

## INTRODUCTION

The phenomenon referred to as „corruption“ comprises the sundry forms of abuse of power - economic, political and administrative - which all result in obtaining personal or collective benefits to the detriment of the rights and lawful interests of an individual or of the whole society. The convolution of this phenomenon is a serious challenge to any efforts to assess it comprehensively. The present annual report is the second in a row, which attempts to outline the general framework and the specific dimensions of corrupt practices in Bulgaria seen in their dynamics. As before, our evaluation criteria take into account reputable international analyses and domestic indexes about the spread and the frequency of different forms of corrupt behavior.

The analysis of the Corruption Indexes of *Coalition 2000* shows that, over the past year, the public in this country has still perceived corruption as an obstacle to Bulgaria's development that is especially difficult to overcome. Respondents in various polls have indicated that unemployment, low incomes and poverty are the only factors ranking higher than corruption in terms of social significance. Moreover, the problem of corruption has been given more weight in comparison with the previous year. The latter fact demonstrates that, in the opinion of the public, no sufficiently effective means exist yet to combat corrupt practices so as to suppress them to a tolerable level.

The assessment of corruption as a social phenomenon requires regular monitoring of the social spheres which are highly exposed to corruption risks and of the efforts to combat corruption made by public authorities,

non-governmental organizations, the business community and the media. The main priority areas, which predetermine the overall situation with respect to corruption, are considered below.

The public sphere as a whole, and **public administration** in particular, are the main areas where corruption persists. Thus, they form the object of targeted anti-corruption measures as part of the reforms. The year 2000 has been characterized by continued lack of clear

### CORRUPTION AND THE PRIORITIES OF SOCIETY (THE MAIN PROBLEMS BULGARIA FACES) \*

	Feb 1999	April 1999	Sep 1999	Jan 2000	April 2000	Sep 2000
1. Unemployment	58,4	64,1	64,6	65,3	71,3	67,8
2. Low Incomes	51,3	49,1	50,2	50,6	48,9	49,0
3. Poverty	31,6	32,9	37,1	41,2	41,9	41,5
<b>4. Corruption</b>	<b>38,5</b>	<b>34,2</b>	<b>38,5</b>	<b>37,5</b>	<b>40,1</b>	<b>37,5</b>
5. Crime	45,4	39,1	32,4	27,9	28,9	25,7

Source: Corruption Monitoring System (CMS) of *Coalition 2000*.

For details regarding the methodology of the surveys included in CMS please refer to: [www.online.bg/coalition2000](http://www.online.bg/coalition2000).

\* Note: 1) % of those who indicated each factor;

2) Respondents marked up to three answers, which is why the sum total of percentages exceeds 100.

distinction between public and private/party interests. This lack of distinction gives rise to a corruption risk, which threatens the very foundations of democracy and of the market economy. For example, a die-hard tradition is that each new government resorts to party criteria to fill the senior administrative posts and the vacant managerial positions in state-owned enterprises. This approach hinders the development of the country's human potential, frustrates the process of public governance and lowers the quality of the public services provided. At the same time, it results in corruption phenomena such as nepotism, clientelism, and trade in influence, which negate both the rights guaranteed by the Constitution and competition in all areas of public life.

Within the framework of **the administrative reform**, legislative measures have been undertaken to regulate the organization and functioning of public administration. These measures would certainly make it possible to achieve transparency and good regulation. Some of the laws passed during the past period are particularly important, *viz.* the Law on Administration, the Law on Administrative Services to Natural and Legal Persons, the Law on Civil Servants, etc. The new legislative rules on the financial and property standing of senior government officials are also expected to have a direct anti-corruption effect. They are primarily contained in the *Law on Property Disclosure by Persons Occupying Senior Positions in the State*, an instrument of strong moral influence that could accelerate the emergence of a new style of conduct among the political elite. Nevertheless, the new legislation is not devoid of gaps and deficiencies. This is for instance the case with the Law on Access to Public Information - as the provisions on the protection of personal data and on official secrets have been substantially delayed, the Law could not materially improve the access of the public to information.

The recommendation of *Coalition 2000* made last year - **that legislative rules on the funding of political parties** be enacted - is still valid. This would make it possible to restrict the corrupt practices in an extremely important area and prevent the illegal symbiosis between economic and political interests. Another unresolved problem along the same lines is the regulation of lobbying in the context of parliamentary practice.

Restricting the use of political „umbrellas“ would be crucial for reconfirming the independence and stability of the **judiciary**. In that respect, it is important to ensure the support of the government to the need for judicial reform. In terms of combating corrupt practices, the executive is the branch that should put in place the conditions required to sanction corrupted persons promptly and effectively, to eliminate any possibility of corruption within the judiciary and to improve its functioning and professionalism.

The **economic sphere** as a whole, and the privatization process in particular, are of key importance for the combat against corruption. Despite accelerated privatization, which is expected to downsize the potential for corruption in the economy in the long run, the non-transparent privatization procedures have again prevailed over the past year. A typical example here is the negotiations with potential buyers. The previous Corruption Assessment Report of *Coalition 2000* already pointed out that such procedures open the door to subjective criteria and corrupt practices.

In addition, the state and non-governmental organizations have failed to

exercise regular **post-privatization control**, which has resulted in obscuring the entire process of ownership transformation in the country. Taken as a whole, all these negative factors keep serious foreign investors away and impede the entrenchment of clear-cut business rules in the private sector. The very fact that, at the yearend of 2000, the government has decided to apply a new strategic formula to the final stage of privatization connotes the deficiencies and irregularities of the model of divestiture followed to date.

There has been an obvious need to improve **corporate governance as a counterbalance to corrupt practices in the private business**. The implementation of modern corporate governance standards based on transparency and self-regulation is a priority in the joint efforts of *Coalition 2000* and the Corporate Governance Initiative in Bulgaria.

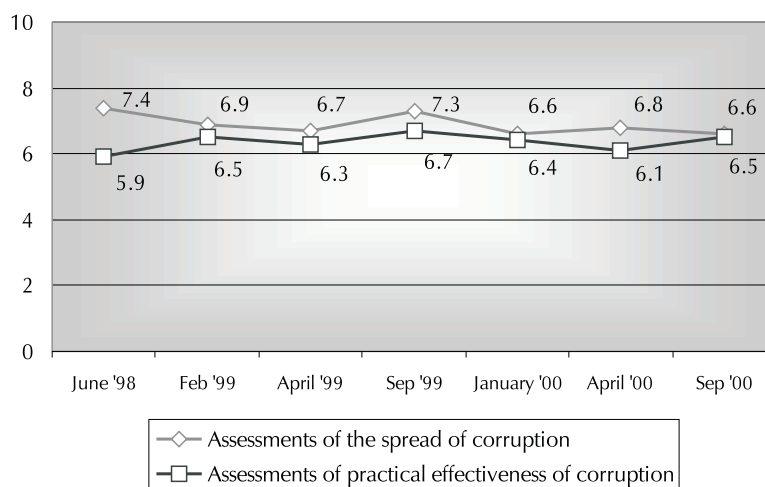
The **sympiosis between corruption and smuggling** has a devastating effect with persistent social implications. According to expert assessments, over the past few years there has been a large degree of criminal interaction between smugglers and civil servants at virtually all levels in Bulgaria. Illegal imports become the source of dirty money and largely fuel the „gray sector“ of the economy, which is estimated to be as high as 35 per cent.

When assessing the **dynamics of corrupt behavior and of the public attitude vis-a-vis corruption**, we have identified some rather inconsistent trends. On the one hand, the growing public intolerance to corruption „at the top“ is tangible. On the other hand, quite so apparent is the opposite trend, *i.e.* the public resignation at the lack of progress made through the actions or inaction of those in power. A disturbing fact is that, for the first time in the past two years, there is a trend of growing overall tolerance to

corrupt practices when these are used as an instrument to protect individual interests. This trend goes counter to the heightened intensity and visibility of the public debate on corruption and mirrors the ever more evident discrepancy between the declarations of some political authorities and representatives of the elite and their actual deeds. A cynical way of thinking would invariably prevail if the words against corruption become an alternative to the fully-fledged measures aimed at its erasure.

Irrespectively of this ambivalence, over the past year there is a growing understanding

ASSESSMENTS OF THE SPREAD OF CORRUPTION AND THE PRACTICAL EFFECTIVENESS OF CORRUPT PRACTICES \*



Source: *Coalition 2000*

\* Note: the maximum value of the index is 10,0 and indicates the highest possible level of corruption. The minimum value is 0,0 and indicates the practical absence of corruption.

in society that corrupt practices should be opposed by way of specific action, that targeted and systematic efforts need to be undertaken in the public sphere in order to arrive at modern standards of transparency and accountability. This general understanding also mirrors the fact that, in articulating the strategy of the reform during the past year, the authorities have laid a stronger emphasis on combating corruption and have put in place certain legislative and practical measures endowed with a significant anti-corruption potential.

The role of the **civil society** in formulating anti-corruption ethics tends to expand. Similarly, we have witnessed the growing importance of independent media, primarily the press, in voicing the public interest to curb corruption in the public sphere. Non-governmental organizations have had specific contribution in this respect in establishing a **public-private partnership** to combat this phenomenon. The role of *Coalition 2000* is emblematic here, as this is a lasting formula enabling the cooperation among representatives of civil society, public institutions and the community of experts, and journalists.

The efforts of different public groups aimed at curbing corruption in the country could not have been so intense and well focused without the efficient **cooperation**, on a completely equal footing, **with a number of international organizations, world financial institutions and foreign government and non-government agencies**, which are active in combating corrupt practices. Over the past year, this cooperation has concentrated on establishing rules of transparency and openness in international transactions, and Bulgaria's involvement in this process has gained strength through its accession to some newly adopted legal instruments.

Thus, the improved corruption rating of Bulgaria in the period 1999-2000, published by Transparency International, a well-known international NGO, has had visible repercussions in domestic politics. In comparison to the previous two years, Bulgaria has moved ahead to 52nd from among 90 countries (it ranked 67th in 1998, out of 85 countries, and 63rd in 1999, out of 99 countries). This result is due primarily to the legislative efforts made to date and could turn into a stable trend if the authorities manage to transform the anti-corruption measures into a lasting priority of government policy.