The price of being agreeable to the IMF

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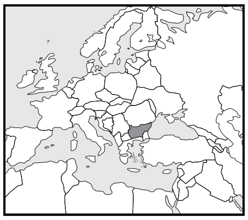

For more than 10 years, since Bulgaria's commitment to the Bretton Woods institutions and its imposed restructuring and privatisation policies, the "financial stability" has brought only more poverty. The hardships of moving towards market liberalisation and European Union membership exacerbate the need for social safeguards. The Bulgarian government must try to create a competitive environment while protecting its citizens from the potential harm of free markets.

On the brink of failure

A draft memorandum was approved in December 2001 for a two-year stand–by agreement worth USD 300 million between Bulgaria and the International Monetary Fund. It is the latest in a series of agreements with the IMF in the last decade, purportedly aimed at stabilising the country's economy. The recent agreement focuses on the key policies the Bulgarian government should follow: reduce the vulnerability of the state in respect to current and future changes in the world economy; keep the currency board agreement stable; and reduce the foreign debt/GDP ratio. These goals are to be achieved through further liberalisation, especially in the energy sector. The IMF required setting by early 2002 a long-term pricing policy, privatisation of energy distribution and market liberalisation.

The agreement requires not only financial stabilisation, but also boosting the competitiveness of the Bulgarian economy and solving social problems. Although the concrete parameters of the final memorandum will not be made public until the first quarter of 2002 and despite the lack of opportunities for public participation in the negotiating process, it is obvious that the government has had to make many concessions. Many good social promises made in the pre-election and post-election periods (national elections were held in June 2001 and the new government started functioning in July) were blown down by the conditions imposed by the IMF. The declared "people-centred" governmental programme is about to fail. A striking example of the eagerness of the government to please the IMF was the decision to increase by 10%, starting in October 2001, the consumer price of electrical power and heat. The decision was taken in violation of the law, without consulting the trade unions, and was recently reversed by a decision of the Supreme Administrative Court. This tough measure, still deemed necessary despite the court decision, obviously impacts the already low living standard of the population as a whole.

The government, along with its commitment to improve the investment climate, has declared its intentions to enhance social safeguards by boosting employment and social security. Here it has to counter the negative effects of restructuring policies encouraged by the international financial institutions from previous periods, especially in heavy industry. The new government is strongly committed to curbing unemployment, the official rate being already above 19%, which is one of the highest rates, if not the highest, among the countries in Central and Eastern Europe.

A very recent example is the 10 million Euros grant from the European Union's Phare programme to support more than 100 projects called SMAEP: Steel and Mining Areas Employment Projects. The programme will be administered by the Ministry of Labour and Social Policy and will cover 51 municipalities in the areas of Pernik, Sofia, Bourgas, Eastern and Western Rhodopes, all areas affected by the current adjustment in the mining and steel sectors. It is officially stated that SMAEP is aimed at offsetting the negative social effects of economic restructuring. Globalisation and market liberalisation have increased the need for additional education and training to adapt the labour force to the new market requirements. In fact, the programme provides training and retraining mechanisms to create jobs for steel workers and miners who have been made redundant. The estimations are that over 5,000 jobless people will be employed and 1,000 persons will receive aid to start small businesses. The successful implementation of the programme will require additional guarantees for specific business training and for business credits, as the average amounts envisioned for starting small businesses are insufficient. This approach, where reparations follow structural adjustment policies, instead of accompanying or even preceding them, proves that priority has been given to restructuring and not to human resources.

The "ambulance" social policy

Another result of the interference of the international financial institutions is the lack of a consistent social policy by the government. Family policy, for example, is a key feature of democratic governments and a major indicator of a good standard of living. The recently approved targeted family allowances system illustrates Bulgarian reality. The already extremely poor allowance of BGL 7 per child per month (less than USD 5) – one of the lowest rates among Central and Eastern European countries – was doubled, but from January 2002 it will be allocated only to families with incomes of less than BGL 150 (slightly above USD 70) per person. According to the estimates, three times fewer children will be reached by the allowances than before, yet this measure will be assessed as effective for the alleviation of poverty in Bulgaria. This change, strongly recommended by the World Bank as a condition for receiving loans for poverty alleviation, has been pending for more than two years, yet there has been no real public debate around the issue.

This is only an illustration of the targeted approach endorsed by the international financial institutions and imposed on governmental social policy as a whole. It is not accidental that the whole social programme of the Bulgarian government, full of good intentions, is deprived of real, consistent and long-term elements, the focus being put on social assistance only. This, not surprisingly, is in compliance with the draft Country Assistance Strategy (CAS) of the World Bank. Although the proposed CAS is open for national discussion, it contains core directions that must be followed regardless of the outcome of the consultation process. Here again the main theme is the targeted approach; without taking pervasive poverty into account, the measures are focused only on specific groups of the population and the proposed solutions are based on redistribution. It is shocking that poverty in Bulgaria is still widespread: according to the most recent data from trade unions, about 38% of the population receive less than BGL 100 (USD 50) per month.

Ten years after: balance measured in poverty

For more than 10 years now, a period that coincides with Bulgaria's commitment to the Bretton Woods institutions and the resulting intense negotiations process, there have been no real positive results from the restructuring and privatisation policies imposed. The appeal was to speed up privatisation, even at the price of widespread corruption, which was condoned by these institutions. The restructuring of the health and education systems, performed with loans from the World Bank, illustrates the adverse effect of the assistance of the financial institutions on the social sphere and the human resources in these sectors. The said sectors, although they were in need of improvement and modernisation, were subjected to fundamental changes that practically liquidated the positive and competitive elements they possessed. Furthermore, dramatic shifts occurred in the related labour force, which was 70 - 80% female. In this case, as in other instances of restructuring and privatisation, the reforms had gender implications, if not a clearly disproportionate gender impact. The human side of the reforms have not been taken into account by the international institutions or considered sufficiently by the government. This is despite the recommendation of the UN Committee on Economic, Social and Cultural Rights in December 1999 that the Bulgarian government "in the course of the negotiations with the international financial institutions ... bear in mind its obligations to respect, protect and fulfil the rights set forth in the Covenant."

In the meantime, with an average monthly salary of USD 115 (according to the most recent data of the WB), Bulgaria still lags behind other EU candidate countries from the Central Eastern European (CEE) region (USD 270 in Latvia and Lithuania and USD 151 in Romania). In the last report of the European Commission on the progress of Bulgaria towards accession, the country was found once again not in compliance with the EU economic criteria. After years of negotiations with the Bretton Woods for economic liberalisation, the EU did not find a functioning market economy in Bulgaria! The slogan "financial stability" has brought only more poverty.

Joining the WTO and the EU

The membership of Bulgaria in the World Trade Organisation (WTO) since 1996 did not improve the situation. Trade liberalisation can correct trade imbalances and alleviate foreign debt only in healthy and competitive economies. It was the wrong moment to join the WTO, because it brought about structural reform in a framework of open markets and strong international competition. This jeopardised the structural reform itself and had a negative impact on crucial sectors of the economy. In addition, Bulgaria "jumped" into the WTO directly with the status of a developed country although its indicators were far behind those of many developing countries that therefore had advantages in the WTO. As a result of this inaccurate initial status, the Bulgarian government has had difficulty defining a realistic position for itself in face of the new challenges of the WTO.

In this context, it is crucial that the government and civil society become active participants in the global process aimed at establishing a new system of international economic governance. This requires from the government more transparency in all internal and external economic decision-making and increased access for civil society in the decision-making process, including negotiations with the international financial institutions. If Bulgaria is to emerge from endless economic transition, the government should take a position on national economic development independent of reforms imposed by international institutions. It should also take a position on the reforms of the international financial institutions In the meantime, civil society can contribute by raising awareness and disseminating information about the open and hidden agendas of the international institutions, thus taking an active part in the movement towards a "new" globalisation. ■

Bibliography

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