

**Comments to  
“Corporate Governance Transformation  
in Transition Economies:  
Evidence from Bulgaria”**

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The Transition Economies face a number of challenges. In the short run the negative growth rates after the collapse of the former East-European regimes has to be replaced by a positive growth and in the longer run convergence to the Western European structure seems to be necessary to maintain a positive development. In that view the structure and the effect of corporate governance for these countries is highly relevant.

This paper describes the corporate governance structure in Bulgaria, especially with focus on the owner structure of the new firms, i.e. corporatised state-owned firms, privatized firms and established de novo private enterprises. This description is interesting but it should be accompanied with further documentation (tables and graphic illustrations) in order to fully understand the development.

Traditional theoretical subjects (separation of ownership and control as an example) seem less relevant and instead problems with the ‘crony capitalism’, corruption, and a large shadow economy are essential problems to be solved. The next step in the process of understanding the transformation process — and the effect from the corporate governance system — should be a more quantitative approach:

1. How is the real growth rates changing over time in different industries?
2. Is it possible to identify different regimes over time?
3. Is it possible to find any influence on the performance from the governance structure (especially fully privatized and de novo companies)?
4. Is the development in Bulgaria different compared to the process in the other transition countries?
5. How is the economy influenced by foreign direct investments, foreign owner-ship etc.?

Apart from these general comments a few other comments could be considered:

- (i) Some attention has been paid to the development in Romania and Albania. Although the development in these countries is interesting, too, it seems more relevant to compare with a larger number of economies.
- (ii) The paper identifies a period with a fall in GDP for the period 1990–93 and a recovery period in 1994–95. However, the figures presented report a higher negative growth rate in 1994–95 than the growth rate in 1993.
- (iii) The ownership structure of the corporatized state-owned firms, the privatized firms, the private de novo firms and the ‘crony’ private firms is described in the paper. How are these companies performing?

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