

**Remarks by U.S. Ambassador John Beyrle**  
**9<sup>th</sup> Annual Anti-Corruption Policy Forum**  
**Center for the Study of Democracy**  
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I'd like to begin by thanking Ognyan Shentov and the Center for the Study of Democracy for inviting me to speak today. The battle against corruption here can only be won if the Bulgarian people demand it, and I congratulate Dr. Shentov and his staff for their commitment and courage to make the true scale of the problem clear for every Bulgarian to see.

This is the first year that this forum is being held with Bulgaria as a member of the European Union. Perhaps it is not a coincidence that this year, for the first time, the Center's corruption monitoring system shows that a majority of Bulgarians consider corruption to be the most important problem facing their country. As citizens of Europe, Bulgarians hold their government to higher standard. The "who cares" mentality is dying out with regard to corruption. And the mainstream political forces in this country that respond to this demand with credible actions that demonstrate clear political will to break the back of corruption will win long-term popular support.

Public intolerance toward corruption is growing because the Bulgarian people can see how much corruption costs them. Nowhere is this more clearly stated than in the most recent findings of the CSD, which show that corruption is a hidden tax on all Bulgarians.

Corruption raises the cost of all public services, such as building roads and enforcing the law. Even more important, it drains money from the public funds spent on social services, such as health care and education. Even if only a small fraction of the population is directly involved in corruption, it affects everybody.

The amounts lost to the Bulgarian people are indeed staggering.

Consider VAT revenues. CSD cites World Bank estimates that 900 million leva were lost to Bulgaria's people due to fraud and corruption in 2002. That's 900 million leva that the Bulgarian government is cheated out of spending. And just how much is 900 million leva? About the same as the combined annual budgets for the Ministry of Health Care, the Ministry of Education and Science, and the Ministry of Culture. The CSD Report that will be presented today shows that the Bulgarian taxpayers lose between 300 and 400 million leva every year solely from the contraband that passes through the country's duty free shops.

CSD estimates the loss to the public through corruption in public procurement at 20 – 25 percent of the entire public procurement budget. In other words, because of corruption, Bulgarians are paying an average of 20 – 25 percent extra on every contract that their government signs.

The hidden tax of corruption inhibits Bulgaria's social and economic development. Bulgaria's economic growth depends on foreign investment, but concerns about corruption here have without doubt scared away hundreds of millions of euros and dollars of potential investment capital.

Because the public doesn't know exactly who finances political parties, the hidden tax of corruption undermines confidence in the political system.

Why is the United States so concerned? Because we need Bulgaria to be a strong and reliable partner, and the cost of corruption leads to social and economic weakness. If Bulgaria fails to address the root causes of corruption, it raises doubts in the eyes of its allies and friends about the desirability of closer relations.

The United States is no stranger to corruption. But when we find it, we strike back hard.

Two members of the last Congress are now serving prison terms. Randy Cunningham was sentenced to eight years for bribery and tax evasion. Bob Ney is serving thirty months for taking bribes. A prominent lobbyist in Washington, with high connections in both the Republican and Democratic parties, pleaded guilty last year to conspiracy to bribe public officials. He too was sent to prison for nearly six years.

Bulgarians are no different than Americans - they want to see clear signals that their leaders and the judicial system are serious about fighting corruption. They need to see clear signs that things are really changing. For instance:

- they want to see criminal indictments brought against public figures who put their own interest ahead of the public interest; the actions of the Chief Prosecutor in this regard, especially over the past few months, are noteworthy and we all hope they will continue;
- they want to see politicians and political parties sever their ties with the shady middlemen and criminal bosses; and
- they want to see laundered money taken out of the world of politics and business, and replaced with a climate of transparency and accountability.

As the CSD report shows, winning the fight against corruption is not a hopeless cause. Trends in certain areas are positive. Cases of administrative corruption are clearly down, and the number of indictments is up. Institutions and practices have been established in the past few years that will further reduce corruption in public procurement and the courts. A public procurement registry and a National Audit Office register have been established that among other things will make the assets and income of public officials subject to stronger public scrutiny. And a growing network of model courts is forcing transparency into the rulings of judges by releasing their decisions through public information centers.

Social scientists describe a well-known phenomenon called the "tipping point:" a magic moment when an idea, trend or social behavior crosses a threshold and begins to spread quickly. Experience in other countries has shown that with regard to corruption, the tipping point is reached when three conditions are present: first, efforts to curb corruption in some areas begin to show initial successes; second, these early successes fuel public demand for faster change; and third, political forces respond to this demand by changing their behavior in ways that prevent

rather than enable corrupt practices. The CSD Index, and the public attention it has attracted makes clear that the first two conditions are close to being met. The third condition depends on the political will of Bulgaria's leaders to move beyond words and take concrete steps to eliminate the hidden tax of corruption that is preventing the people of Bulgaria from realizing the enormous potential of this country. The United States government and the US Embassy in Bulgaria look forward to supporting them in their efforts.

Thank you.