



Republic of Bulgaria  
ECONOMIC  
AND SOCIAL COUNCIL

## **RESOLUTION**

**on the Accession of the Republic of Bulgaria  
to the Organisation for Economic Co-operation and  
Development Declaration on International Investment and  
Multinational Enterprises  
and to the Organisation for Economic Co-operation and  
Development Guidelines for Multinational Enterprises  
(updated version of 2011)**

**Sofia, 2013**

In its Action Plan for 2013 the Economic and Social Council (ESC) envisioned the development of resolution on the accession of Bulgaria to the OECD Declaration on International Investment and Multinational Enterprises and to the OECD Guidelines for Multinational Enterprises.

The Plenary Session appointed Dr. Ekaterina Ribarova, Research Secretary of the Institute for Trade Union and Social Research of the Confederation of Independent Trade Unions and Member of the Economic and Social Council Group II, rapporteur and commissioned her to prepare a draft resolution to be discussed by the President Board.

At its meeting held on 26 September 2013 the Plenary Session adopted this Resolution.

This Resolution of the Economic and Social Council of the Republic of Bulgaria was elaborated in order to express the consolidated opinion of organised civil society on preparing the country for its future accession to the Organisation for Economic Co-operation and Development (OECD) and for the implementation of appropriate policy towards foreign investment and multinational enterprises (MNEs).

The Economic and Social Council believes that policies in these areas should be implemented to search for a balance of interests of all interested/involved parties and groups in the process – representatives of multinational enterprises, local businesses, employer and business organisations, trade unions as representatives of employees and organisations representing the interests of various groups.

The Resolution reflects the active position of the ESC for improving the policy toward multinational enterprises and their interaction with the civil society in Bulgaria with a view to a full integration of the Bulgarian economy in the European and global economy.

## **1. Introduction**

1.1. ESC expresses its positive assessment of the long-term actions of the Bulgarian state and civil society to join the policies of the Organisation for Economic Co-operation and Development (OECD), including the meetings and exchanges of experience, training seminars and conferences – since 1990 until now, the participation of the country in some OECD initiatives since 2000, as well as its participation during the last few years in the work of some OECD committees.

1.2. The Economic and Social Council expresses its support for the most recent actions of the Bulgarian government, which began in November 2012, and more specifically the request for accession to the OECD. At the same time, we recognise the difficulties that have occurred in the course of this procedure, and express our regret at the decision of the governing bodies of the OECD for the temporary postponement of Bulgaria's accession to the organisation.

1.3. ESC led by its positions to support the economic integration of Bulgaria into the global economy, and to improve its integration in the European Union, whose member states for the most part are members of the OECD, supports the encouragement and adoption of different OECD rules and documents by Bulgaria, as well as expanding the country's participation in various OECD committees.

1.4. Since its establishment until now the Economic and Social Council has expressed its position on a number of matters which are the subject of public discussions as well as on EU and other documents, including documents of the Organisation for Economic Co-operation and Development. ESC has adopted a number of Opinions, Analyses and Resolutions on the present

matter, including – Analysis on the Implementation of Corporate Social Responsibility, Analysis on Social Auditing, Opinion on Reducing the Administrative Burden and Resolution on Improving the Business Environment through Better Regulation, to list but a few. In this context, the present Resolution is a continuation of the policy of the ESC in this area.

1.5. As a continuation and confirmation of its line of support for the policies and actions both for achieving economic growth and improving the labour market and the social policies, as well as environmental protection and the adequate development of regions as conditions for sustainable development, the Economic and Social Council will support any policy and/or action of the Bulgarian state aimed at getting in line with OECD policies and/or ratification of the OECD rules, which would provide the conditions for achieving the aforementioned goals.

1.6. ESC expresses its position that the Bulgarian state, supported by the social partners and non-governmental organisations, expressing different interests, should take steps to join the Declaration of International Investment and Multinational Enterprises (the Declaration) and the OECD Guidelines for Multinational Enterprises (the Guidelines). Apart from OECD members the Declaration and the Guidelines have been adopted by<sup>1</sup> a number of other countries that have not yet become OECD members<sup>2</sup> and even by countries that have not yet applied for OECD membership.

1.7. ESC believes that the ratification of the Declaration and the Guidelines will be useful for improving Bulgarian legislation and the practical application of the principles underlying them. ESC believes this can be achieved through the establishment of a National Contact Centre to promote the Guidelines, rules and procedures for their implementation and provide the necessary information to all stakeholders – companies, employers, workers, trade unions and interested organisations. However, the centre can receive alerts and violations of the Guidelines and the rules and procedures implementing them, to offer assistance and mediation to resolve conflicts and to coordinate with other national contact centres and the OECD Investment Committee.

## **2. Multinational Enterprises in Bulgaria and compliance with OECD Guidelines**

2.1. The Economic and Social Council appreciates the role of multinational enterprises in the world,<sup>3</sup> the European Union and particularly in Bulgaria for ensuring the transfer of new

---

<sup>1</sup> Officially, the countries within the OECD currently are 34, among them are most EU and EEA Member States and Switzerland, as well as a number of other developed and medium developed countries, including and Turkey Mexico, Chile, and others.

<sup>2</sup> Among the non-OECD countries who have signed the OECD Declaration on International Investment and Multinational Enterprises and the OECD Guidelines for Multinational Enterprises are EU Member States: Lithuania, Latvia and Romania, as well as the following non-EU and non-European countries: Egypt Tunisia, Morocco, Argentina, Brazil, Peru and Colombia.

<sup>3</sup> There are numerous definitions of "multinational" or "transnational companies" that are used in the literature in this field and in international documents. The most common definition is "companies/enterprises that are registered in more than one country or operate (conduct business activity) in more than one country."

technologies and know-how, organizational innovation, as well as major investments in renewable energy and the "green economy."

2.2. ESC recognises that multinational enterprises and their subsidiaries in Bulgaria and the new member states have contributed to the spread of the free movement of capital, goods, services and to a certain extent of labour force even before the start of Bulgaria's negotiations for accession to the EU and subsequently during these negotiations. They are still useful for developing the freedom of movement and free competition even at the present moment.

2.3. ESC appreciates the importance of the subdivisions of more than 100 multinational enterprises in Bulgaria for new investments, development of services, expanding the production of certain goods and improving the infrastructure and the financial system. At the same time, ESC expresses its concern about the reduction in the volume and share of foreign direct investment (FDI) in recent years, due to both the crisis and the shortcomings of the business environment in the country.

2.4. ESC takes into account the fact that apart from manufacturing MNEs have entered the mining and infrastructure sectors such as the production of electricity, water supply and sewerage, communications, construction, and services, information technology, retail, business services, etc. Moreover, the geographic scope of the origin of enterprises has expanded – besides EU Member States and leading trade partners of Bulgaria, such as Germany, Austria, Italy, Greece, Belgium, Russia and Turkey, there is a number of enterprises from USA, Canada, Japan, Sweden, Switzerland.

2.5. ESC also found that subdivisions of MNEs are acquired both by privatisation and subsequent acquisition, concessions, etc., but there are a number of newly founded enterprises which create new jobs. Despite the fact that as a result of the privatisation many MNE subdivisions had to lay off workers, generally MNEs assist local labour markets by creating networks of sub-contractors, distributors, etc.

2.6. Statistics reveal that among the foreign investors there are many medium or small enterprises, but still most of the important investors are multinational enterprises. In recent years, little known and offshore companies invested in Bulgaria. Their activities sometimes caused tension among businesses and workers, and created some anxiety among citizens using their products and services. The main reasons for this tension are the lack of clear information about the origin of their capital and the scope of activity of such enterprises in other countries, as well as their financial situation.

2.7. ESC found that often as a result of privatisation, but in some cases after the creation of new companies, they demonstrate responsible behaviour towards the society, the stakeholders, consumers, the environment and the workforce. However, in other cases, following the privatization or concession of public services and infrastructure companies, the former public

monopolies are replaced by private ones. In some cases this led to increases in the prices of certain services without this being reflected in increases in their quality.

2.8. ESC also found that most branches of multinational companies in Bulgaria, especially the large and prominent ones, respect human rights. Some of them have adopted documents, e.g. codes of conduct, they have adopted the principles of international agreements and/or policies of the companies, which include various types of human rights, e.g. non-discrimination of employees, customers, shareholders and other stakeholders; rules protecting the personal data of customers, employees and other stakeholders, etc. In some cases, however, certain provisions of international and Bulgarian legislation affecting the human rights of the general nature – such as the protection of personal data (especially that of clients and customers) as well as the right to privacy and free time – are circumvented or ignored.

2.9. ESC believes that a significant proportion of MNEs and their subsidiaries in Bulgaria respect different labour and social security rights and comply with most of the fundamental rights at work, according to the Declaration of the International Labour Organisation (ILO) 1998. It must be admitted that the labour standards of some MNEs are even significantly higher than those of Bulgarian enterprises operating in the same branch, e.g. standards of health and safety at work, training and education, remuneration, opportunities for career development, additional social security and others. Meanwhile, some of the standards provided by the Bulgarian Labour Code concerning working hours, overtime and holidays, additional remuneration (in particular overheads for overall working period and professional experience), the provision of some social benefits, etc. are not always fully implemented by some foreign companies, including subsidiaries or branches of MNEs. The rules on non-discrimination in some cases are interpreted too loosely, more often with respect to age, and less often with respect to disability and ethnicity, sometimes with respect to gender.

2.10. According to the social partners most of the divisions of MNEs in Bulgaria – especially those resulting from the privatisation of public industries, tend to respect the rights of employees to association, collective bargaining, information and consultation, and at least formally – their right to protest and strike action. However, there are some exceptions and nuances – even the most tolerant MNE employers find it difficult to accept the application of the arrangements of industry/sectorial collective agreements in their respective divisions, and in some newly created companies owned by MNEs, they elegantly circumvent workers' rights to association, collective bargaining, information and consultation.

2.11. The Economic and Social Council finds that most of the management teams of MNE subsidiaries and branches in Bulgaria, as well as the representatives of their headquarters, especially those who come from European Union Member States, the European Economic Area (EEA) and North America, have an extremely negative attitude towards corruption. MNE divisions often implement documents issued by their headquarters or made especially for specific countries that include proposals for action against corruption.

2.12. ESC finds that most MNE divisions in the country, especially those of large and well-known enterprises, have taken various measures to protect the environment, including reclamation of soil, construction of new facilities that meet the standards of safety and health at work, creating systems for waste management. There is also striving to improve the natural environment and the urban and interurban environment in the settlements where such divisions are situated. In some cases, the governing bodies of individual companies and their subsidiaries in Bulgaria do not provide sufficient and timely information to the local population for their actions in expanding and building new facilities, the technologies they use, etc. Shortages of information and dialogue sometimes provoke protests of potential stakeholders concerned with potential environmental risks and impacts.

2.13. The evaluation of ESC shows that the majority of the management bodies of MNE divisions display a tendency to behave in a transparent way and provide information. However, most companies, despite providing a lot of information, still withhold some information which can hardly be classified as a trade secret.

2.14. According to ESC data, including the data used for the development of other ESC Opinions and Analyses, MNE divisions in Bulgaria are among the enterprises that most commonly practice corporate social responsibility (CSR). Some of them have developed policies and strategies – part of the policies of their parent companies or their own specific rules and procedures established in the context of local conditions. The scope of the policies and practices of CSR besides actions specifically targeted on the enterprise and its workers often include: actions for improving the education and training of persons outside the company; actions for improving, cultivating and aesthetic shaping of the environment within the enterprise and in the vicinity thereof; charity aimed at different groups, forms of support for culture and sport in the community or even nationwide.

### **3. Importance of Bulgaria's Accession to the Declaration on International Investment and Multinational Enterprises and the OECD Guidelines for Multinational Enterprises**

3.1. According to ESC, the likely postponement of the date of prospective accession to the OECD, together with increasing the requirements for membership, requires a gradual adoption of a number of documents of the organisation, which do not require OECD membership, including the OECD Declaration on International Investment and Multinational Enterprises and the OECD Guidelines for Multinational Enterprises. This is entirely within the realm of possibility because many countries that are not yet OECD members, including countries that have no prospect soon to become part of the organisation, have joined the Declaration and the Guidelines or other documents.

3.2. ESC stated that the signing of the OECD Declaration on Investment and Multinational

Enterprises and the adoption of the OECD Guidelines for MNCs step toward creating an atmosphere of transparency, openness and opportunities for foreign investment promotion and exercise of civic control over the activities of MNEs in Bulgaria. That would be a step to improve the country's preparation for membership in the OECD and to improve the coordination with EU and EEA Member States and other developed countries in the field of international investment and policy affecting MNEs or resulting from their activities.

3.3. The Economic and Social Council acknowledges that Bulgarian legislation and the stated policies at the national level are generally in accordance with the OECD Declaration on International Investment and Multinational Enterprises. Many of the changes in policies and legislation were made in preparation for the country's accession to the EU and during the following six years of full membership. According to the requirements of the OECD Guidelines, they should not replace existing national legislation, especially if it is of a similar or better level than the requirements prescribed by the OECD – they are rather intended to complement and improve. Therefore, their adoption should be used as an additional international mechanism to enhance compliance with national legislation, EU regulations and other international standards, as well as an opportunity to enrich and improve legislation.

3.4. The Economic and Social Council found that MNEs and multinational groups of companies, including part of those that have subsidiaries in Bulgaria have different systems of government, some of them observe a strict hierarchy and greater centralisation of management decisions. This suggests that despite the fact that certain units comply with the national legislation in most of the activities they are guided by the organisational culture and make decisions on the level of their central management. Therefore, ESC believes that the operation of such enterprises may be improved by the application of international principles, relevant international rules and tools for monitoring and control, which may have greater influence on the central management of such enterprises or groups of companies/enterprises.

3.5. The Economic and Social Council shares the view of the Organisation for Economic Cooperation and Development that the Guidelines should not put multinational enterprises/groups of companies and their subsidiaries in a privileged position, nor impair their working environment. Adopting the Guidelines should be understood by both the government and the civil society in Bulgaria as a form of improving the legislation and its implementation.

3.6. The Economic and Social Council acknowledges that the general provisions underlying OECD Guidelines for MNEs are generally adopted in Bulgarian legislation. At the same time, additional forms of control and monitoring should be put in place for their proper implementation and the current mechanisms of implementation should be streamlined.

3.7. ESC draws attention to the fact that OECD Guidelines require from MNEs and their subsidiaries corporate behaviour and self-regulation that takes into account adequately any potential and actual adverse effects of their activity, as a whole but also with respect to their

particular operations, services, goods, etc. on the local environment. The Guidelines require MNEs and the companies constituting them to develop strategies and implement actions for preventing/mitigating any potential adverse impact on the workforce, consumers, the environment, etc.

3.8. The Economic and Social Council attributes high importance to the requirement, included in the OECD Guidelines, that MNEs and their subsidiaries should implement OECD rules and procedures in their dealings with business partners, suppliers, customers, contractors, franchisees, licensees, etc. MNEs and their subsidiaries should require from their partners or agree to form business partnerships with companies that also comply with OECD Guidelines, whenever possible. Obviously, in cases where this affects the small and micro enterprises, such requirements would be too high. Nevertheless, MNEs should require from their partners at least some basic behaviours – particularly with regard to fundamental human and labour rights and the fight against corruption as well as to the general compliance with the national legislation. At the same time, MNEs should encourage their partners if they are small or micro-enterprises to improve the rules on their behaviour, so they can adhere as closely as possible to OECD Guidelines. This is a prerequisite for propagating responsible corporate behaviour among a wider range of businesses, including many local businesses, and expanding the scope of OECD Guidelines to include different social groups and different aspects of the business environment in Bulgaria.

3.9. ESC believes that in Bulgaria MNEs' divisions should pay special attention to the disclosure of information. Such disclosure should include the preparation and publication of financial reports following the latest accounting standards and non-financial reports as well as improving the public access of this information. Subsidiaries of MNEs need to increase and improve the forms of dialogue with local communities, social partners and the civil society, especially in cases of possible adverse environmental impacts of their operations, as well as with respect to their plans to expand their businesses.

3.10. ESC notes that human rights have been the main subject of the updated OECD Guidelines and OECD Rules for MNEs since 2011. In Bulgaria compliance practices and respect for human rights can be advanced as to increase the number of divisions and companies that have such policies and practices as well as diversify the highlights – general principles of respect for human rights practices of respect for individual rights, such as non-discrimination, gender equality, diversity of staff, mechanisms of social inclusion, respect for human dignity and preventing harassment of any nature in the workplace.

3.11. ESC believes that Bulgaria's accession to the OECD Declaration on International Investment and Multinational Enterprises and the OECD Guidelines for Multinational Enterprises will improve and expand the range of policies and practices in the field of labour and industrial relations, including: promoting employment, improve and extend the use of the mechanisms of protection of fundamental rights. The inclusion of Bulgaria as a party to the

Declaration and the Guidelines can lead to improved mechanisms for the protection of labour and social security rights, including remuneration, holidays and vacations, equal opportunities, health and safety at work, rights of specific groups, information and advice, including participation in the European Works Councils.

3.12. ESC believes that the protection of the environment, especially in the context of climate change and sustainable development, is the basis for improving the quality of life of the population and the conservation and enhancement of national resources. Therefore, ESC attributes special importance to the principles of environmental protection underlying the updated 2011 OECD Guidelines. The Guidelines specify the following crucial actions: timely assessment of the environmental impact, timely informing the public, updating the measures for prevention, dialogue with local communities and stakeholders, promoting the development of clean and low-waste technologies, and training of workers to understand and take into consideration environmental matters.

3.13. ESC believes that Bulgaria's accession to the Declaration and the Guidelines are in the interest of the whole society, but also of enterprises themselves, especially in the context of avoiding and preventing corruption. ESC is aware that in some cases enterprises in Bulgaria are placed in unsuitable environment that hinders their business activity. The active involvement of the state in the fight against corruption, at least for its reduction and minimisation of its most negative effects, would help to promote businesses and investments and would serve as a good example for Bulgarian companies. OECD documents provide a number of rules in support of such a policy – promoting the dialogue with the public, informing employees about anti-corruption activities, training and disciplinary procedures, implementing systems of control, etc.

3.14. ESC believes that Bulgaria's accession to OECD Guidelines is especially necessary with regard to consumer protection. The problem in Bulgaria is complicated by the fact that some of the companies that are actually private monopolies are owned by MNEs and other foreign companies. The monopoly position of some of them is hard to overcome and this creates problems related to pricing, the quality of provided services, etc., which often lead to adverse consequences for the consumers. The document contains the following requirements that relate to these issues: expanding the dialogue with the public, providing more timely information, creating a system for receiving citizens' complaints and dispute resolution, mechanisms for monitoring and reviewing the quality of services and goods, avoiding inaccurate advertising, personal data protection and non-interference in the privacy of users.

3.15. ESC recognises the importance of developing research and technology for achieving economic growth and better living standards, and the ability to use the agency of MNEs for reaching these objectives. In this context the Guidelines encourage companies to use the R&D achievements of the countries where their subsidiaries or branches are based. This also provides an opportunity for Bulgarian research and innovation-driven organisations to be integrated into these processes. Another recommendation is that scientific and technological advancements can

be used to meet the needs and development of local markets and hiring local personnel, which is another opportunity to promote economic development. OECD Guidelines also draw attention to intellectual property rights – the compliance with which is insufficiently effective in Bulgaria.

3.16. ESC holds that the protection of competition is an area that is of crucial importance to society as a whole and even more so to enterprises, regardless of whether they are MNE subsidiaries or Bulgarian companies. The adoption of the rules of fair competition, and more importantly the requirement that MNEs and their divisions must comply with them and require that their subcontractors and partners do the same, can help to establish a better business climate and encourage the compliance of more market participants. Furthermore, the introduction of these rules can help public authorities to comply with the rules for the protection of competition and to exercise control over compliance with them.

3.17. ESC believes that Bulgaria's accession to the OECD Declaration on International Investment and Multinational Enterprises and the OECD Guidelines for Multinational Enterprises will also help the practical implementation of the country's tax policy and legislation, including by encouraging businesses to greater openness regarding the formation of the tax bases and tax compliance.

#### **4. The application of OECD Declaration on International Investment and Multinational Enterprises and OECD Guidelines for Multinational Enterprises**

4.1. ESC believes that the country's accession to the OECD Declaration and the Guidelines for Multinational Enterprises must be accompanied by a national information campaign which should be used to provide sufficient and clear information on all implications of the Declaration and the Guidelines for different fields. Thus, all stakeholders will be able to become aware of the documents and the mechanisms of interaction with the MNEs and other organisations and institutions in case of possible negative effects or in case of doubt, questions, etc. regarding the activities of MNEs.

4.2. ESC recognises the importance of the procedures for implementing the Guidelines for requiring MNEs, groups of enterprises and their subsidiaries to create a preventive system of self-regulation and self-control and to eliminate/reduce the actual or potential negative effects on particular social groups or the environment. This would strengthen the internal control of the business units located on the territory of our country, and would help to improve their corporate behaviour.

4.3. ESC believes that the main practical benefit from the accession of Bulgaria to the OECD Guidelines for MNEs will be the creation of a National Contact Centre. The functions of these centres situated in OECD member states, and the countries that have adopted the Guidelines, are related to raising public awareness and promoting the documents, creating the possibility for

receiving signals, complaints, mediating actions using the capacity of state institutions, social partners and other non-governmental organisations to coordinate activities, as well as the centres of other countries and the OECD Investment Committee. As a rule, countries that are not members of the OECD or that have not adopted the Declaration and the Guidelines do not have National Contact Centres even if they cooperate with the OECD in this area. Provided that an interested organisation wishes to send a signal, or at least to obtain information, it should turn to the international/European organisation of which it is a member or by which it is represented, or use bilateral contacts with similar organisations in an OECD member state/country that has adopted the OECD Guidelines. This obviously would impede the procedures for implementing the requirements for good corporate behaviour and protection of injured parties and groups.

4.4. ESC holds that the ratification of the Guidelines enables the social partners and other civil society organisations to strengthen their dialogue with MNEs and improve their policies in this area. Organisations with international and EU membership/representation may intensify their bilateral contacts as well as their contacts with relevant international and European structures. Social partner organisations can strengthen their connections with relevant OECD Advisory Committees despite the fact that at the moment Bulgaria is not a member of this organisation. It is also a possibility for the social partners and other non-governmental organisations to prepare themselves for their future integration into the non-governmental structures of the OECD.

## **5. Conclusion**

5.1. ESC believes that Bulgaria as a whole should refine and improve its coordination of cooperation with the OECD, establishing overall coordination of administrative structures that have functions in this area. The accession to OECD documents, including the Declaration on International Investment and Multinational Enterprises and the OECD Guidelines for Multinational Enterprises, requires clear responsibilities of the institutions.

5.2. The Economic and Social Council proposes that the Bulgarian government should implement a preparatory information and awareness campaign and dialogue, which should precede the country's accession to the OECD Declaration on International Investment and Multinational Enterprises and the Guidelines for Multinational Enterprises. For this purpose it is necessary to make an official translation of the documents into Bulgarian (currently there is only a translation of the penultimate version of 2000 but not of the most recent one of 2011), including the commentaries and documents containing procedures for their implementation, and to disseminate these documents electronically and possibly on paper. Following the act of accession, which in the opinion of OECD experts and members of the Bulgarian authorities does not require particularly long, difficult and specialised diplomatic efforts, it will be necessary to continue the information and awareness campaign, extending the range of stakeholders and groups that should obtain such information. ESC believes that its own member organisations can implement internal campaigns, produce manuals and information materials for their own

structures and other interested parties.

5.3. In preparation for Bulgaria's accession to the OECD Declaration on International Investment and Multinational Enterprises and the OECD Guidelines for Multinational Enterprises, the government could seek advice and assistance from the OECD. The organisations that participate in the Economic and Social Council agree to seek help and advice from international and European structures that represent them as well as from the appropriate OECD Advisory Committees.

5.4. ESC believes that following the possible accession of the country to the Declaration and the Guidelines, the establishment of the National Contact Centre should be made after consultation with the social partners and other civil society organisations that represent all stakeholders in the process. The National Contact Centre should integrate directly representatives of the social partners and other organisations, or there should be a public board that oversees its work. ESC holds the opinion that the experience of the National Institute for Conciliation and Arbitration could be used for this purpose.

The Economic and Social Council expresses its readiness to assist with its documents and with its whole activity Bulgaria's accession to the Declaration and the Guidelines, the process of ratification of other documents by the country and the overall preparation for membership in the OECD.

(signed)

Prof. Lalko Dulevski, Ph.D.

PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL