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Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

RESOLUTION

**on the accession of Bulgaria to
the Organisation for Economic Co-operation and Development
(OECD)
(own-initiative act)**

**Sofia
September 2024**

The Action Plan 2024 of the Economic and Social Council (ESC) includes an own-initiative resolution on “The Accession of Bulgaria to the Organisation for Economic Co-operation and Development (OECD)”.

The resolution’s drafting was allocated to the ESC’s Presidents Board with Vice-Presidents Evgeniy Ivanov (Group 1), Plamen Dimitrov (Group 2) and Bogomil Nikolov (Group 3) as rapporteurs. The work of the rapporteurs was supported by the external experts Georgi Simeonov and Petar Mishev.

At a meeting held on 4 September 2024, Presidents Board adopted the resolution’s draft.

At the ESC’s plenary session on 11 September 2024 the resolution was adopted.

1. This resolution is the first document of the Economic and Social Council (ESC) on the topic of Bulgaria's accession to the Organisation for Economic Co-operation and Development (OECD). The ESC strongly supports the objective of Bulgaria becoming a full member of the OECD by the end of 2025, a deadline set by the Council of the international organisation in May 2024.
2. This position of the ESC is based on the historically confirmed thesis that the effects of individual countries joining the OECD lead to:
 - 2.1. Stimulating economic growth by increasing trade turnover between countries, leading to higher business profits, higher incomes for workers and economic stability;
 - 2.2. Raising the standard of living of citizens, including by maintaining stable employment over time, higher wages and better social security;
 - 2.3. Fiscal stability, which includes policies on tax transparency, reducing tax evasion, improving the efficiency of tax collection, and enabling real convergence policies.
3. The positive impact of full membership in the OECD will have a direct impact on the legal and social spheres through the implementation of various recommendations, inclusive frameworks, and other types of documents to which the organization adheres. In addition, accession to the OECD will provide access to all statistical databases and analyses produced by the international institution. This information provides each member state with a sound empirical basis to support the development of evidence-based management policies. Bulgaria will also have the opportunity to participate in OECD-led policy initiatives, thus enhancing the country's domestic policy-making capacity.
4. The ESC focuses on the possibility for the member states of the international community to benefit from the harmonization of their economic policies, which leads to the following effects at an aggregate level:¹
 - 4.1. The 'Global Tax Transparency' standard – this element of the international organisation's policy – allows more than 75 million financial accounts to be monitored, resulting in additional revenue for the banking system of 112

¹ <https://www.porezna-uprava.hr/en/Documents/Key%20Benefits%20of%20OECD%20Membership.pdf>

billion euro, as well as a reduction of more than 1/5 in bank deposits in offshore zones and financial centres. In this way, there is a lightening of the system, which also leads to an increase in tax collection in the OECD member countries;

- 4.2. Savings of 309 million euro per year as a result of the OECD chemical safety programme – the exchange of data between representatives of the international organisation allows tests carried out in one member state to be recognised in another, i.e. there is no need for double testing.

5. The ESC also draws attention to the non-monetary benefits of full participation in the ‘club of the rich’, among which we can highlight:

- 5.1. Exchange of information on ‘best practices’ – the OECD has around 300 committees and working groups;
- 5.2. Direct participation in the policy debates of the international organisation – leading to significant influence on the shaping of key global policies, as OECD member countries generate close to 63% of global nominal GDP and 43% of global GDP in Purchasing power parity (PPP) terms;
- 5.3. Reputational benefits, an additional condition within the global economy that stimulates economic growth, attracts investment and improves trust and access to international forums;
- 5.4. Support in the process of internal reforms – the latter are related to activities such as: reducing inequalities; promoting innovation; resisting corrupt practices; developing conditions for the digitisation of part of the public administration's activity; the implementation of building-up policies in the field of education and health.

6. The ESC highlights the role of one of the key OECD guidelines on corporate governance of state-owned enterprises. The actual implementation of this OECD guideline responds, on the one hand, to the recommendation on transparency in decision-making for the management of state-owned enterprises and, on the other hand, to the need to ensure workers’ representativeness. The idea of such participation embodies the idea of combining the management interest of the state and the interest of employees in the given enterprise, with a view to objective and more effective management. In this regard, the ESC insists that

the implementation of this OECD recommendation be placed among the priority activities of the country.

7. For the ESC, the implementation of anti-corruption guidelines and the application of integrity standards in state-owned enterprises is of utmost importance. OECD studies on this issue show that these companies are exposed to a more significant corruption risk, especially considering the fact that the state-owned enterprises concerned typically operate in sectors with a strategic role. The ongoing political situation in Bulgaria has significantly slowed down anti-corruption efforts, which may have a direct impact on the OECD accession process. Accession itself could have a positive impact on this initiative.
8. Another important element on which the ESC places particular emphasis is the OECD Guidelines for Multinational Enterprises, which contain recommendations for responsible business conduct in key areas such as climate change, biodiversity, technology, business integrity and supply chain due diligence. They require a policy based on the principle of 'equal pay for work of equal added value'. Its application lightens the pay process throughout the supply chain, allowing added value to be preserved where it is created. Compliance with this principle also has a stimulating effect on the economy, as it prevents capital "outflow", creating better conditions for business competitiveness.
9. According to the ESC, research carried out by the OECD also plays an important role in the economy. Among them, collective bargaining as a tool to reduce inequalities stands out as a key topic. Considering the fact that Bulgaria is the EU member state with the most significant income stratification of society, following the OECD recommendations on the topic would only help to limit inequalities in Bulgaria into socially acceptable norms and to distribute the "fruits of economic progress" in a fairer way.
10. In its research over the years, the OECD has repeatedly pointed out that collective bargaining is a tool for "fair sharing" of the price of inflation, leads to an increase in workers' incomes, has a positive effect on job quality, allows to meet the current challenges of the labour market related to digital transformation, demographic change, and the green transition.

11. Historically, the ESC recalls that contacts between Bulgaria and the OECD began in the 1990s, and in 2007 our country for the first time submitted an official application to join the international organization. In the next decade, this request was confirmed several times, most recently in 2017, when by decision of the Council of Ministers No 789 of 20 December of the same year, an Interdepartmental Coordination Mechanism for the Accession of the Republic of Bulgaria to the OECD was established under the leadership of the Deputy Prime Minister for Judicial Reform and Minister of Foreign Affairs.
12. This decision is supplemented by Council of Ministers Decree No 444 of 11 June 2021, which highlights that the leading political position in the Interdepartmental Coordination Mechanism is entrusted only to the Minister of Foreign Affairs (due to a change in the structure of the Council of Ministers). In addition, several other ministries have been added to those already involved in the process.
13. The ESC notes that the first key date in the process of our country's accession to the international organization is 25 January 2022, when a decision of the OECD Council was adopted to start talks between the two sides. Their official launch took place on 10 June of the same year, when Bulgaria received the so-called 'Roadmap', a manual with specific parameters and conditions to be covered during the various stages of the process.
14. Currently, Bulgaria has received two roadmaps to show the necessary steps for our country to join the international organization. The first covers the three-year period 2021-2023 and the second the 2023-2025 timeframe. These plans are in the following three areas:
 - 14.1. Cooperation with the OECD, including regular dialogue, participation in OECD committees and alignment of national policies with OECD standards;
 - 14.2. Internal political and organisational actions aimed at implementing legislative reforms, strengthening institutions and political stability in order to meet OECD requirements;
 - 14.3. International actions, including promoting international partnerships, strengthening Bulgaria's diplomatic presence and active participation in global economic forums.

15. The ESC reports that for the two-year period (06.2022 – 05.2024) since the start of the formal negotiations, Bulgaria has managed to meet the requirements of 54% of the reports, or 31 out of 57 points.

16. The ESC notes that of the eight legal instruments required for Bulgaria's accession to the OECD, seven have now been implemented.² The only unfulfilled condition in the legal sphere that Bulgaria has to fulfil is the "OECD Codes on Liberalisation of Capital Movements and Ongoing Invisible Operations".

17. As regards the current international political turmoil, the ESC does not expect it to have a significant impact on Bulgaria's OECD accession process. Foreign policy factors, such as the war in Ukraine, are unlikely to have a direct impact on Bulgaria's path to OECD membership. Since February 2022, Bulgaria has faced energy security challenges due to its dependence on Russian gas and oil. However, Bulgaria has sufficiently mitigated these risks by diversifying its energy sources, suggesting that these challenges will not put additional strain on economic resources or divert Bulgaria's direction of development. In addition, the OECD pursues an independent accession policy that is unaffected by geopolitical developments. Therefore, the main challenge for Bulgaria is to stabilize its domestic political environment in order to ensure the smooth implementation of the steps necessary for OECD membership.

18. The ESC's recommendations for overcoming the challenges in Bulgaria's integration process are as follows:

18.1. Strengthening the political environment to ensure stability and continuity in governance, which is crucial for the implementation of the steps related to our membership of the OECD;

² The mandatory conditions fulfilled are:

- Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;
- Council Recommendation on Corporate Governance Principles;
- Council Recommendation on Principles for Internet Policy Making;
- Council Recommendation on good statistical practice;
- the OECD Inclusive Framework for the Implementation of Base Erosion and Profit Shifting Project Measures;
- The OECD Global Forum on Transparency and Exchange of Information for Tax Purposes;
- The OECD Declaration on International Investment and Multinational Companies;

- 18.2. Implement an anti-corruption framework, which should meet the requirements for joining the OECD and improve public confidence and the investment climate;
- 18.3. Improving tax collection and reducing the informal/grey economy, including digitalising transactions and improving compliance measures;
- 18.4. Strengthening social security at all levels of society and promoting fair pay policies;
- 18.5. Using the international cooperation, support and expertise of OECD member states to facilitate the transition and achieve the necessary standards;
- 18.6. Focus on long-term socio-economic objectives – such as improving education, health and technological innovation – through OECD membership.

19. The ESC hopes that the process of Bulgaria's accession to the OECD will be completed as soon as possible, as our country meets all requirements and legal instruments for membership. This will allow us to become a full member of one of the largest international organisations by the end of 2025. The majority of OECD members are high-income economies ranked as "very high" in the Human Development Index and are considered developed countries. As of 2024, their total population is 1.38 billion people with an average life expectancy of 80 years.

/signed/

Zornitsa Roussinova

PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL