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The ICEG European Center issues its monthly publication, which includes 2-4 brief analyses on macroeconomic and microeconomic issues. The publication focuses on two groups of countries: **Commonwealth of Independent States - CIS** (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan) and the ten post-soviet New Member States of the European Union – **EU-10** (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia).

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About us

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Greening the Bulgarian economy out?

Olivér Kovács

Background

In July 2012, the Prime Minister Boyko Borissov and the Minister of Economy, Energy and Tourism Delian Dobrev announced that fostering to green out the economy is of paramount importance. In an effort, the government makes decisive steps towards helping companies that are operating in the “green industry” not to postpone their investments.

The issue of ‘greening the economy out’ from a global policy perspective¹

According to the common view of ecologists, mankind’s only chance of survival is to provide the sustainability of Earth’s biosphere. This includes the sensitive equilibrium disturbed by the greenhouse effect. If the latter decreases significantly, the annual average temperature at the Earth’s surface may change to a downward trend. As a result, more and more water would freeze intensifying global cooling due to the fact that ice and snow will reflect back more light than water. In the opposite case, water would evaporate faster leading to higher concentration of vapour in the air. Since vapour is able to absorb infrared rays easily, global warming would be a self-sustaining process.

There is a high degree of confidence in the broad conclusions of climate science stating that human greenhouse gas emissions are very likely responsible for the experienced increase of greenhouse gas concentration in the atmosphere causing incrementally higher annual average temperatures since the middle of the 20th century. Accordingly, there is a need for adaptive policy actions.

While the long-term impact of climate change will take place unevenly in the Globe, international agreements, environment-aware policies and mechanisms have to reflect to a large extent a consensual view without being in conflict with each other. Nonetheless, the UN Climate Change Conferences in Copenhagen and Cancun in 2009 and 2010, respectively – the aim of both being to achieve a legally binding agreement on the necessary amendment to the Kyoto Protocol by defining further commitment to greenhouse gas emission reduction for the post-2012 period – were not able to endorse the amendment. Although, the Cancun Agreements urged developed countries to aspire distinctly to reduce greenhouse gas emissions, the details were not explicitly discussed and agreed upon.

¹ The following sections are partly based on Kovács (2011): Mega-trends and innovation policy. The Impact of Environmental Regulation and International Agreements on Innovation and Technological Development. INNO-Grips, Newsletter No. 2. Available: <http://www.proinno-europe.eu/sites/default/files/innogrips-newsletter/Innogrips-Newsletter02.pdf> Accessed on: 08.20.2012

For this reason, the role of innovation is becoming ever more emphatic as illustrated in a current study prepared by MERIT in the framework of INNO-Grips (Lot 2) on “Implications of climate change, resource scarcity and demographic developments for innovation policy” (MERIT, 2011). “Mitigating climate change is probably the most pressing problem for innovation policy in the world today”, says Anthony Arundel, Professor of Innovation at the University of Tasmania in Hobart, Australia, and concurrently a Professorial Fellow at MERIT. “However, we need an integrated policy approach that goes way beyond investments in R&D. The so-called ‘R&D investment model’, which is often proposed, might have worked if it had been implemented a decade ago.”

Transitions are slow processes, and the transition to a low-carbon economy is expected to be a slow and difficult process as the transition must confront a cheap, plentiful, and socially embedded energy system based on fossil fuels. “There is no technical fix for it”, says René Kemp, who is also a member of the study team and a Professorial Fellow at MERIT. “It really requires a transformation of our transport system, the building stock and the energy supply system. Climate protection requires that we move forward on four fronts: decarbonisation of the power sector and electrification of the transport sector, getting more energy out of fossil fuels, dematerialisation and adaptation to the consequences of climate change”.

Innovation policy and exit strategy as an opportunity

As Csaba (2011) rightly pointed out: “The position of the EU, adopted at the Copenhagen Global Climate Summit in December 2009 has already foreshadowed that the Community has no other option of avoiding its relegation to global irrelevance than acting as a pioneer in terms of a new, environmentally sustainable model of economic advancement.”² This type of paradigmatical shift requires economic growth to be based predominantly on innovation, which *per se* calls for policies fostering innovation in all possible spheres.³

The Ad Hoc Working Group on Trade and Climate Change accentuated that international trade regulations have to be harmonised with innovation policies.⁴ Although innovation and innovation policy could enhance green technologies and thus this latter may accelerate the worldwide transition towards a low-carbon economy, the non-negligible tariffs on environmentally-friendly goods and services induced by innovations are still hampering this objective. Diminishing such barriers is crucial,

² See: Csaba, L. (2011): Green growth - Mirage or reality? (Europe 2020. A promising strategy?) *Intereconomics. Review of European Economic Policy*, Vol. 45 No. 3. pp. 151-156.

³ By innovation we mean new or significantly improved product, process, marketing method or organisational behaviour both in the private (for profit and not-for profit) and public sectors.

⁴ See: Ad Hoc Working Group on Trade and Climate Change (2010): From Collision to Vision: Climate Change and World Trade. World Economic Forum, Discussion Paper, November 2010. See: http://www3.weforum.org/docs/WEF_ClimateChange_WorldTradeDiscussionPaper_2010.pdf

because people have to start utilising the partly or completely new green technologies as soon as possible.

Another equally important innovation stimulating effect could come from the side of national innovation policies. In the aftermath of the financial and economic crisis, which erupted in 2007, several European countries have recognised the opportunity to spend more on green technologies and innovations in order to facilitate the developments of environmentally-friendly technologies and innovations regarding the creation of renewable energy resources.⁵

The Keynesian renaissance, i.e. the decisive role of fiscal stimulus calls on the EU member states to emphasise that the exit strategy (aiming at overcoming the effects of the financial and economic crisis) should incorporate the importance of the above-mentioned green initiatives by maintaining the enhancement of innovations which are tailored to sustainable development. Not to mention that fiscal austerity (i.e. pursuing the cut of expenditures feverishly) is no more just in the cards, but is a painful reality today whose effects are panstaikingly analysed both by the scientific and political communities in the world.

Bulgaria is on track

In July 2012, the Prime Minister Boyko Borissov and the Minister of Economy, Energy and Tourism Delian Dobrev presented contracts to 16 big companies, which have won projects for investments on the Operative Programme "Competitiveness". The companies will invest a total of 42.6 million BGN (approx. 21.7 million EUR) in technologies for energy efficiency and the reduction of their negative influence on the environment.

On the procedure for investments in the green industry are approved a total of 30 project proposals at a total value of 77 million BGN (approx. 39.3 million EUR). The contracts with the rest of the firms will be concluded in the following weeks. The main target of the procedure is the provision of investment support to the big companies in Bulgaria for the execution of projects, directly connected with the manufacture of projects subject to recycling, more efficient usage of waste products and decreasing the energy consumption of manufacture.

The intellectual background behind the idea of selecting out enterprises quite relevant to the whole industry was nourished by the recognition that, among others, climate change is placing European societies under increasing pressure to react and to reconsider way they live.

⁵ See more: Robins, N. – Clover, R. – Saravanan, D. (2010): Delivering the green stimulus, HSBC Global Research, New York. See: <http://xa.yimg.com/kq/groups/8518353/643699190/name/100310+GREEN+STIMULUS+HSBC.pdf>

Vivifying and promoting such investments – that are often linked to innovation – may serve as a good way forward. It is important if we take into account that Bulgaria is one of the catching-up countries with an innovation performance well below the EU27 average. What is more, respecting enterprises that have non-negligible positive impetus in bridging the innovation gap and therefore they are conducive to the economic development has increasingly becoming an integral part of any kind of innovation policy.

According to a study of the International Trade Union Confederation, with the financial and economic crisis, and its ensuing sovereign debt crisis that culminated in the new era, the so-called Great Recession, the Bulgarian economy has not yet overcome the weaker economic performance compared to the pre-crisis level (e.g. its real GDP growth is expected to be approx. 1.5% in 2012 which is well below its more than 6% level which was a dominant feature of the period 2004-2007). Additionally, private consumption and investment have to be compensated in some way. This is one of the particular reasons why the Bulgarian government is to react pro-actively by the above mentioned activity under the domain of the Operative Programme "Competitiveness".

The indicated study presented a green investment analysis as well. The following sectors were under the loupe: transport, energy, construction and manufacturing. The purpose of this exercise was to illustrate the potential job creation impact of green investments in different sectors. It is worth to contemplate whether maintaining and preserving the investment activity in green fields are directing the governments toward dampening the recession by creating jobs and eventually, propelling economic growth in a more sustainable way. The additional investment amounting to 2% of GDP is distributed across the four sectors in the following ratio: 30% energy; 30% construction; 20% transport; and 20% manufacturing. The study pointed out that between 26,000 and 35,000 additional jobs could be created due to this investment approach.

Concluding remarks

The entire European endeavor to be a continuously developing community interspersed with growing welfare and well-being of European citizens stands and falls on whether public and private sector actors can stimulate mutually reinforcing processes geared towards greater innovativeness throughout Europe. It calls for more intensified cooperation among relevant actors in triggering efficiency gains while reducing deficit and debt overhangs *via* promising innovations that are also directing towards sustainable development, smart growth, and overall: a more green approach of human existence.

Improving transparency and governance in Estonia – Opening up public data

Olivér Kovács

In June 2012, Juhan Parts, Estonia's Minister of Economic Affairs and Communications, expressed that opening up public data is not just a recently born trend, but it has the potential to contribute significantly to the economic development of the entire Estonian economy, as well.

In time when 'back to normalcy' does not seem to be a real option, when European countries are facing both weary and unresolved old challenges (e.g. demographic and societal, climate change etc.) and recently emerged ones (e.g. sovereign debt crisis), the role of the public sector is appreciating to give appropriate responses to those gargantuan challenges.

In this regard, the Minister expressed his belief that better access and a more efficient and effective use of public sector data may open up new vistas to the Estonian economy to be stronger and have a much more sustainable development path in the future.

Public data can be regarded as an important resource, for example, for enterprises that can innovate in a much more sophisticated way by maximising the potential being in the re-use of public sector information.⁶

In this spirit and by taking into account that Estonians are becoming much more eager to be engaged in design better public e-services as well as in developing further the existing ones, opening public sector data is of key importance. By this, enabling citizens and companies to create services on public sector data can be much more easily achievable.

As Keit Kasemets, Strategy Director of the Government Office of Estonia, emphasised: "Faster internet broadband connection, well-educated people and internationally successful companies are good preconditions for innovation and new growth. Currently Estonia faces mainly three challenges: better integration of services with one another, making usage more comfortable for the citizens; bringing the services into new ICT and multimedia channels such as smart phones; and making maximum use of open data opportunities. These challenges are interdependent and we can't solve one without solving others."⁷

"I'm convinced that public sector data belongs to the public," says Keit Kasemets, Strategy Director of the Government Office of Estonia. "It means that it can't belong to the public sector itself, but it must

⁶ The MEPSIR (Measuring European Public Sector Information Resources) report estimated that the public service information market in Europe already at 27 billion EUR in 2006.

⁷ See more: <http://e-estonia.com/news/12-03-15/open-data-initiatives-estonia---possibilities-smart-growth>

be accessible to companies and individuals. Why should we hide public data we have already collected for tax-payer's money?"

In doing so, the government sector should diminish the artificial obstacles of the use and re-use of public sector information. The fewer barriers Estonia has, the better services can be expected by the whole Estonian society.