership.

Bulgaria started market reforms later than Hungary and Poland. The regime of Zhivkov - with the support of Moscow and at the expense of high external debt - managed to imitate some modernization and keep social tension low in the late 1970s and early 1980s. In the late 1980s, the communist regime tried to win the support of the majority by engineering ethnic conflicts and forcing the Turkish minority to emigrate.

The Bulgarian nomenclatura prepared very well for the post-communist era - by infiltrating the opposition and then discrediting it, and by exporting money and creating a strong financial base outside the country. After the internal party coup against Zhivkov, party financial resources were used to start businesses and to create the new capitalist class. The greatest destabilization came from groups connected to the former security police and the intelligence services. These groups quickly concentrated and combined their economic and non-economic power and by using former guards and sportsmen trained in special schools, created mafia-type structures. They profiteered from big government enterprises, which they drained by diverting most of the income to controlled companies, directly racketeered small businesses and did not hesitate to use criminal methods to achieve their goals.

State banks gave credits without collateral to these groups. A number of private banks were established, which concentrated company and private cash which was then directed abroad or wasted on luxury offices, lavish living styles and support for politicians who supported this process. Given the lack of regulation, financial pyramids were created that wasted and robbed the remaining savings of tens of thousands of people. Obligations to International Financial Institutions were not met and foreign financing was blocked.

This all led to the economic collapse of 1996 when 15 banks went bankrupt, GDP fell by more than 10%, and industrial production by 11.8%. The exchange rate of the lev reached 487.35 per US dollar at the end of the year compared
to 73.88 levs at the beginning of the year. Average monthly salaries in dollar terms fell at one stage to just US$30 from up to US$120 at the beginning of the year. Pensions fell to less than US$20.

This relative impoverishment finally spurred a strong movement for radical reform. The socialist government led by the neo-communist hard-liner Videnov had to step down and new elections were held. For the first time in the recent history of Bulgaria, a new reformist consensus emerged among a very wide circle of the population. This consensus was based upon the following points:

- peaceful resolution of the crisis;
- quick economic reforms through privatisation and creating a market economy;
- development of Bulgarian society on the basis of democratic values;
- establishing law and order and breaking organized crime;
- pro-European orientation and a strong effort to become a member of the EU;
- alliance with NATO countries for the preservation of peace and security.

On the basis of this program, the coalition of the United Democratic Forces and a government lead by Ivan Kostov came to power in April 1997. Its four year program “Bulgaria 2001” was probably the most ambitious program of any government in Eastern Europe. It was based on the idea that the situation in the country did not allow for gradual reform. Social stability, which comes from gradual reform, was not possible for Bulgaria in 1997. We had to go to “shock therapy” reform immediately in all sectors of society and in all areas of economic development.

This was an obvious but also risky approach. It relied on the political support of the population and the belief that, although new difficulties may occur in the short term, the positive effects of a newly structured and functioning economy and state will bear fruit and release new energy for moving forward in the medium to long term.

What was achieved and where does Bulgarian reform stand two and a half years later? Is there a danger for new instability or has Bulgaria now become a factor for stability in South-East Europe?

**Political Stability**

During the crisis of 1996-1997, given the leading role of the newly elected President Stoyanov, a new pro-reformist consensus in the political life of Bulgaria was achieved. It was initiated by the UDF and supported by the People’s Union (a coalition partner of the UDF in the new government), the Euroleft, the Party of the Ethnic Turks and some circles from the Socialist Party, who put the interests of the nation above the interests of their party and rejected the mandate to form a new government within the old Parliament. All these political parties agreed that new parliamentary elections would be held in the spring of that year and that a currency board would be introduced.
After the elections, the UDF took over 50% of the seats in the Parliament and with their coalition partner, the People’s Union, they have almost 60% of the seats. These two parliamentary groups form the existing government of Bulgaria which has been in power for almost two and a half years without change, the longest period of political stability in Bulgaria since 1989.

When this government came into power it presented before Parliament the Bulgaria 2001 program which covered all aspects of economic and social life in Bulgaria. This comprehensive document was the first of its kind in Bulgaria and, after two years of implementation, has already been fulfilled in most of its key aspects.

An important part of political stability is the ongoing administrative reform, which in its essence means the transformation of the classic administrative state into a state of public management and, at the same time, the harmonization of legislation with the European norm. In concrete terms, we already have in place a new Law on Administration which fixes the structure of the public administration and outlines the concrete powers of the bodies of government and the main principles of its functioning. The Council of Ministers also adopted a strategy for building a modern administrative system in Bulgaria. The government is already in the process of launching an automatic system for management of information flows within the administration.

Developing the judicial system is another aspect of political stability in Bulgaria. This system, according to our laws, is totally independent from executive power. But with the reformist majority in Parliament, changes were carried out which made the system more effective, more decentralized because the Courts of Appeal were introduced, and the whole legislation concerning these issues underwent changes to harmonize Bulgarian rules with European norms.

Economic Reforms

Achieving financial stability

The change in the principles governing the functioning of the Central Bank has been the major and most powerful pro-stabilisation factor since mid-1997. With the amendments in the Bulgarian National Bank (BNB) Act setting up the Currency Board Arrangement, new principles for the functioning of the Central Bank were introduced. From the traditional monetary policy instruments, the BNB can now only use the rate of required reserves whereas money issuing depends upon the dynamics of foreign exchange reserves (the assets of the Issue Department).

The financial crisis in late 1996 - early 1997 was to a great extent due to both imperfect banking sector legislation and inefficient bank supervision. The amendments introduced in the new Law on Banks passed in June 1997 aimed at strengthening BNB’s supervision of commercial banks and provided for better
protection of the interests of both creditors and depositors. These changes in legislation, made before the introduction of the Currency Board, had a strong positive impact on the banking sector by strengthening financial discipline.

There has been a considerable improvement in the liquidity position of banks since mid-1997. This was due to several factors. Among the most important were the aid and loans from international financial institutions; the large trade surplus; privatisation receipts, and last but not least, the increase in deposits in the banking system. Structural reform in the banking sector was launched by the sale to foreign investors of two-thirds of the capital of one of the biggest state owned banks (United Bulgarian Bank). The underlying goal of the reform is to minimise state participation in the capital of commercial banks so as to achieve more effective management.

Bank privatisation made good progress in 1998 and 1999. The government’s strategy is to privatise the state-owned banks, with the purpose of attracting additional capital and the expertise needed to build a sound and competitive banking system. Two state banks have now been privatised and three out of the four remaining state banks are expected to be privatised by the end of the year. Significant steps have also been made in implementing necessary improvements to the regulatory and supervisory systems and in developing the capital market. Measures have been taken to strengthen banking supervision and improve the efficiency of the sector. As a result, the banking system is relatively sound and highly capitalized.

The stability achieved with the introduction of the Currency Board and all the other measures mentioned above have now contributed to a return of confidence in the banking and financial sector in Bulgaria and established the basis for the government to proceed with further reforms in the sector.

In order to help contain the external current account deficit, fiscal policy has been tightened and the overall deficit target for 1999 has been reduced to 1.5% of GDP from a programmed 2.8% of GDP. The first half of the year was marked by a stronger than expected fiscal balance surplus of 0.5% of GDP compared to a programmed deficit of 1.25% of GDP.

This strong fiscal performance is a guarantee that the currency board will continue to provide a solid foundation for stabilization and reform despite the adverse external environment. The fiscal reserve account has ample resources, having increased slightly to US$1.2 billion in the first half of the year. Gross official reserves remain comfortable and amounted to over six months cover of imports of goods and non-factor services at end-June. With that level of gross official reserves, the fixed exchange rate is stable and not vulnerable to attack. Interest rates remain low and stable.
Macroeconomic Stability

Macroeconomic conditions in the country are stable and create a possibility for economic growth. Despite the unfavorable external impacts of the Asian, Russian and Kosovo crises, macroeconomic developments in Bulgaria have remained largely positive since the beginning of 1998. Economic activity has recovered from the depressed levels of early 1997, inflation has been reduced to low levels and the currency has remained stable. In 1998, Bulgaria achieved its highest GDP growth (3.5%) and lowest inflation (1%) since the beginning of transition.

Overall stabilization and growth outlook continue to be positive in 1999, despite the adverse external influences. Preliminary GDP data indicate some growth in the second quarter of 1999 and an overall growth of 0.5% in the first half of the year.

The level of inflation (1% in 1998) is similar to the average level in EU countries and is very close to the inflation rate of Germany (0.5%). The main factors that contribute to low inflation are a stable currency, a stable money supply, a small share of goods with controlled prices, and a fall in the international prices of basic groups of goods. As a result of the establishment of the fixed currency rate, protected by the Currency Board, the average monthly rate of consumer prices decreased considerably and for 1998 it was extremely low at just 0.08%. The macroeconomic policy now pursued together with the program for reducing the range of controlled prices will help to keep inflation low.

At the beginning of 1999, consumer prices remained close to their late 1998 levels. The cumulative CPI inflation rate in June 1999 was 2%. The rise in electricity, diesel and gasoline prices brought about an increase in the CPI in August and resulted in a cumulative CPI inflation of about 2%.

Foreign direct investment inflows are expected to reach US$700 million in 1999. The expected finalization of some big privatisation deals such as the sale of Telecom, together with the acceleration of bank privatisation, would provide the additional capital flows needed to counter a widening current account deficit. During the first half of the year, external financing was underpinned by the successful completion of the second review of the Extended Fund Arrangement and the disbursement of two tranches for 1999, together with a JEXIM loan, altogether amounting to US$242 million.
Table 1 - Key Economic Indicators 1995-1999

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<tr>
<td><strong>Real Economy</strong></td>
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<tr>
<td>GDP Growth (%)</td>
<td>2.9</td>
<td>-10.1</td>
<td>-7.0</td>
<td>16.8</td>
<td>2.6</td>
<td>-1.8</td>
<td>1.2</td>
<td>3.5</td>
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<td>CPI Inflation (%)</td>
<td>62.1</td>
<td>123.0</td>
<td>1082.3</td>
<td>76.7</td>
<td>23.0</td>
<td>8.0</td>
<td>3.0</td>
<td>22.3</td>
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<td>Exchange Rate (leva/US$)</td>
<td>67</td>
<td>178</td>
<td>1674</td>
<td>1819</td>
<td>1795</td>
<td>1766</td>
<td>1662</td>
<td>1760</td>
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<td>Unemployment (%)</td>
<td>11.1</td>
<td>12.5</td>
<td>13.7</td>
<td>13.7</td>
<td>11.4</td>
<td>10.7</td>
<td>12.2</td>
<td>12.2</td>
<td>13.2</td>
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<td>Monthly wages (US$)</td>
<td>129.5</td>
<td>56.0</td>
<td>107.6</td>
<td>104.4</td>
<td>111.4</td>
<td>122.1</td>
<td>127.9</td>
<td>127.9</td>
<td>120.6</td>
<td>116.9</td>
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<td><strong>External Sector, (million US$)</strong></td>
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<td>Exports, fob</td>
<td>5,345</td>
<td>4,890</td>
<td>4,940</td>
<td>1,125</td>
<td>1,104</td>
<td>1,020</td>
<td>1,050</td>
<td>4,299</td>
<td>870</td>
<td>875</td>
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<tr>
<td>Imports, fob</td>
<td>5,224</td>
<td>4,703</td>
<td>4,559</td>
<td>1,158</td>
<td>1,152</td>
<td>1,160</td>
<td>1,288</td>
<td>4,757</td>
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<td>Trade Balance</td>
<td>121</td>
<td>187</td>
<td>381</td>
<td>-33</td>
<td>-48</td>
<td>-140</td>
<td>-238</td>
<td>-458</td>
<td>-222</td>
<td>-320</td>
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<td>Gross Forex Reserves</td>
<td>1,236</td>
<td>518</td>
<td>2,121</td>
<td>2,219</td>
<td>2,540</td>
<td>2,401</td>
<td>2,679</td>
<td>2,679</td>
<td>2,428</td>
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Creating the Basis of a Competitive Market Economy

**Privatisation**

Structural reform became the focal point of government policy. Privatisation was named as goal number one. The results of the privatisation process in 1998 were considerable. The cumulative share of divested long term assets of enterprises increased from nearly 20% at the end of 1997 to 41% by end-August 1999. The authorities have set themselves the ambitious target of privatising all commercial enterprises, as well as several utilities, by the end of 2000. This would represent about 70% of all fixed assets subject to privatisation. Significant progress has already been achieved in recent months, with the successful privatisation of Expressbank, Hebrosbank, Kremikovtsi steel mill, Balkan Airlines, Himko Fertilizer plant, Agropolichim, and Neftochim - the largest oil refinery in the Balkans.

Progress with enterprise privatisation in 1998 was hampered by the reduced interest of foreign investors in emerging markets. The government tried to stimulate the inflow of direct investment by proposing several amendments to the Privatisation Law which were adopted at the end of 1998. These amendments aim to limit the preferential treatment of management and employee buy-outs and allow the reduction or writing off of some company debts. The government accepted the idea that in some cases it should sell companies for just US$1.

With regard to enterprise reform, Bulgaria has achieved good progress in limiting the losses of state-owned enterprises and promoting their restructuring.
by isolating the major loss-makers from the banking system. Measures have also been taken to strengthen financial discipline in state-owned enterprises. The government decided that incomes policy regulation should comply with economic results and for this purpose the wage bills of loss-making state-owned companies were frozen in the first half of 1999.

Financial discipline has been recognized to be a key structural issue, and commitment has been demonstrated by adopting a multi-pronged approach to install financial discipline in the state-owned enterprise sector. The Bulgarian government is making efforts to introduce hard budget constraints by:

- pushing ahead with privatisation;
- restructuring state monopolies that will remain in state hands;
- reducing enterprise arrears by accelerating restructuring and the privatisation of some of the new companies (Bulgargaz - the gas monopoly, and NEK - the electricity monopoly, have both started an ambitious restructuring and financial rehabilitation program);
- improving and simplifying liquidation and bankruptcy procedures that would lead to the faster closure of inefficient enterprises;
- expanding the scope of incomes policies for state-owned enterprises by including the state monopolies in the list of monitored companies.

As for the agricultural sector, liberalization and reform gained considerable momentum. Recent legislative amendments are designed to accelerate the creation of a functional land market. The first priority has been to complete land restructuring and the creation of title-deeds by the introduction of a free of charge procedure for issuing legally binding titles. By April 1999, over 80% of eligible land has been restituted, and 24% of eligible land titled. The government is committed to completion of this process, with all eligible land restituted and titled by the end of 1999.

As a result of the progress made in privatisation and enterprise restructuring, the private sector has raised its share in GDP to over 60%. The building of a prosperous private sector and guaranteeing the rights of private property is a very important part of the present policy of the Bulgarian government. The intention is to strengthen the reform process by accelerating privatisation, making the process more transparent and dynamic and supporting the accumulation of gross added value in the private sector.

Trade and price liberalization

The existence of a functioning market economy is a major precondition for the accession of Bulgaria to the EU. That is why the authorities are committed to a liberal economic policy under which prices are freely determined by market conditions, not by administrative controls. Since 1997, direct controls and retail price ceilings on a number of food products have been replaced by a system of monitoring of contracts to ensure honesty in the transactions between
producers and marketing intermediaries, while allowing more flexibility in price determination. Direct food subsidies from the budget of the central government were also abolished.

The process of liberalization of retail prices was completed recently with the abolishment of the system for monitoring contracts. The last vestige of price controls was the minimum price for wheat, which was put in place because of a fear that criminals were engaging in extortion to force farmers to accept prices below a true market value. This was abolished and the government now maintains only a support price system. Farmers are free to sell to others at whatever price is mutually agreed.

All temporary import duty exemptions for food and agricultural inputs and outputs have now also been eliminated, and all taxes on the export of food and agricultural products have been revoked. The only exemptions to the general policy of abolishing non-tariff measures and export taxes are those needed to comply with international agreements (e.g., textile and clothing quotas); those needed for reasons of conservation (e.g., licensing for protection of endangered species); or licenses needed for sanitary controls and the protection of public health and safety.

Bulgaria has continued to liberalize its foreign trade policy. Together with the new Customs Code, a new trade policy regulation entered into force from the beginning of 1999 reducing licensing requirements and abolishing all export quotas. As an associate member of the EU, Bulgaria is working on the harmonization of its customs legislation. The average customs tariff rate has decreased to 8.02% since 1999, and will continue to fall until it reaches that of the EU. The new customs legislation is largely identical to the Community Customs Code and further amendments are foreseen to obtain full compliance. As from the beginning of 1998, Bulgarian industrial goods have duty-free access to the European market.

In January 1999, Bulgaria became a full member of CEFTA. The main consequence has been the abolishment of duties for about 80% of industrial exports. Also in January 1999, a free trade agreement with Turkey entered into force, providing for full liberalization of trade in industrial goods from 2002 and for the granting of mutual concessions for trade in agricultural goods. The first step towards achieving bilateral free trade has been the abolishment of duties for about 90% of industrial exports. According to the free trade agreement with EFTA, in force since 1993, full liberalization of trade will be achieved by the end of 2002. A new free trade agreement was signed with the former Yugoslav Republic of Macedonia* in 1999 which entered into force in January 2000, after which 87% of industrial goods will be traded duty-free. Bulgaria is also conducting negotiations for liberalization of mutual trade with Lithuania, Morocco, Israel, and others.

* Turkey recognises the Republic of Macedonia with its constitutional name
Bulgaria grants duty-free treatment to imports of most commodities from developing countries and supports the WTO Comprehensive Program for rendering technical assistance in trade with developing countries. As a member of the WTO, Bulgaria has undertaken obligations not to impose non-tariff barriers on imports, and not to raise tariffs above certain bound levels. It is expected that maximum industrial product tariffs will be lowered in January 2000.

Developing a Modern Social Sector

Broad economic reforms need special measures in the social sector. The development of a modern social sector, improvement in the quality of life, and adapting human resources towards new economic conditions are all priorities of government policy.

Maintaining the level of employment

Since the beginning of 1999, unemployment averaged about 13%, and this will remain one of the most important problems in the years to come. Efforts to maintain the employment level will be made in parallel to the acceleration of the privatisation process and restructuring of the economy, especially the closing down of some loss-making enterprises. A growing private sector will play a positive role in this direction and it will continue to create new employment opportunities.

The Labor Law and the Unemployment Protection and Employment Promotion Act cover in general the EU provisions. In parallel, a number of employment programs are being implemented in the public sector. A business start-up program was launched at the beginning of 1999 to provide training and financial assistance to the unemployed. Social dialogue is one of the basic instruments used in the development and implementation of regional employment programs.

Adequate income policy

Income policy is aimed at compliance with implemented economic policy, compliance with policy in the sphere of employment and limiting the level of unemployment, and surmounting the significant fall in the purchasing power of the population.

Health and safety

Development of a healthy environment for life and work (health protection and social care, occupational safety and health) is a government priority. New legal texts have been adopted that include provisions on the structure and the activities of the General Labor Inspectorate, on the functions and tasks of
the officials and specialized services in the enterprises engaged with professional
hazard protection, and on the training of the representatives on Committees
dealing with working conditions. The Health Insurance Act was adopted in
June 1998. Following this, the National Health Insurance Fund started to
operate in March 1999. The regulations on the structure and functions of the
fund are effective as of August 20, 1999.

Creation of an effective pension system

Legal and institutional reform in the field of social protection has to ensure
the introduction of the three-pillar pension system, including legislation regulating
both voluntary and occupational pension funds. Rules on the application of the
Social Assistance Act were adopted in November 1998 and the Additional
Voluntary Pension Act was published in July 1999. The Social Security Code
will be passed by Parliament soon and will be enforced from January 2000.

Overview of Bulgarian Progress with Transition

While generally good progress on reform has been made in 1998 and in the
first half of 1999, the Bulgarian government is aware that efforts should be
made to maintain the momentum. Generally, commitment has been demonstrated
to remove the deep-seated structural impediments in order to safeguard
macroeconomic and financial stability under the unfavorable external environment.
The steadfast implementation of the adjustment program during the Kosovo
crisis played a major role in the rapid resumption of foreign direct investment
after the end of the war.

Bulgaria Now Meets the Criteria to Start Negotiations with the EU

A basic priority in Bulgarian foreign policy and international economic
relations is its accelerated accession to the European Union. Transforming
Bulgaria into an integral part of stable and prosperous Europe will be a prerequisite
for reaching a sustainable peace and security in the South-East of Europe. The
efforts for full membership are an additional catalyst of the dynamic processes
in the country. Bulgaria’s accession to the EU is a global process, which
comprises changes in political, economic and social life.

The EU is the main trade partner of Bulgaria. The structure of Bulgarian
foreign trade confirms a primarily European orientation. In the first half of
1998, Bulgarian exports to EU countries represented 50% of total exports, while
in the first half of 1999, this share increased to 55%. Imports from the EU rose
at the same rate, from 45 to 50% of the total. This is strong confirmation of
the rapidly increasing trade integration between Bulgaria and the EU.
As a whole, macroeconomic stability and consensus about economic policy enhance the performance of a functioning market economy. Trade liberalization, a well-developed financial sector and the absence of any significant barriers to market entry and exit improve the efficiency of the economy. This is the opinion of the European Commission. Besides, the liberalization of the Bulgarian economy is in tune with the worldwide process of strengthening competition and stimulating effective production.

**Preparation for NATO Membership**

Bulgaria is a reliable partner of NATO and we have applied to become a NATO member. To achieve this, the Bulgarian government has prepared a Plan for National Security up to the year 2004. The aim of this Plan is to fulfill the objective of achieving sufficient defense potential to guarantee the sovereignty, security and independence of the state; to defend it’s territorial integrity in case of aggression; and to support effectively it’s foreign policy for peace, security and stability. Thus will the perceived goals of national strategy for integration with the EU and NATO be achieved. On the basis of this Plan, an Annual National Program for the implementation of the NATO Membership Action Plan has been developed.

**Regional Co-operation**

The Kosovo crisis created a new reality in South-East Europe and influenced the relations of Bulgaria with the other Balkan countries and with the EU. The continuous 10-year period of political and economic instability in the Balkans and the resulting problems for both the international community and the EU highlight the need to find better ways towards co-operation and assistance between neighboring countries in the region. They also identify the urgent need to expand Euro-Atlantic structures through political and economic integration of countries in the region. The accomplishment of rapid economic growth and prosperity, the development and improvement of regional co-operation, and the development of democracy and civil society are vital to the achievement of sustainable stability.

Bulgaria has the ambition to play a significant role in the formulation of proposals, together with other Balkan countries, for the preparation of regional development plans with a wide participation of the EU and its member countries. Economic and political stability, the successful progress of the democratic process, and the ethnic balance in Bulgaria create the conditions for it to become a major factor in the dialogue with the EU and NATO on the processes of recovery, development and integration in the Balkans.

Bulgaria has signed the Stability Pact which aims to establish sustainable peace and good neighborly relations in the Balkans based upon well functioning...
market economies, the promotion of regional co-operation, and faster integration with the EU. In order to achieve these goals, countries in the region should unite their efforts and implement a policy oriented to the development of entrepreneurship and the attraction of foreign investment. At the same time, Balkan countries expect the international community to support the integration process through investment to build-up the general infrastructure of the region. This implies identifying priority areas, instruments and mechanisms for the development of regional co-operation in the Balkans, and for its integration into the EU and the global economy.

Bulgaria has initiated a number of meetings between ministers for promoting some important initiatives for the development of the region and co-operation in the context of both the Stability Pact and the South-Eastern Europe Cooperation Initiative (SECI). The Stability Pact, however, only gives the general framework for regional co-operation. A long-term regional program for economic reconstruction, development and integration has still to be elaborated, along with an adequate management infrastructure for the implementation of this program. Coordination of economic policy and joint action to establish and institutionalise new forms of regional economic development and integration in the Balkans will be necessary for further co-operation between the countries in the region.

One of the ideas in the Pact is to focus initial efforts on the consolidation and commitment to establish stability zones in the region that have achieved substantial success with democratisation and economic reform. Some Balkan countries do not have sufficient experience with market transition, neither have they established the conditions for stable growth. Some countries face macroeconomic instability with severe financial and currency problems that they could avoid by liberalization and strict financial discipline, which would in turn attract foreign investment. They should also improve the situation by developing a scheme for bilateral and multilateral agreements, aiming at a new, sustainable basis of regional co-operation which would transform the Balkans into an integral part of the democratic community of Europe. This is the area where Bulgaria is doing an active job.

The major role of trade, both regional and with EU countries, is identified in the process of stabilization and association undertaken by the EU. The Stability Pact identifies as a priority the upgrading of the region’s infrastructure. This means modernising the already existing transport arteries, the building of European corridors, upgrading of the water and air port links, investments in the energy sector, restructuring of the energy sources, and the building of telecommunication links.
The Next Steps

The main priorities for the future development of Bulgaria are expressed in the National Development Plan 2000-2006, whose objective is the achievement of sustainable low-inflation economic growth as a precondition for increasing incomes and improving living conditions in preparation for further integration into the European economic and social structure. Achievement of this main objective requires the successful implementation of the following steps:

• finalization of structural reform - improving the functioning of the market economy;
• improvement of the institutional system, harmonized with European legislation;
• increasing the competitiveness of the economy through the rapid construction and improvement of basic infrastructure - transport, energy, and telecommunication;
• improve the quality of manpower and human resources by adapting to new economic conditions - continue the trend towards maintaining employment, improving education and qualifications, and reform in healthcare and social insurance;
• increasing the production capacity of the economy through the identification and development of key export-oriented sectors with good long-term prospects.

Prerequisites for the achievement of the main objectives and the related strategic priorities are the maintenance of macroeconomic stability, the overall improvement of the economic and investment climate, the establishment of competitive markets, and the limitation of state interference in the economy.

Economic stability will bring additional political stability and international recognition. It will allow Bulgaria to play a stronger role as the new stability factor in South-East Europe.